

May 1, 2015

Subject: Preliminary Notification of Potential Chapter 41 Status for 2015

To the Administrator Addressed:

This letter is preliminary notification of your district's Chapter 41 status for the 2015-2016 school year. It allows your district to move forward with election preparation, if necessary.

Based on the district's preliminary property value for tax year 2014 provided by the Texas Comptroller's Property Tax Assistance Division (PTAD), and the projected number of resident students in weighted average daily attendance (WADA) for the 2015 school year, the Texas Education Agency (TEA) estimates that your district's wealth per resident WADA will exceed the equalized wealth level (EWL) of \$319,500 per WADA as established by the Texas Education Code (TEC), §41.002(a)(3).

There are three EWLs currently in effect. The first EWL is applied to the tax effort associated with a district's compressed tax rate (CTR). A district's CTR is its 2005 adopted maintenance and operations (M&O) tax rate multiplied by the state compression rate. For 2015, the state compression rate is 66.67 percent. The first EWL is \$04,000 per WADA, which is equivalent to the yield provided by the basic allotment.

The second EWL is determined by the funding provided to property school districts for their tax effort that exceeds their CTRs. If the state's equalization program for property school districts is funded to provide tax revenue equivalent to that raised by the Austin Independent School District on the first six pennies of tax effort that exceed the CTR, property wealthy school districts are allowed to retain all of the revenue on the equivalent tax effort.

The third EWL is set in statute at \$319,500 per WADA, and it applies to any tax effort that exceeds a district's CTR plus six cents. Final determination of whether a school district will be required to make recapture payments on the third EWL is based on the district's actual tax effort and the extent to which it exceeds the district's CTR. A district whose identified wealth level falls between \$319,500 and \$04,000 per WADA will not pay recapture unless the district's adopted M&O tax rate exceeds the CTR plus six pennies. If the district is still considered a child of the state in accordance with the TEC §41.004, the TEA will officially notify your district by July 15, 2015 after final property values for tax year 2014.

At that time, the TEA will provide the *Manual for Districts Subject to Wealth Equalization (Chapter 41) 2015–2016* and other administrative details.

This preliminary notification is informational only and does not require a response by the district. **The official notification in July, however, does require a response by the district informing the TEA of the option the district intends to exercise to equalize the district's wealth level and whether the district charges tuition to nonresident students. Only after the TEA has approved the district's plans may the district proceed with adopting a tax rate for the coming school year.**

Estimates for 2015–2016

The enclosed printout provides information about the calculations affecting your district. The printout calculates wealth per WADA assuming no tuition is charged to educate nonresident students, and calculates wealth per WADA assuming tuition is charged. If tuition is charged, the WADA of those students for whom tuition is charged is subtracted from the district's Chapter 42 WADA to derive Chapter 41 WADA. You are receiving this letter because at least one of these calculations of wealth per wada exceeds \$319,500 based on current estimates.

A printout is enclosed: tuition and no tuition at the third EWL of \$319,500 per

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) Charge tuition to educate nonresident students (Option 4)
- 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.

that office's website at <http://www.sos.state.tx.us/> for assistance with election calendars and procedures.

Final Determination Regarding Payment of Recapture Costs

The TEA will make a final determination regarding the payment of recapture costs based on the 2015 tax rate levied by your district, the amount of local M&O taxes collected by your district in 2015-2016, your district's final property value for tax year 2014, and its final 2015 DA.

For additional information, please see the Chapter 41 Wealth Equalization webpage at <http://tea.texas.gov/index2.aspx?id=25769817569> or contact Kim Wall in the State Funding Division by telephone at (512) 448-0909 or by email at kim.wall@tea.texas.gov

Sincerely,

Amanda Brownson
Director of State Funding

AB/kw
Enclosures