Settle-Up: For Districts Exercising Option 4 27

SECTION 3: OPTIONS FOR REDUCING WEALTH 31

What options are available to reduce wealth? 31

Which of these options require voter approval? 32

What special requirements apply in choosing Option 4? 32

How does our district participate in an Option 4 technology consortium? 33

What happens if our district does not make Chapter 41 payments? 33
What happens if the default is related to a prior school year? 34
What happens if the default is related to a current school year? 35

What happens if our district does not call an election? 37

What happens if our district calls an election but the voters don't authorize an option to reduce wealth? 37

SECTION 4: OPTIONS FOR REDUCING COSTS 39

What options are available to reduce recapture costs? 39

Can our district receive a credit for submitting its agreement early? 39

Is our district eligible to receive a credit for tuition paid to another school district? 39

Is our district eligible to receive a CAD cost reduction? 40

What is the Chapter 41 hold harmless provision? 40

Is our district eligible for the hold harmless provision? 41

SECTION 5: TAXATION 43

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Significant Changes

The following table briefly describes the significant changes from the 2016–2017 manual. The table does not include all changes made to the manual.

Significant Changes in the
Manual for Districts Subject to Wealth Equalization 2017–2018 School Year

Change	Section Affected
The Chapter 41 Contract is automated via the Chapter 41 subsystem of the online FSP System. Beginning with the 2017–2018 school year, the letter approving the contract is located in a link at the bottom of the Contract Detail in the Chapter 41 subsystem of the online FSP System.	Chapter 41 Calendar for School Year 2017–2018, What actions must our district take following official notification of its Chapter 41 status in the summer?,

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Chapter 41 Calendar for School Year 2017–2018

If the calendar date falls on a weekend, federal or state holiday, the effective date is the business day preceding the weekend or holiday.

May 1, 2017	May 1 is the approximate date the agency provides preliminary notification to districts tentatively identified as having Chapter 41 status for 2017-2018 This preliminary notification is informational only and does not require a response by the district unless the district needs to adopt its tax rate early.
May 1, 2017	May 1 is the approximate date for preliminary 2017–2018 *Cost of Recapture Report*s to be made available through the

September 1, 2017	**Early agreement credit deadline:** A Chapter 41 district seeking an early agreement credit for Option 3 in 2017–2018 must complete and submit the *2017–2018 Option 3 Contract via the Chapter 41 subsystem of the online FSP System*. *A complete contract must be in "submitted" or "approved" status by this deadline* or submit an original signed Option 3 contract **that is postmarked by this deadline. For the district to receive this credit, the contract must be correct and complete.**
September 1, 2017	**If the commissioner determines that a school district will not be able to equalize wealth for the current year due to failing to call an election to authorize one or more options under Chapter 41, or does not provide the agency with notification of its intent to achieve wealth equalization, the commissioner may order the detachment of property under Chapter 41, Subchapter G or annexation under Subchapter H. The commissioner will notify the affected school districts and appraisal districts of this decision as soon as practicable after this date, but by May 31.** See details in Section 3: Options for Reducing Wealth Equalization, "What happens if the default is related to a prior school year", First Evaluation for possible actions regarding failure to achieve wealth equalization for a prior year.
September 15, 2017	Approximate date the agency notifies each Chapter 41 district with a balance due for the prior year as the result of updates to the *Cost of Recapture Report* made at near-final settle up. The balance due must be paid by October 1, 2017.
October 1, 2017	**Near-final balances are due** for recapture payments owed by Chapter 41 districts for the prior year based on updates to the *Cost of Recapture Report* made at near-final settle up. See details in Section 3: Options for Reducing Wealth Equalization, "What happens if the default is related to a prior school year", First Evaluation for possible actions regarding failure to achieve wealth equalization for a prior year.
November 7, 2017	**November 7 is the date of the election to obtain voter approval for Option(s) 3, 4, and/or 5 if a district opted to hold the election on the uniform election date. Please refer to the Texas Secretary of State's website at** http://www.votetexas.gov/voting/when.html **for uniform election deadlines and information (scroll to the bottom part of the page).** **By November 7, if the commissioner determines that a school district will not be able to equalize wealth for the current year due to failing to call an election to authorize one or more options under Chapter 41, or that a district has not achieved wealth equalization for a prior year, the commissioner will order the detachment of property under Chapter 41, Subchapter G or annexation under Subchapter H, specifying the portion of the taxable value of the property to be detached or annexed. The commissioner will notify the affected school districts and appraisal districts of this decision as soon as practicable after this date, but by May 31.**

December 1, 2017 **December 1 is the deadline for reporting election results for a Chapter 41 district that held an election during fall 2017:** The district must notify the State Funding Division of the option(s) selected by voters by sending a certified copy of the school board minutes showing a canvass of election results. **The certified copy must be postmarked and mailed by this deadline.**

3 3 6 T w f -

At his or her discretion, the commissioner may modify dates in this timeline to ensure the effective and efficient administration of Chapter 41, in accordance with TEC 41.006(b).This page has been left blank intentionally.

