

Official Chapter 41 Notification for 2009-10 and Election of Recapture Option

September 22, 2009

SUMMARY:

This item requests approval of option #3 – purchase attendance credits from the state as the method to equalize wealth for the 2009-10 school year.

PREVIOUS BOARD ACTION:

The Board elected option #3, purchase attendance credits, for the 2008-09 school year on August 26, 2009.

BACKGROUND INFORMATION:

The District received Official Late Chapter 41 Notification for the 2009-10 school year on September 4, 2009, dated August 31, 2009. Errors on the part of TEA caused them to misidentify Denton ISD's Chapter 41 status for 2009-10. Once a district is notified of its status as a district subject to the provisions of Chapter 41, it must select an option for paying recapture costs.

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 new state funding, 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 2009-10 is projected to be \$36,682,444 and recapture is projected to be \$-0-.

FISCAL IMPLICATIONS:

Denton ISD's wealth per WADA was estimated at \$323,862 by TEA. The following wealth levels apply.

	Tax Effort
1 st Equalized Wealth Level - \$476,500	\$1.00
2 nd Equalized Wealth Level – Unlimited	\$0.06
3 rd Equalized Wealth Level - \$319,500	<u>\$0.13</u>
Total Tax Effort	\$1.19

As long as our tax rate is less than \$1.06 for M & O and our wealth level is less than \$476,500, there is no recapture payment projected.

PROCEDURAL AND REPORTING IMPLICATIONS:

- Letter of Intent must be submitted to TEA prior to adopting a tax rate for 2009-10. However, TEA is working with us on the procedures due to the delay in notification of Chapter 41 status.
- Although an Option 3 contract is not required, TEA recommended that the Board approve and submit an agreement for an Option 3 election. This agreement will be submitted through the New FSP Chapter 41 Module, which is available online on the School Finance website through TEASE.

PUBLIC COMMENT RECEIVED:

None

ALTERNATIVES:

An Option 3 Agreement is not required but recommended by TEA staff.

SUPERINTENDENT'S RECOMMENDATION:

Recommend approval of the Option 3 agreement – purchase attendance credits from the state, as the method to equalize wealth for the 2009-10 school year.

STAFF PERSONS RESPONSIBLE:

Debbie Monschke, Executive Director of Administrative Services

ATTACHMENT:

Letter of Intent

Option 3 Agreement

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Comments: _____

Signature of Divisional Leader: _____

Comments: _____

Signature of Superintendent: _____

Comments: _____