Board of Trustees

Meeting Date: ____________

Executive Summary of Board Agenda Item

Subject/Title for Agenda Posting: Recommendation to delegate authority to the Superintendent to obligate the school district to pay recapture under Chapter 49 of the TEC

Justification Statement: Recommend approval for the 2026-2027 school year, to delegate 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 to under TEC, 48.257 and TEC, Chapter 49, Subchapters A and D, and the rules adopted by the commissioner of education as authorized under TEC, 49.006, to also include approval of the Agreement for the Purchase of Attendance Credit or the Agreement for the Purchase of Attendance Credit (Netting Chapter 48 Funding)

Purpose of Agenda Item: ☐ Information ☐ Discussion ☑ Action

Item Type: ☐ Curriculum & Instruction ☐ HumanResources ☑ Business Services

Staff Responsible: Cristina Pulley, Chief Financial Officer

Signature of Requester(s)

Signature of Presenter(s)

CPulley — *Business Services Approval (Initials)*

8/14/2026 — *Date*

Agenda Summary:

Recommend approval for the 2026-2027 school year, to delegate 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 to under TEC, 48.257 and TEC, Chapter 49, Subchapters A and D, and the rules adopted by the commissioner of education as authorized under TEC, 49.006, to also include approval of the Agreement for the Purchase of Attendance Credit or the Agreement for the Purchase of Attendance Credit (Netting Chapter 48 Funding)

BOARD REQUIRED MOTION:
For the 2026-2027 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, §48.257 and TEC, Chapter 49, Subchapters A and D, and the rules adopted by the commissioner of education as authorized under TEC, 49.006. This included approval of the Agreement for the Purchase of Attendance Credit, the Agreement for the Purchase of Attendance Credit (Netting Chapter 48 Funding) or the Agreement for Purchase of Attendance Credit and Netting Chapter 48 Funding.

RECOMMENDATION: Recommendation to delegate authority to the Superintendent to obligate the school district to pay recapture under Chapter 49 of the TEC

PRIOR BOARD ACTION: N/A AWARDED: AWARDED AMOUNT:

AMOUNT(S): N/A

ACCOUNT NO(S):
N/A

PROCUREMENT METHOD TYPE: (3 Quotes, Cooperative Contract Quotes, Sole Source, Formal Bid)
N/A

REQUESTING DEPARTMENT:
Financial Services Department

CONSEQUENCES OF NON-APPROVAL:
The District will not be in compliance of with required to TEA process to pay recapture and in turn will not be able to adopt a tax rate

IMPLEMENTATION TIMELINE:
September 1, 2026

ATTACHMENT(S): ✔ TEA Notification Letter, Purchase of Attendance Credit (Netting Chapter 48 Funding)

Texas Education Agency

Commissioner Mike Morath

1701 North Congress Avenue • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • tea.texas.gov

July 15, 2026

To the Administrator Addressed:

Subject: Notification of Local Revenue Level in Excess of Entitlement for School Year 2026-2027

Background

Pursuant to Texas Education Code (TEC),[1] §§48.257 and 49.004, this letter notifies your district of the determination by the Texas Education Agency (TEA or agency) that your district's Tier One local share under TEC, §48.256, will exceed the district's entitlement under TEC, §48.266(a)(1), less the district's distribution from the state available school fund, and/or the district's Tier Two local share described by TEC, §48.266(a)(5)(B), will exceed the amount described by TEC, §48.202(a-1)(2), for school year 2026-2027. This allows your district to move forward with preparation for an election under TEC, Chapter 49, if necessary.

Estimates

As established in TEC, §48.269, determinations for districts subject to recapture are based on estimates of enrollment for school year 2026-2027 and estimated property values for tax year 2026. Because the agency does not yet have final state certified property values for tax year 2026, the agency is using 2025 state certified property values increased by 3.60% in accordance with the 2026-2027 General Appropriations Act.

Determination

Based on these estimates, your district's estimated local yield per penny per student in weighted average daily attendance (WADA) exceeds the Tier Two (level two) guaranteed yield of $49.72. Your district will be required to reduce its excess local revenue level for the 2026-2027 school year using one or more of the statutory options available.

The enclosed report provides information about the calculations affecting your district. It calculates Tier One and Tier Two (level two) excess local revenue, as established in TEC, §48.257.