What is the third EWL?

The third EWL it is set in statute and it applies to any tax effort that exceeds the CTR plus six cents.

Example:

2005 M&O tax rate = $1.50
CTR = $1.50 × 66.67% = $1.00
2017 M&O tax rate = $1.17

	Tax effort	**2017–2018 Wealth per WADA**
1st EWL		

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mail a contract that informs the state which option your district has chosen to equalize its wealth level for the 2017–2018 school year.

***Note:** If your district chooses to submit the Option 3 Contract via the Chapter 41 subsystem, each year the district school board must delegate the authority to obligate the school district under chapter 41 to the superintendent. The following language is required to be recorded in the board minutes and the board minutes must be uploaded via the Chapter 41 subsystem of the online FSP System:

For the 2017–2018 school year, we delegated contractual authority to obligate the school district under Texas Education Code (TEC) §11.1511(c)(4) to the superintendent, solely for the purpose of obligating the district under TEC, Chapter 41, Subchapters A and D, and the rules adopted by the commissioner of education as authorized under TEC, 41.006. This included approval of the *Agreement for the Purchase of Attendance Credits* or the *Agreement for the Purchase of Attendance Credits (Netting Chapter 42 Funding)*.

If your school board chooses not to delegate contractual authority to the superintendent or if your board as designated the UserAdmin role in TEASE to someone other than the superintendent and your superintendent is not the district approver on behalf of your district, then your district must submit the contract in original paper form.

For those districts selecting Option 3, an early agreement credit is available (further details are available on page 39). A district seeking an early agreement credit for Option 3 must complete and submit the 2017–2018 Option 3 Contract via the Chapter 41 subsystem of the online FSP System. A complete contract must be in "submitted" or "approved" status by this deadline or must mail its signed Option 3 contract by September 1, 2017. **All districts must mail their signed contracts to the TEA by January 15, 2018**.

Please note that a contract submitted or mailed after the January 15, 2018, deadline will be considered delinquent.

Generally, when a district is first notified of its status as a Chapter 41 district, this triggers the requirement to hold an election to authorize one or more options to achieve wealth equalization. Chapter 41 allows a district to forgo this requirement to conduct an election if the district received its first notification of Chapter 41 status in 2006–2007 or later and the district's state aid under Chapter 42 for the school year exceeds the recapture costs for that same year (see the TEC, §41.0041

Appendix D, on election procedures, for detailed information about the election process. Your district needs to conduct this type of election only once. **If your district has conducted a Chapter 41 election in the past, it need not conduct additional elections upon subsequent notifications.**

*Note: The Option 4 contracts are not submitted through the Chapter 41 subsystem online, the Option 4 contracts are mailed in original paper form.

- Ensure that corresponding contracts are submitted or **postmarked by the deadlines** specified in the calendar for the given year (see the **Chapter 41 Calendar for School Year 2017–2018** at the beginning of this manual).

- Submit all other data via the Chapter 41 subsystem of the online FSP System. Please be sure to edit and successfully submit the remaining required Chapter 41 subsystem forms: the M&O Collections, WADA, CAD Cost, Tuition & Chapter 42 Partner Data. **Contract deadlines apply regardless of actions in previous years or continuing arrangements.** The TEA encourages early submissions.

- Send all documents and correspondence pertaining to Chapter 41 to the following address. Note that this address does not include the name of the commissioner or any other specific individual.

Texas Education Agency
State Funding Division
ATTENTION: Chapter 41 Actions
1701 N. Congress Ave.
Austin, TX 78701-1494

Please direct questions about Chapter 41 to the Chapter 41 program director in the TEA State Funding Division at (512) 463-9238.

When does the TEA provide estimates of the cost of recapture?

The TEA typically produces five estimates of the cost of recapture in five *Cost of Recapture Report*s during the course of the school year. These reports are referred to as the *preliminary, payment, revised, near-final,* and *final* reports.

The TEA provides the **preliminary** *Cost of Recapture Report* in the early fall of the applicable year. If no information is available about your district's choice of options when this report is produced, the TEA assumes that Option 3 will be exercised. Because current-year data are not yet available, the TEA may use prior-year data or estimates of current-year data for estimating Chapter 41 WADA and recapture costs. These data include M&O collections, enrollment, and Chapter 42 WADA.

