

## Thoughts on Chapter 41 Tidehaven ISD

1. We can utilize Interest and Sinking (I & S) funds to keep the district's money to make more effectively use of our local funds. The district can use its I & S funds to pay for transportation, technology and maintenance to existing facilities (including personnel on staff.) Bonded indebtedness or Interest & Sinking funds (I&S) can be also used to construct new buildings. If our property values continue to increase, the district can actually move certain types of M & O expenditures to its I & S and keep the total tax rate the same. This allows you to keep the M & O as low as possible. Interest & Sinking funds (I & S) are NOT subject to re-capture so all of the I & S funds stay in the district. As we learn more about being a Chapter 41 school, this is info we need to share with EVERYONE.

2) The four (4) "golden" pennies HB1 allows us to go up on our tax rate are not subject to recapture. This is one of the reasons we are not using the golden pennies for the 2006-07 school year. We will keep these golden pennies for the 2007-08 school year if extra funding is needed.

3) This summer I will overestimate the district's WADA. This will reduce the expected Chapter 41 payment and allow us to keep more money in the bank longer. The district will receive interest on these funds and the interest earned is the district's to keep. Of course, we will have to re-pay the state at some point, but the funds will be on our bank for a while earning interest for us during the 2007-08 school year.

4) Allowing transfer students is VERY important!! Each additional student will reduce the amount the district must send back to the state. For us, this would amount to about \$4,800.00 per transfer.

### 5) District's Options to Reduce Wealth

1. Consolidate with another school district (Not a good option for TISD)
2. Detach property (Not a good option for this district)
3. Purchase attendance credits from the state (Virtually ALL Chapter 41 school district in the state choose this option,)
4. Contract to educate nonresidents from a partner school district
5. Consolidate tax bases with another school district (Not a good option)

*\*District's chooses option 3 can also receive a County Appraisal District cost reduction.*

## **More Thoughts on Chapter 41** **Tidehaven ISD**

6) Setting a Tax Rate - Chapter 41 school districts must receive a letter of intent from the commissioner of education before the district can adopt a tax rate.

7) Adjustment for optional homestead exemptions - An adjustment may be granted, IF funds are available from the state.

8) Property tax decline - For the 2006-07 school year, if a school district experiences a decline in property values of  $\geq 4\%$ , the commissioner may adjust the district's taxable values. This scenario is not going to happen in TISD.

*I will share more thoughts on Chapter 41 as I hear and gather more information.*

*Of course all of the above is subject to changes or modifications by this time next year. There is another legislative session in Austin right now. Who knows how this legislative session will affect Chapter 41 school district!!!*