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[1] Except as noted, statutory citations refer to the Texas Education Code, as amended by the 89th Texas Legislature, Regular Session 2025.

Options to Reduce Local Revenue in Excess of Entitlement

A district with local revenue in excess of entitlement has the following five options available to reduce the district's revenue level under TEC, Chapter 49:

1) Consolidation with another district as provided by Subchapter B;
2) Detachment of territory as provided by Subchapter C;
3) Purchase of average daily attendance credit as provided by Subchapter D ("Option 3");
4) Education of nonresident students as provided by Subchapter E ("Option 4"); and/or
5) Tax base consolidation with another district as provided by Subchapter F.

Districts have historically selected Option 3. Successful elections conducted under TEC, former Chapter 41, carry over into TEC, Chapter 49.

Provisions in TEC, §48.257(c), allow districts to offset the reduction of excess local revenue against TEC, Chapter 48 funds. All districts will have the option to use state aid calculated under TEC, Chapter 48, that is not described by TEC, §48.266(a)(3) as an offset to their attendance credit for purposes of reducing their local revenue level. Districts using this option are required to submit the District Intent/Choice Selection form and complete an Option 3 netting contract, which can be found in the *Options and Procedures for Local Revenue in Excess of Entitlement 2026-2027School Year* and on the Excess Local Revenue webpage.

To avoid any delays in the approval of the Agreement for the Purchase of Attendance Credit or the Agreement for the Purchase of Attendance Credit (Netting Chapter 48 Funding), it is recommended that your district's school board delegate authority to obligate the school district under TEC, Chapter 49, to the superintendent, and the superintendent would then submit the contract via the Excess Local Revenue (ELR) module of the online Foundation School Program (FSP) system in Texas Education Agency Login (TEAL). **Contracts must be submitted through the FSP ELR module to ensure a complete and auditable record.**

Additional information about elections, as well as sample ballot proposition language, is provided in the *Options and Procedures for Local Revenue in Excess of Entitlement 2026-2027 School Year*. You may also wish to call the Office of the Texas Secretary of State at 1-800-252-8683 or visit that office's website at http://www.sos.state.tx.us/ for assistance with election calendars and procedures.

Action Required

Upon receipt of this letter, your district must submit the district intent/choice selection form through the Excess Local Revenue module of the online FSP system to TEA, indicating which option the district intends to use to reduce local revenue in excess of entitlement for school year 2026-2027. According to TEC, §49.004(c), as a district that has been notified of local revenue in excess of entitlement, your district may not adopt a tax rate for tax year 2026 until the Commissioner of Education certifies that your district has reduced the district's local revenue level in excess of entitlement to the level established under TEC, §48.257. The agency will certify your district's compliance upon review of your district's intent/choice selection form, and **approval is contingent upon** TEA's determination of the district's maximum compressed tax rate via the Local Property Value Survey (LPVS) module.

The LPVS module of the FSP system in TEAL is scheduled to open on July 18, 2026, and close on August 1, 2026. The agency will use the locally estimated property growth rates to calculate estimates of comptroller-certified property values used for state funding purposes (i.e., "T2" property values) and then calculate and make available the maximum compressed Tier One tax rates (MCRs) in August of 2026. **Districts must wait until receiving both the agency's approval of the district intent *and* the agency's determination of the district's MCR before proceeding with tax rate adoption.**[2]

For detailed information on all the procedures your district is required to follow to reduce local revenue in excess of entitlement, the *Options and Procedures for Local Revenue in Excess of Entitlement 2026-2027 School Year*, will be available on the TEA Excess Local Revenue webpage in the coming months.

Final Determination Regarding Payment of Excess Local Revenue

TEA will make a final determination regarding the payment of excess local revenue using the district's final enrollment, entitlement and local share under TEC, Chapter 48, final state certified property values for tax year 2026, adopted maintenance and operations (M&O) tax rate for tax year 2026, and M&O taxes collected by your district in 2027.

For more information, please see the Excess Local Revenue webpage, or contact Akila Jagadeesan in the State Funding Division at (512) 463-9979 or recapture@tea.texas.gov.

Sincerely,

Sara Kohn

Sara Kohn, CPA, RTSBA
Executive Director of State Funding, Forecasting, and Fiscal Analysis

SK/ak
Enclosure

2 Except as allowable under provisions contained in Senate Bill 2 of the 89th Texas Legislature, Second Called Session 2025.