The TEA provides the **payment** *Cost of Recapture Report* before the first payment due date in February. This version of the report reflects your district's choice of option(s) and updated district data for M&O collections, Chapter 41 WADA, and CAD costs. If your district has not submitted appropriate documentation of its M&O tax collections or CAD costs, the report reflects the TEA estimate of your district's M&O tax collections and no CAD costs. The TEA estimate of M&O tax collections is based on the parameters described in the General Appropriations Act that is applicable to the current budget year. (For more information, refer to the *School Finance 101*

The TEA provides the **final** *Cost of Recapture Report* in April of the subsequent school year. For example, the agency will generate the 2017–2018 final *Cost of Recapture Report*.

partner district in accordance with the FSP payment schedule, available at https://tea4avfawcett.tea.state.tx.us/fsp/Reports/ReportSelection.aspx.

What is settle-up?

Settle-up is a process of reconciling your district's estimated costs of recapture with its actual costs of recapture.

There are two rounds of settle-up, each associated with a *Cost of Recapture Report* (see **When does the TEA provide estimates of the cost of recapture?**).

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payment of any amount due to your district from its partner(s). The near-final *Cost of Recapture Report*s will compare the near-final number of WADA needed to the number of WADA purchased. The final *Cost of Recapture Report*s will compare the final number of WADA needed to the number of WADA purchased. After receiving the near-final and final *Cost of Recapture Report*s, your district must update the information about the number of WADA purchased from each partner in the Chapter 41 subsystem of the online FSP System. Submitting updated information enables the TEA to make the appropriate adjustment to each partner's state aid.

The cost of recapture for a Chapter 41 district that is exercising Option 3 or 4 is based on the cost of an attendance credit. The cost of attendance credits is established by the TEC, §41.093(a), which states that:

> the cost of each credit is an amount equal to the greater of:
>
> 1) the amount of the district's maintenance and operations tax revenue per student in weighted average daily attendance for the school year for which the contract is executed; or
> 2) the amount of the statewide district average of maintenance and operations tax revenue per student in weighted average daily attendance for the school year preceding the school year for which the contract is executed.

For the 2017–2018 school year, the preliminary 2016–2017 statewide district average M&O tax revenue per WADA used to calculate recapture costs for the first EWL is calculated as data becomes available and is provided on the Cost of Recapture Report. The statewide average M&O revenue per WADA used to calculate recapture costs for the third EWL is calculated as data becomes available and is provided on the Cost of Recapture Report.

Which of these options require voter approval?

If detachment of these categories of taxable property would not achieve wealth equalization, then the commissioner must consolidate the school district with one or more school districts to achieve wealth equalization.

What happens if the default is related to a prior school year?

T

in this notice in full by May 15 will be considered to have defaulted on its recapture payments for a prior school year.

If a Chapter 41 school district is considered to be in default on its recapture payments as of May 15, the commissioner will notify the Chapter 41 school district that,15

G or Subchapter H. The notice of default will be sent to each Chapter 41 district in default on or before

Section 4: Options for Reducing Costs

This section discusses options for Chapter 41 districts to reduce recapture costs.

Unless otherwise noted, *your district* refers to a Chapter 41 district.

Is our district eligible to receive a CAD

Is our district eligible for the hold harmless provision?

To be eligible for the hold harmless provision, your district must exercise Option 2 or 3, or Option 3 in combination with the technology consortium form of Option 4. If your district is exercising Option 3 in combination with the technology consortium form of Option 4, consult the Chapter 41 program director in the TEA State Funding Division at (512) 463-9238 for assistance with cost calculations (also, see Section 2, on administrative procedures, for more information).

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Section 5: Taxation

This section discusses taxation as it relates to Chapter 41.

Unless otherwise noted, *your district* refers to a Chapter 41 district.

How does being a Chapter 41 district affect tax rate adoption?

The TEC,

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Appendix A: Applicable Statutes

Texas Education Code, Chapter 41: http://www.statutes.legis.state.tx.us/Docs/ED/htm/ED.41.htm

Appendix B: Forms

This appendix includes information on the forms your district is required to submit. Your district should submit only those forms applicable to the option(s) it is exercising.

For the 2017–2018 school year, your district is required to mail in its contract or contracts with original signatures. All other information, including the Chapter 41 District Intent/Choice Selection Form, and the M&O Collections, WADA, CAD Cost, Tuition & Chapter 42 Partner Data, must be submitted online via the FSP System, which is accessed through the Texas Education Agency Secure Environment at https://seguin.tea.state.tx.us/apps/logon.asp. Instructions on how to apply for access to the online FSP System can be found at http://tea.texas.gov/About_TEA/Other_Services/Secure_Applications/TEA__Secure_Applications_Information/.

