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EC Xpress: Chapter 41

1 message

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The EC Xpress

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Chapter 41

In our last ECX, we visited the issue of "Chapter 41" status for school districts and what it really means-or doesn't. Maybe a little history on the topic will help us remember what has happened and how dysfunctional our school finance system has become.

When Chapter 41 was originally created in 1994 as a response to the third Edgewood school finance trial, there was only one level of wealth-\$280,000 per WADA-that determined Chapter 41 status. If your wealth was below it, you were a Chapter 42 district and in the formula system. If it was above, you were a Chapter 41 district and subject to recapture. (Of course, the 1992 Wealth Hold-harmless exempted some districts from recapture at that level. It was "temporary"-and still is!)

Over the years, those advantages for Chapter 41 schools were further enhanced by formula additions to the Wealth Hold-harmless provisions, elimination of recapture on I&S taxes for bonded debt, and the addition of outside the formula funding sent uniformly to districts regardless of wealth such as the High School Allotment and various teacher and staff raises, etc. With the legislature's response to the West Orange Cove cases, all of the added inequities were rolled into the creation of Target Revenue. Additionally, the legislature compressed M&O tax rates, failed to set a high enough level for the Basic Allotment to adjust for the reduced number of pennies available for M&O taxes and revenue, and created three different yields and levels of wealth per WADA-establishing the current Chapter 41 muddle.

The chart below shows the standards as they have applied to TEA's assignment of the "Chapter 41" tag to a school district.

School Year	EWL (Equalized Wealth Level Per WADA)	Tier 1 EWL (Equalized Wealth Level Per WADA)*	Tier 2 EWL (Equalized Wealth Level Per WADA)
94-95	280,000		
04-05	305,000		
06-07		319,500	319,500
12-13		476,500	319,500
13-14		495,000	319,500

14-15	504,000	319,500
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* *The \$319,500 Tier 2 EWL is what determines Chapter 41 status-not the Tier 1 EWL.*

Obviously, for Chapter 41 districts using only their compressed tax rate and the golden pennies (no recapture), the Tier 1 EWL has increased enough to keep most of them free of recapture.

That is not the case for the "copper pennies" of Tier 2. The EWL in Tier 2 has remained stagnant since its inception in 2006-07. As a result more and more districts each year are identified as Chapter 41, but only impacted if they are also forced to use any copper pennies to float their M&O budget and meet state standards in order to deliver the constitutionally required GDK (general diffusion of knowledge).

Again, bringing us to this point-if too many districts becoming "Chapter 41" is indeed a problem, it is easily addressed. Raise the Basic Allotment and increase the yield of the copper pennies in Tier 2.

Body



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