TEXAS EDUCATION AGENCY: Division of State Funding
Official Notification to districts: 2026-2027 SCHOOL YEAR
Local Revenue in Excess of Entitlement

CDN=071907 DISTRICT NAME=CANUTILLO ISD

REPORT 1: TIER ONE EXCESS REVENUE	
(A) Tier One Entitlement	$49,080,672
(B) ASF Allotment	$3,532,696
(C) Estimated 2026 State Certified District Property Value (DPV)*	$3,915,211,059
(D) Tier One Tax Rate	0.6074
(E) Local Fund Assignment = DPV * Tier One Tax Rate / 100	$23,780,992
(F) Tier One Excess Local Revenue = E -(A-B)	$0
(G) Compressed M&O Tax Collections	$22,387,700
(H) Adjustment for collections if (G-F-(A-B)) < 0	($0)
(I) Tier One Excess Local Revenue after adjustment for collections = F+H	$0
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REPORT 2: TIER TWO LEVEL TWO EXCESS REVENUE	
(A) Tier Two Guaranteed Yield under 48.202(f)	$49.72
(B) Estimated 2026 State Certified District Property Value	$3,915,211,059
(C) Estimated 2026-2027 Chapter 48 WADA	7,345.470
(D) Estimated Chapter 48 2026-2027 local yield per penny per WADA***	$53.30
(E) Tier Two Level Two Entitlement	$2,005,040
(F) Tier Two Level Two Local Revenue	$2,149,451
(G) If F-E is greater than 0, then Excess Revenue** = F-E	$144,411

*Note 1: The 2026 DPV is estimated by applying the comptroller growth assumption of 1.036 percent to the 2025 tax year DPV.
**Note 2: Calculated values are estimates until data items are final.
***Note 3: District exceeds Tier Two Guaranteed Yield of $49.72
Run date 9JUL26

Agreement for the Purchase of Attendance Credit (Netting Chapter 48 Funding)

This agreement is entered into pursuant to the Texas Education Code (TEC), Chapter 49, Subchapters A and D, and rules adopted by the commissioner of education as authorized by the TEC, §49.006. The purpose of this agreement is to enable the district to reduce its local revenue level to a level not to exceed the level established under TEC, §48.257 for the school year.

The school year to which this agreement applies is 2026-2027 (the “school year”).

The agreement is for Canutillo Independent School District School District (“the district”), with a county-district number of 071907, to purchase attendance credit from the state for the school year.

The local revenue level in excess of entitlement will be based on the commissioner’s estimate of the cost of credit as determined under TEC, §49.153, using the district’s projected maintenance and operations tax revenue that exceeds the level established under TEC, §48.257. Provisions in the TEC, §48.257(c), allow districts to offset the reduction of excess local revenue against state aid under Chapter 48, Education Code, that is not described by TEC, §48.266(a)(3) for the school year. A district that is subject to the reduction in excess local revenue agrees to offset its obligations against state aid in accordance with the provisions specified in the TEC, §48.257(c).

When near-final data are available following the close of the school year to which this agreement applies, the district’s entitlement under Chapter 48 will be recalculated. If the district’s state aid under Chapter 48, Education Code, that is not described by TEC, §48.266(a)(3) is less than the cost of recapture as determined by the commissioner in accordance with the TEC, §49.153, using near-final data, the district will be required to have an election and the recapture balance will be recovered in accordance with TEC, §48.272, by withholding subsequent allocations of state funds or requiring and obtaining a refund.

The actual cost of credit for the school year will be determined by the commissioner in accordance with the TEC, §49.153, when final data on the district’s maintenance and operations tax revenue that exceeds the level established under TEC, §48.257 is available.

The cost of purchased attendance credit will be reduced for county appraisal district costs. The reduction will be computed in accordance with the TEC, §49.157. If the reduction exceeds the cost for the school year, the difference will be carried forward and applied to each subsequent year’s cost until the total amount of the reduction has been exhausted.

Date: ____________________

Signature of President, Board of Trustees

Date:

Signature of Secretary, Board of Trustees

Signature of Superintendent

Dr. Josue Borrego

Date:

Typed Name of Superintendent

Date:

Signature of Commissioner of Education or Designee