- **Forms to be submitted via the Chapter 41 subsystem of the online FSP System: District Intent/Choice Selection**: Use this form to indicate whether your district charges tuition to nonresident students and which option your district intends to use to reduce its property wealth per WADA, and whether your district is using the offset provision during the current school year

- M&O Collections, WADA, CAD Cost, Tuition & Chapter 42 Partner Data: Use this form to provide information on the option(s) chosen and associated contracts. This part of the Chapter 41 subsystem allows submission of CAD costs paid by your district and Option 4 districts and also allows for submission of

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2017–2018 Chapter 41 District Intent/Choice Selection Form

Use this form to indicate whether your district charges tuition to nonresident students, which option your district intends to use to reduce its property wealth per WADA, and whether your district is using the offset provision during the current school year. The form must be completed and submitted via the online FSP System. A screen shot of the form as it appears in the FSP System is shown on the following page.

Instructions and Notes

Your district may qualify to select Choice 1 if:

1. your district was notified of its Chapter 41 status for the first time in the 2006–2007 school year or later and

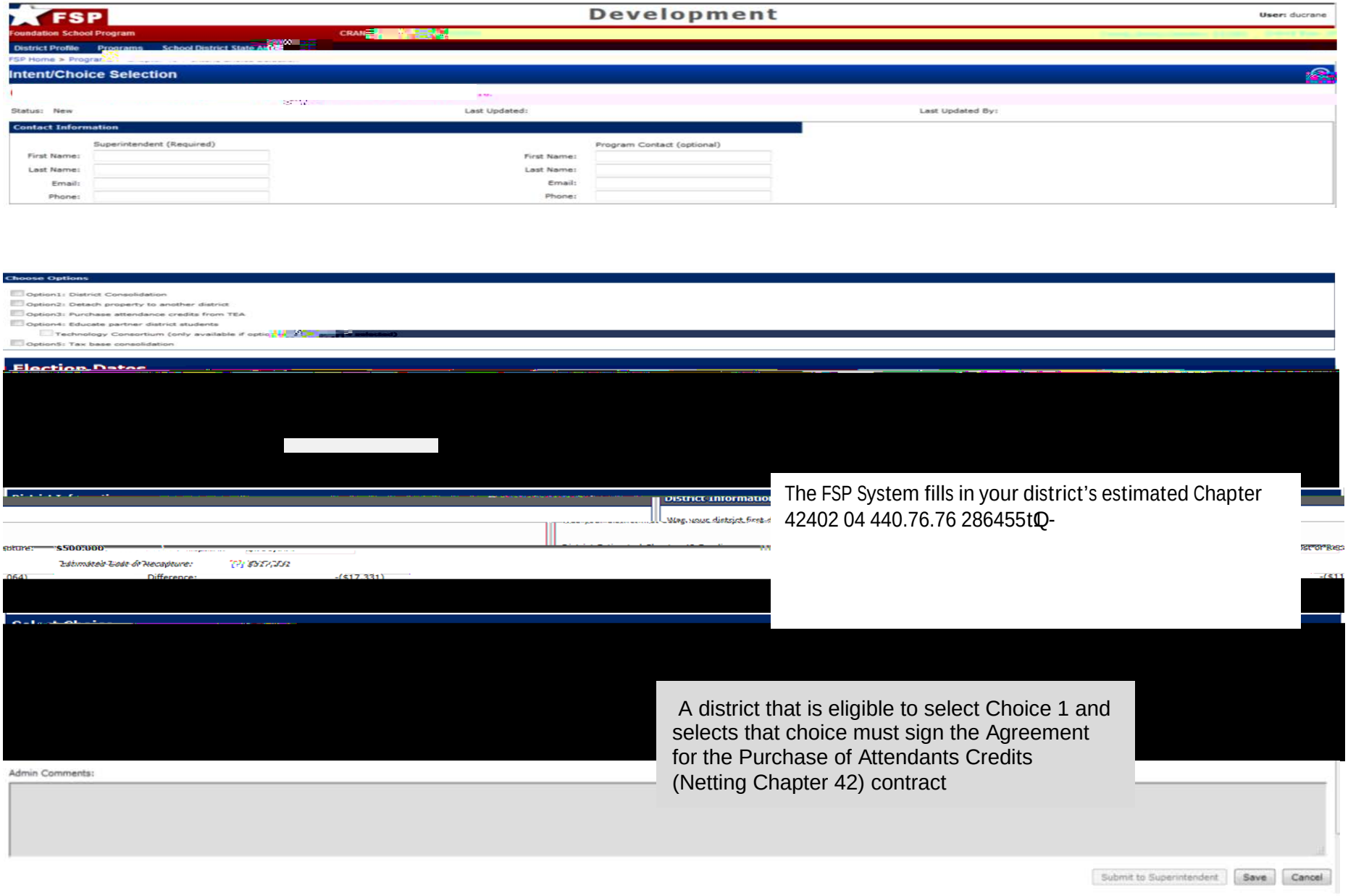
2. the cost of recapture is equal to or less than the district's Chapter 42 funding for the same school year.

If your district qualifies for the offset provision, the district signs the **Agreement for the Purchase of Attendance Credits (Netting Chapter 42 Funding)** on page 67. The contract must be submitted by January 15, 2018.

