

Official Chapter 41 Notification for 2015-2016 Election of Recapture Option and Agreement

August 25, 2015

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 42 Funding) to reduce the property 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.

PREVIOUS BOARD ACTION:

The Board elected option #3 – Purchase Attendance Credits from the State for the 2008-09, 2009-10 and 2014-15 school years. Denton ISD was not notified of Chapter 41 status for the 2010-11, 2011-12, 2012-13 or 2013-14 school years.

BACKGROUND INFORMATION:

The District received Preliminary Notification of Potential Chapter 41 Status for the 2015-16 on May 1, 2015. Official Chapter 41 Notification for 2015-16 was received in July 2015. Once a district is notified of official Chapter 41 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. Detach property
3. Purchase attendance credits from the state
4. Contract to educate nonresident students from a partner district
5. Consolidate tax bases with another district

SIGNIFICANT ISSUES:

Prior to 2006-07, school districts typically conducted elections to request voter authorization to exercise Option 3, Option 4 or both options. A district needs to conduct this type of election only once. In 2006, the Texas Legislature authorized Chapter 41 districts to offset their costs for recapture against additional state aid for tax reduction (ASATR), which is provided for the purpose of property tax relief. Subsequently, the legislature passed additional provisions that allow a Chapter 41 district to forgo the requirement to conduct an election to authorize one or more options, if the ASATR for the school year exceeds the recapture costs for that same year. These provisions allow the district to offset its recapture costs against its ASATR funds. As a result, if a district is notified of its Chapter 41 status for the first time in the 2006-07 school or later, it can take advantage of this offset provision without the need to conduct an election. Denton ISD's ASATR for 2015-2016 is projected to be \$-0- and recapture is projected to be \$-0-.

FISCAL IMPLICATIONS:

Denton ISD's wealth per WADA was estimated at \$349,026 by TEA. The following wealth levels apply.

	Tax Effort
1 st Equalized Wealth Level - \$514,000	\$1.00
2 nd Equalized Wealth Level – Unlimited	\$0.06
3 rd Equalized Wealth Level - \$319,500	<u>\$0.11</u>
Total Tax Effort	\$1.17

A district identified as having a wealth level between \$319,500 and \$514,000 per WADA will not pay recapture unless its adopted maintenance and operations tax rate exceeds its compressed rate (\$1.00) plus six pennies.

PROCEDURAL AND REPORTING IMPLICATIONS:

A Chapter 41 district is prohibited from adopting an M & O tax rate until the commissioner has certified that wealth reduction has been achieved. The district is required to submit a District Intent Form 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 and approved on August 19, 2015.

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 42 Funding).

STAFF PERSONS RESPONSIBLE:

Dr. James Wilson, Superintendent

Debbie Monschke, Assistant Superintendent of Administrative Services

ATTACHMENT:

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

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Comments: _____

Signature of Divisional Assistant Superintendent: _____

Comments: _____

Signature of Superintendent: _____

Comments: _____