

July 15, 2009

Subject: Official Chapter 41 Notification for 2009–10

To the Administrator Addressed:

This letter is official notification of your district's Chapter 41 status for the 2009–10 school year. It allows your district to move forward with election preparation, if necessary.

We estimate that your district's wealth per resident WADA will exceed the equalized wealth level of \$319,500 as established by Texas Education Code (TEC), §41.002(a)(3), based on the revised preliminary property value for your district reported by the Comptroller's Property Tax Assistance Division (PTAD) for tax year 2008 and the projected number of resident students in weighted average daily attendance (WADA) for the 2009–10 school year. The final property value for your district reported by the PTAD for tax year 2008 will not be available until August 17, 2009. If applicable, TEA will retract official Chapter 41 notification provided a district if the equalized wealth level is less than \$319,500 per WADA.

For upcoming school year 2009–10, the first equalized wealth level (EWL) is currently estimated to be \$476,500 per WADA, and the third EWL will remain \$319,500 per WADA. Districts whose identified wealth level falls between \$319,500 and \$476,500 per WADA will not pay recapture unless their adopted tax rate exceeds the compressed rate plus six pennies.

Based on current data, your district will be required to reduce its wealth per WADA for the 2009–10 school year using one or more of the statutory options available. TEA will provide the *Manual for Districts Subject to Wealth Equalization (Chapter 41) 2009-10* and other administrative information by the end of July 2009.

Estimates for 2009–10

The enclosed printouts provide information about the calculations affecting your district. One printout calculates wealth per WADA assuming no tuition is charged to educate nonresident students, and the other printout calculates wealth per WADA assuming tuition is charged. If tuition is charged, the WADA of those students charged is subtracted from the district's Chapter 42 WADA to derive Chapter 41 WADA. If your district does not intend to charge tuition for its transfer students, you must inform the TEA in writing.

The district will receive four separate printouts: "tuition" and "no tuition" at the first EWL of \$476,500 per WADA as well as "tuition" and "no tuition" at the third EWL of \$319,500 per WADA.

Districts New to Chapter 41 Status

Under current law, a district with property wealth per WADA above the EWL has the following five options available to reduce its wealth per resident student:

- (1) consolidate with another district;
- (2) detach property;
- (3) purchase attendance credits from the state (Option 3);
- (4) contract to educate nonresident students (Option 4); and/or
- (5) consolidate tax bases with another district.

In the past, most districts have selected Option 3 or Option 4 or a combination of both options. An election is required for both Options 3 and 4. In 2006, the Texas Legislature authorized Chapter 41 districts to offset their costs for recapture against new state funding, additional state aid for tax reduction (ASATR), which is provided for the purposes of property tax relief (see the TEC, §42.2516). Subsequently, the legislature passed additional provisions that allow a Chapter 41 district to forgo the requirement to conduct an election to authorize one or more options, if the ASATR for the school year exceeds the recapture costs for that same year (see the TEC, §42.2516(i)). These provisions allow the district to offset its recapture costs against its ASATR funds. As a result, if your district is notified of its Chapter 41 status for the first time in the 2006–07 school year or later, it can take advantage of this offset provision without the need to conduct an election.

Additional information about elections will be provided in the *Manual for Districts Subject to Wealth Equalization (Chapter 41) 2009-10*. The TEA will provide a calendar for special elections, a sample submission to the U.S. Department of Justice for preclearance, and sample ballot proposition language. You may also wish to call the secretary of state's office at 1-800-252-8683 for assistance with the election procedures.

The TEA will make a final determination regarding the payment of recapture costs based on the 2009 tax rate levied by your district, the amount of local M&O taxes collected by your district in 2009–10, your district's final property value for tax year 2008, and its final 2009–10 WADA. All school districts will be required to report their tax rates and estimated collections to the TEA following the adoption of the rates so that the TEA can develop estimated recapture costs to be paid during the 2009–10 year. This data will be collected via the Foundation School Program (FSP) Application's Chapter 41 module which can be found inside the Texas Education Agency's Secure Environment (TEASE).

For additional information, please see the Chapter 41 website at <http://www.tea.state.tx.us/school.finance#chapter41>, or call Victoria Dorsey Drewy in the State Funding Division at (512) 463-9214.

Sincerely,

Helen Daniels
Director of State Funding

HD/vdd
Enclosures