All other districts must select Choice 2 and sign the **Agreement for the Purchase of Attendance Credits** on page 65 or the **Agreement for the Education of Nonresident Students** on page 69. The contract must be submitted by January 15, 2018.

Screen shot of 2017–2018 Chapter 41 Choice Selection District Intent/Choice Selection form: For districts that were first designated Chapter 41 prior to 2006–2007

Screen shot of 2017–



The FSP System fills in your district's estimated Chapter 42402 04 440.76.76 286455tQ-

A district that is eligible to select Choice 1 and selects that choice must sign the Agreement for the Purchase of Attendants Credits (Netting Chapter 42) contract

2017–2018 Contracts

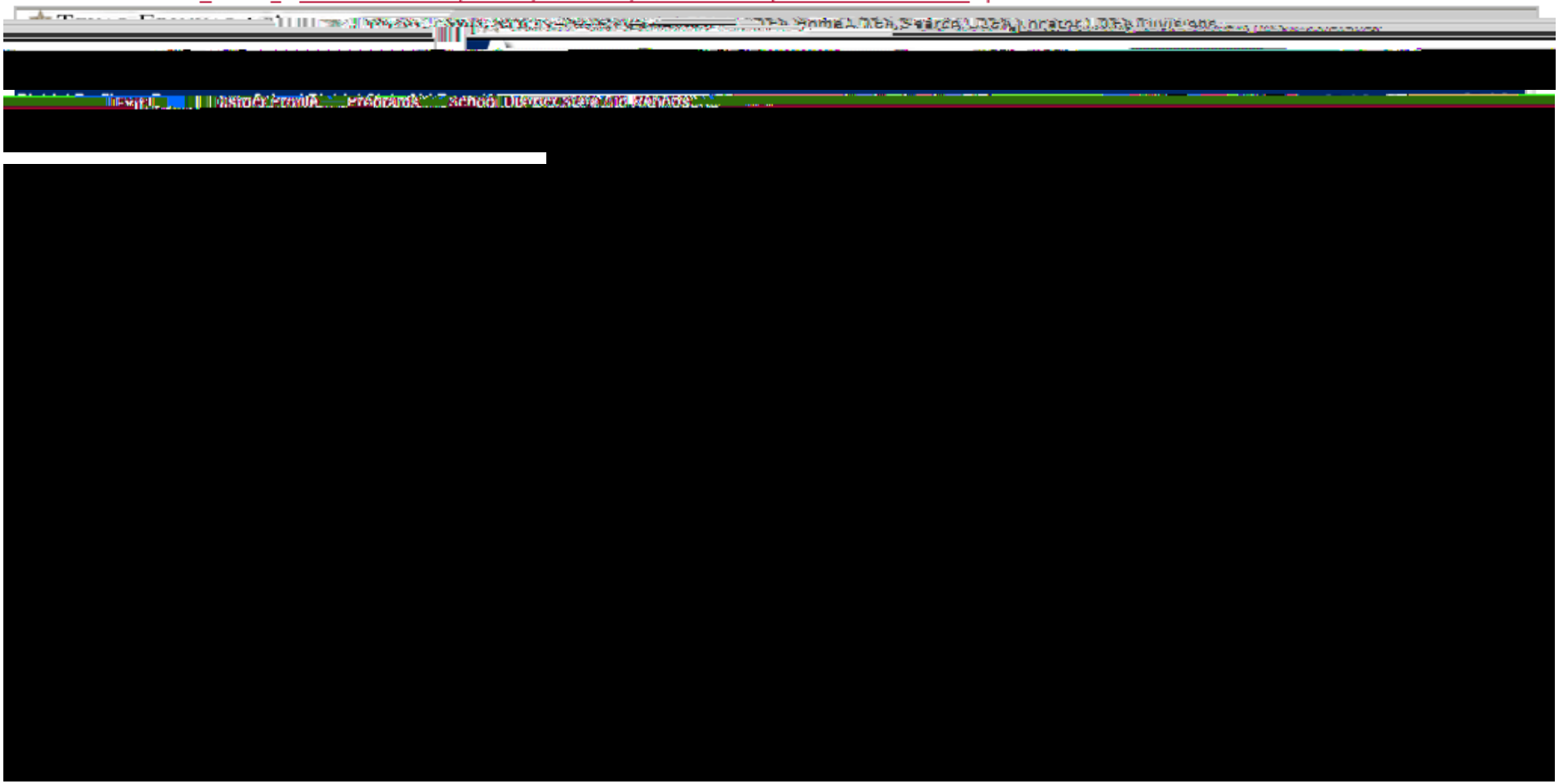
Use this form to inform the state which option your district has chosen to equalize its wealth level. The contract must be completed and submitted via the online FSP System. A screen shot of the contract as it appears in the FSP System is shown on the following page.

