

Official Chapter 49 Notification for 2021-2022 Election of Recapture Option and Agreement

August 24, 2021

SUMMARY:

This item requests approval of Option #3 – Purchase Attendance Credits from the State and the Agreement for the Purchase of Attendance Credits (Netting Chapter 48 Funding) to reduce the local revenue in excess of entitlement for school year 2021-2022, as determined by the commissioner of education in accordance with the TEC, 49.004.

PREVIOUS BOARD ACTION:

The Board elected option #3 – Purchase Attendance Credits from the State for the 2008-09, 2009-10, 2014-15, 2015-16, 2016-2017, 2017-18, 2018-19, and 2020-21 school years. Denton ISD was not notified of Chapter 49 status for the 2010-11, 2011-12, 2012-13, 2013-14, or 2019-2020 school years.

BACKGROUND INFORMATION:

Prior to House Bill (HB) 3, determinations for districts subject to recapture provisions were based on final state certified property values for the prior tax year. HB 3 now requires the use of current year property values in these determinations.

As established in TEC, §48.269, this determination is based on estimates of enrollment for school year 2021–2022 and estimated property values for tax year 2021. Because the agency does not yet have final state certified property values for tax year 2021, the agency is using 2020 state certified property values increased by 1.84%, in accordance with the 2021–2022 General Appropriations Act, as a proxy for tax year 2021.

The District received Notification of Local Revenue in Excess of Entitlement Status for the 2021-22 on July 15, 2021. Once a district is notified of official Chapter 49 status, it must select an option for paying recapture costs.

There are five options to reduce the property wealth per WADA.

1. Consolidate with another district
2. Detachment of territory
3. Purchase of average daily attendance credits (Option 3)
4. Education of nonresident nonresident students (Option 4)
5. Tax base consolidation with another district

SIGNIFICANT ISSUES:

TEC, §41.0041, which provided certain districts the option of authorizing the Commissioner to withhold state aid in lieu of holding an election, was repealed by HB 3 in 2019. However, provisions in TEC, §48.257(c), allow districts to offset the reduction of excess local revenue against TEC, Chapter 48, funds provided in Subchapter F. All districts will have the option to use state aid calculated under TEC, Subchapter F, Chapter 48, as an offset to their attendance credit for purposes of reducing their local revenue level.

FISCAL IMPLICATIONS:

Denton ISD's 2021-2022 recapture is projected to be \$-0-.

PROCEDURAL AND REPORTING IMPLICATIONS:

A Chapter 49 district is prohibited from adopting an M & O tax rate until the commissioner has certified that local revenue in excess of entitlement reduction has been achieved. The district is required to submit a District Intent/Choice before adopting its M & O tax rate. After receiving the form, the commissioner provides a letter authorizing the district to proceed with adopting a tax rate. Denton ISD's intent was submitted to TEA on August 19, 2021. The district received approval of this intent on August 20, 2021.

SUPERINTENDENT'S RECOMMENDATION:

Recommend approval of the Option #3 – Purchase Attendance Credits from TEA and the Agreement for the Purchase of Attendance Credits (Netting Chapter 48 Funding).

“For the 2021-2022 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 (Netting Chapter 48 Funding).”

STAFF PERSONS RESPONSIBLE:

Dr. James Wilson, Superintendent
Dr. J. Scott Niven, Chief Financial Officer
Jennifer Stewart, Executive Director of Budget

ATTACHMENT:

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

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____
Signature of Divisional Assistant Superintendent: _____
Signature of Superintendent: _____