

Little Elm ISD

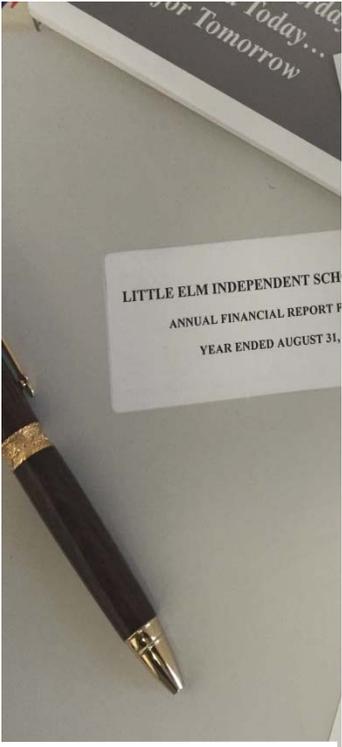
March 23, 2020 Recapture Election Summary

Grant Anderson, Associate Superintendent & Chief Financial Officer

Board Meeting
March 23, 2020
6:00 pm

Freeze	Assessed	Taxable	Actual
DP			
DPS	14,492,304		
OV65	89,114	11,578,345	
Total	343,949,075	64	
Tax Rate	358		

3,808	Appraised Value	(-)
	Homestead Cap	=
	Assessed Value	(-)
	Total Exemptions Amount (Breakdown on Next Page)	(-)
		2,64



Notes to financials

➤ What is Recapture?

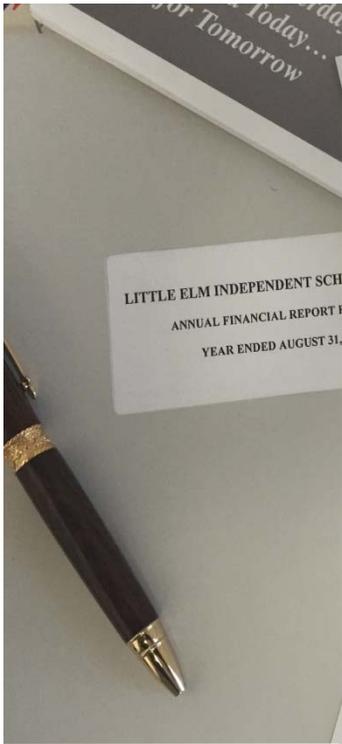
- A provision for certain districts (property wealthy districts) with excess local revenue to pay funds into the Foundation School Program for distribution to other districts. Recapture funds can only be used for foundation school program purposes.

➤ Did Chapter 41 Recapture go away?

- Chapter 41 of the Texas Education Agency was repealed. However, recapture has been re-written in Chapter 49 of the Texas Education Agency.

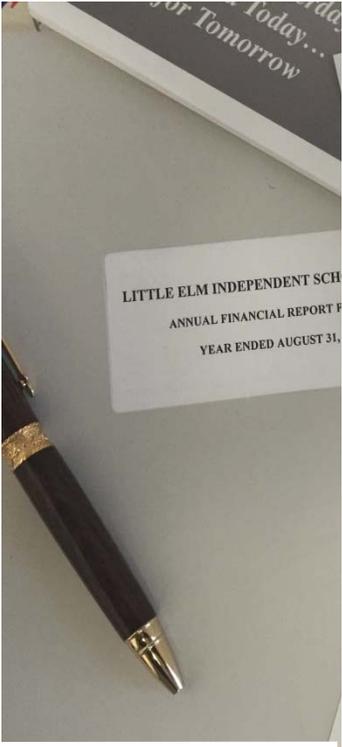
➤ What are the major changes for Little Elm ISD? Two main changes for LEISD:

- First, the formula to calculate state recapture changed which significantly decreased the amount of recapture sent to the state.
 - Under prior Chapter 41 state recapture it was estimated LEISD would pay \$1.7 million in recapture. Under HB3 LEISD paid \$0. However, it is estimated LEISD will pay \$233 thousand in recapture in 2020-21; prior Chapter 41 law was \$2.1 million.



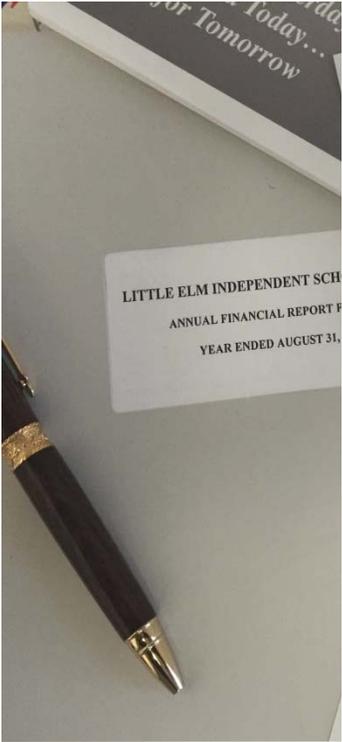
Notes to financials

- Second, the selection requirements to purchase attendance credits no longer allows a school district to net recapture with Foundation School Program Funds. LEISD will need to hold an election which will allow LEISD to send recapture dollars to the State.
- The district has 5 options for recapture to reduce wealth per WADA.
 - **Option 1: Consolidate with another district.** Two districts will become one district.
 - **Option 2: Detach property.** Property within the district is assigned to another district to decrease the wealth per student.
 - **Option 3: Purchase attendance credits from the state.** This is what 100% of all recapture districts select. The district sends money to the state or the state withholds funds from state funds equal to the recapture amount.



Future Financial Considerations

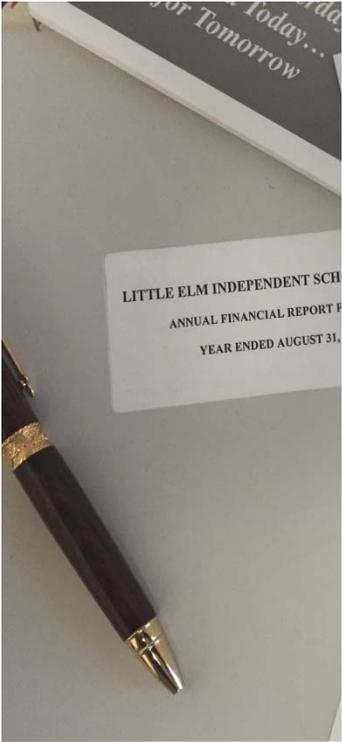
- **Option 4: Contract to educate nonresident students from a partner district.** The recapture district partners with a non-recapture district to equalize wealth by purchasing attendance credits.
 - **Option 5: Consolidate tax bases with another district.** The districts will combine tax bases without consolidating the school districts to equalize wealth. A voter election is required.
- **Does the state require LEISD to go out for an election?** Yes, Chapter 49 section 49.156 of the Texas Education Code requires a voter election for purchasing attendance credit from the state.
- **What happens if the election passes?**
- Means the district can purchase attendance credits from the state by sending payment to TEA.



Other Future Financial Considerations

➤ What happens if the election fails?

- Means the detachment of the most valuable non-residential commercial properties located within LEISD boundaries from the district's tax roll.
- Properties will be taxed at the new district's tax rate.
- Under current tax law, those properties will be permanently detached.
- District will lose those taxes on both operating and debt service tax which may force the Board of Trustees to increase the debt service tax rate to make debt payments.
- District will have less bonding capacity to build future schools.



Other Future Financial Considerations

- **When will the election take place?**
 - June 20, 2020 a special election will take place.
 - If Denton County Election office is unable to manage the election due to COVID-19 the election will be postponed by order of the board.