Instructions and Notes

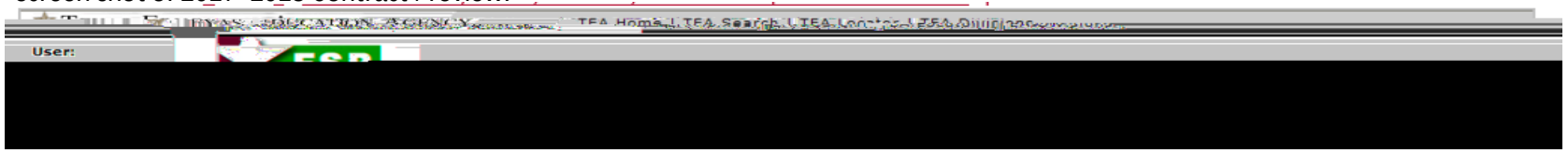
If your district chooses to submit the Option 3 Contract via the Chapter 41 subsystem, each year the district school board must delegate the authority to obligate the school district under chapter 41 to the superintendent. The following language is required to be recorded in the board minutes and the board minutes must be uploaded via the Chapter 41 subsystem of the online FSP System:

For the 2017–2018 school year, we delegated contractual authority to obligate the school district under Texas Education Code (TEC) §11.1511(c)(4) to the superintendent, solely for the purpose of obligating the district under TEC, Chapter 41, Subchapters A and D, and the rules adopted by the commissioner of education as authorized under TEC, 41.006. This included approval of the

Screen shot of 2017–2018 Chapter 41 Contract Detail Information Section:



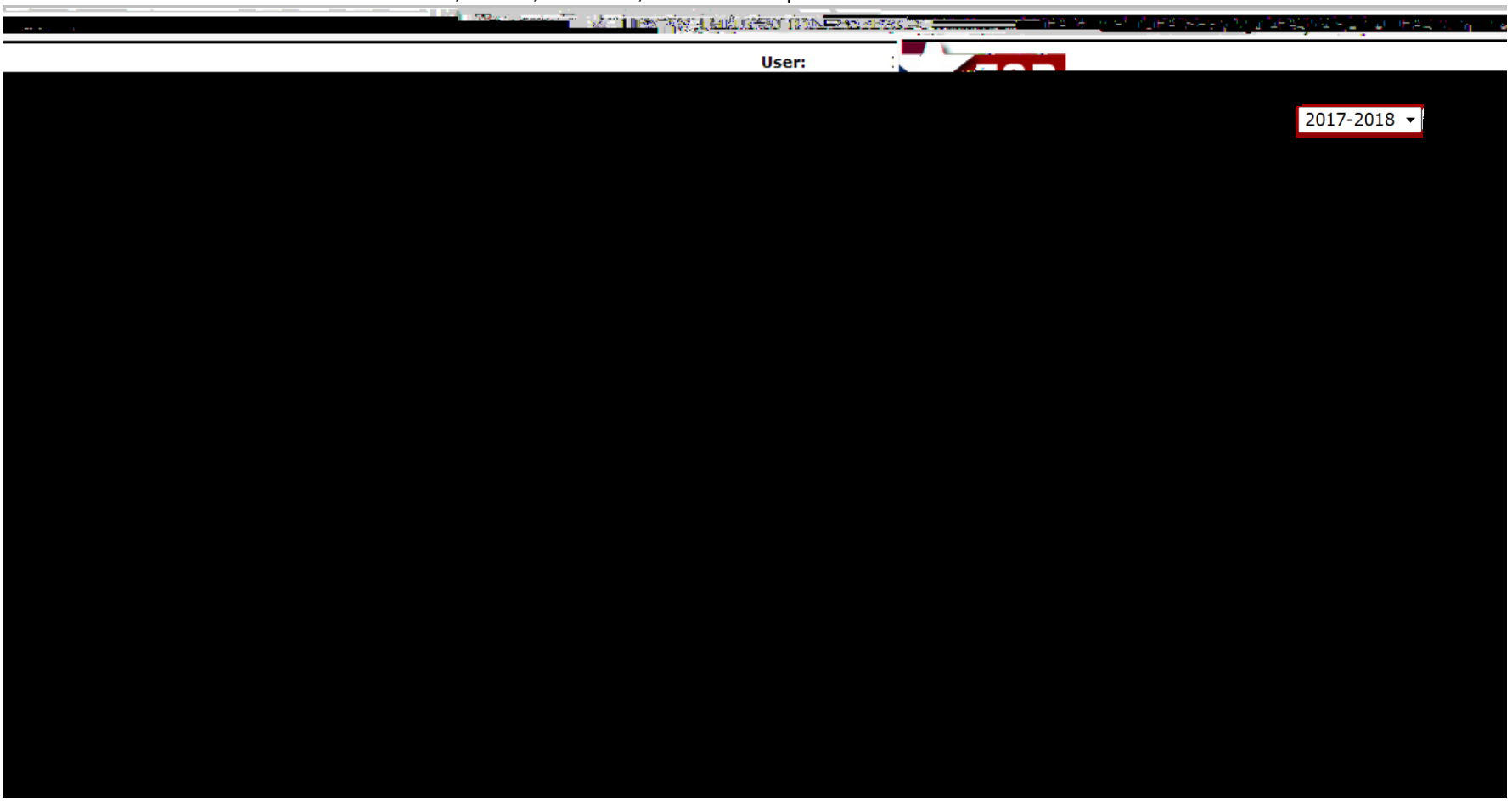
Screen shot of 2017–2018 Contract Preview:

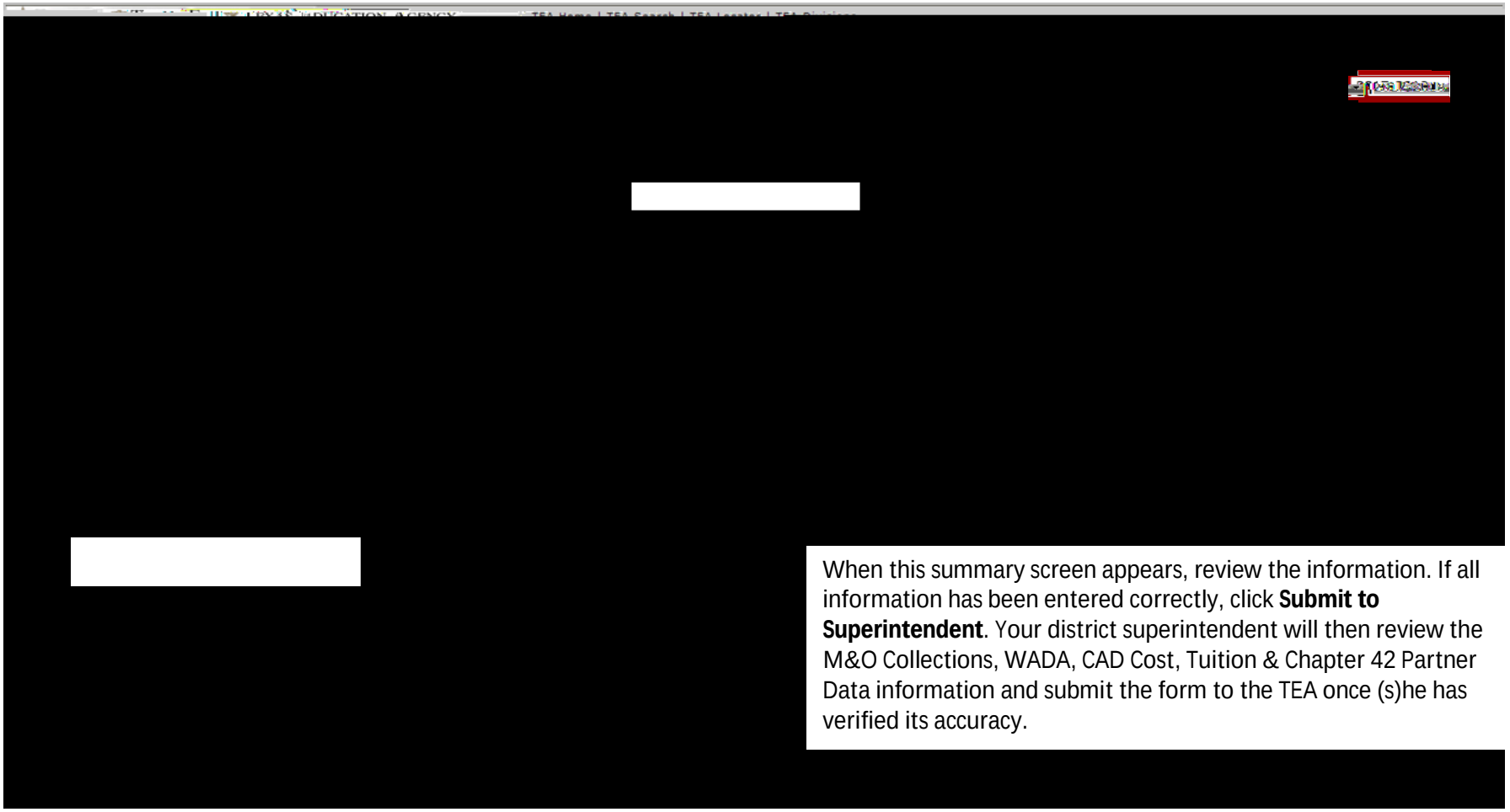


2017–2018 M&O Collections, WADA, CAD Cost, Tuition & Chapter 42 Partner Data

Use this form to provide information on the option(s) chosen and associated contracts. The form must be completed and submitted via the online FSP System. Screen shots of the form as it appears in the FSP System are shown on the following pages.

Screen shots of 2017–2018 M&O Collections, WADA, CAD Cost, Tuition & Chapter 42 Partner Data screens:





When this summary screen appears, review the information. If all information has been entered correctly, click **Submit to Superintendent**. Your district superintendent will then review the M&O Collections, WADA, CAD Cost, Tuition & Chapter 42 Partner Data information and submit the form to the TEA once (s)he has verified its accuracy.

Appendix C: Sample Contracts

This appendix includes the following sample contracts and optional contract language:

Option 3:

1.T4.8(1.Cd0)-0.7(t)4.793d( )TjEMCtyp8Jm1-0202 Tc 2045

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Agreement for the Purchase of Attendance Credits

This agreement is entered into pursuant to the Texas Education Code (TEC), Chapter 41, Subchapters A and D, and rules adopted by the commissioner of education as authorized by the TEC, §41.006. The purpose of this agreement is to enable the district to reduce its wealth per weighted student to a level that is not greater than the equalized wealth level as determined by the commissioner of education in accordance with the TEC, §41.002.

The school year to which this agreement applies is _____ (the "school year").

The agreement is for _____ School District ("the district"), with a county-district number of _____, to purchase attendance credits fJ0 Tu.0se aeen 2.857 -1.217 Tdf.

Signature of Superintendent

Agreement for the Purchase of Attendance Credits (Netting Chapter 42 Funding)

This agreement is entered into pursuant to the Texas Education Code (TEC), Chapter 41, Subchapters A and D, and rules adopted by the commissioner of education as authorized by the TEC, §41.006. The

Date: _____

Signature of President, Board of Trustees

Date: _____

Signature of Secretary, Board of Trustees

The District

District: _____

County-District No.:

The Partner

District: _____

Optional Language to Be Inserted in the Agreement for the Education of Nonresident Students

Optional Language on CAD Costs

The partner agrees to pay a prorated share of county appraisal district (CAD) costs incurred by the district as a result of funds raised by the district that are distributed to the partner. The share will be

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BALLOT PROPOSITIONS

No. 0000

Special Election (Elección Especial)
_____ School District (Distrito Escolar De _____)
Date (Fecha): _____, 20XX

OFFICIAL BALLOT (BOLETA OFICIAL)

INSTRUCTION NOTE: (NOTA DE INSTRUCCION:)

Place an "X" in the square beside the statement indicating the way you wish to vote. (Marque con una "X" el cuadro a la ezquierda de la frase que indica la manera en que usted quiere votar.)

Ballot Proposition: Authorizing the board of trustees of _____ School District to purchase attendance credits from the state with local tax revenues. (Propuesta Electoral: Autorizando a la junta directiva del Distrito Escolar de _____ para adquirir créditos de asistencia estatales con ingresos de impuestos locales.)
... FOR (A FAVOR DE)
... AGAINST (EN CONTRA DE)

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BALLOT PROPOSITIONS

No. 0000

Special Election (Elección Especial)
_____ School District (Distrito Escolar De _____)
Date (Fecha): _____, 20XX

OFFICIAL BALLOT (BOLETA OFICIAL)

INSTRUCTION NOTE: (NOTA DE INSTRUCCION:)

Place an "X" in the square beside the statement indicating the way you wish to vote. (Marque con una "X" el cuadro a la ezquierda de la frase que indica la manera en que usted quiere votar.)

Ballot Proposition: Authorizing the board of trustees of _____ School District to educate students of other school districts with local tax revenues.

(Propuesta Electoral: Autorizando a la junta directiva del Distrito Escolar de _____ para

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BALLOT PROPOSITIONS

No. 0000

Special Election (Elección Especial)
_____ School District (Distrito Escolar De _____)
Date (Fecha): _____, 20XX

OFFICIAL BALLOT (BOLETA OFICIAL)

INSTRUCTION NOTE: (NOTA DE INSTRUCCION:)

Place an "X"

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Index

CAD cost reduction, 36
calendar, 11
Chapter 41
  administrative procedures, 39
  calendar, 11
  definition, 17
  district, defined, 17
  forms, required, 43
  history, 17
  statutes related to, 41
  taxation, 39
contracts (sample), 55
  agreement for the education of
    nonresident students, 61
  agreement for the purchase of
    attendance credits, 57, 59
  optional language, 63
Cost of Recapture Report, 24
  final, 25
  near-final, 24
  payment, 24
  preliminary, 24
  revised, 24
county appraisal district cost reduction, 36
credits, 35
  early agreement credit, 35
  for tuition paid to another district, 35

Texas Education Agency
Austin, Texas
Spring 2017