

SB 401

Request to Repeal Education Code Section 42.103(e)

(Chapter 41 and the Midsize School Adjustment)

Presented by:

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Dumas ISD

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I. **Introduction**

Education Code Section 42.103(e) allows the commissioner to make the midsize school adjustment to the basic allotment only if a district is below the equalized wealth level in Chapter 41. This is the only cost adjustment in law that is disallowed for Chapter 41 districts. All the other weights and adjustments are maintained for Chapter 41 districts. We believe that the midsize adjustment should be in place for all midsize districts because the cost of providing an education for students in a midsize district does not change when the district falls under Chapter 41. We are seeking the repeal of Sec 42.103(e) of the Education Code in order to restore equal treatment for all midsize schools. A copy of this section of the Education Code can be found below.

II. **Copy of Education Code Section 42.103(e)**

§ 42.103(e) The commissioner may make the adjustment authorized by Subsection (d)(2) only if the district's wealth per student does not exceed the equalized wealth level under Section 41.002. For purposes of this subsection, a district's wealth per student is determined in the manner provided by Section 41.001, except that the adjustment provided by Subsection (d)(2) is not used in computing the number of students in weighted average daily attendance.

III. Effect of Section 42.103 (e)

Following is a brief explanation of the negative effect that the loss of the midsize school adjustment has when a midsize district becomes subject to wealth equalization under Chapter 41. Because WADA is calculated by dividing the total of the various program allotments by the basic allotment, when you take away the increase from the midsize school formula, it lowers the total program allotments and thus lowers the calculated WADA.

In turn, Chapter 41 recapture (or cost) is based on WADA and the cost increases as WADA goes down. Essentially, the more WADA you have, the more money you get to keep.

IV. Dumas ISD WADA Calculation

The calculations below are for Dumas ISD (2006-2007) to show the significance of what happens as the adjustment allotment under Chapter 42 and 41 law trickles down through the various student allotments, which when added, give the adjusted total program cost.

The adjusted total program cost divided by the basic allotment produces the WADA.

While the information given is that of Dumas ISD in 2006-2007, the year Dumas ISD moved from Chapter 42 to Chapter 41, the same scenario plays out for any Chapter 41 midsize district, just different numbers.

The calculations on the next page paint a clear picture of the “wrong” created by Sec. 42.103(e). All other 41 districts have an equalized wealth level of \$319,500, but in reality, Dumas ISD has an equalized wealth level of \$306,821. Once again, the same scenario exists for other 41 midsize schools.

Dumas ISD WADA Calculation 2006-2007

	<u>Chapter 42</u>	<u>Chapter 41</u>
Basic Allotment	2,748	2,748
Adjusted Basic Allotment (COE = 1.08)	2,904	2,904
Adjusted Allotment (after Midsize adj.)	3,024	2,904

$$AA = (1 + ((5,000 - ADA) \times .000025)) \times ABA$$

The adjusted allotment is used to calculate each of the various student allotments that add together to comprise the total cost of the program.

Regular Block Grant	\$10,131,287	\$9,729,252
Regular Special Education Block Grant	1,388,532	1,333,431
Mainstream Special Education Allotment	20,264	19,460
Residential Care & Treatment Allotment	9,858	9,467
Career & Technology Block Grant	724,116	695,381
Gifted & Talented Block Grant	66,707	64,060
Compensatory Education Block Grant	1,556,856	1,495,076
Compensatory Ed Pregnant Allotment	17,855	17,147
Bilingual Education Block Grant	267,954	257,321
Total cost of program allotments	<u>\$14,183,429</u>	<u>\$13,620,595</u>
Less Half of COE adjustment	(380,958)	(365,841)
Adjusted Cost of Program	<u>\$13,802,471</u>	<u>\$13,254,754</u>
Divided by basic allotment	2,748	2,748
WADA	<u>5,022.73</u>	<u>4,823.42</u>

Difference in WADA (199.31)

Calculation of Effective Tax Value Cap due to loss of Midsize School Adjustment

Chapter 41 Tax Value Cap per WADA	\$319,500
Times Chapter 41 WADA	4,823.42
Equalized Tax Value	<u>\$1,541,082,199</u>
Divided by Actual Chapter 42 WADA	5,022.73
Effective Tax Value Cap per WADA	<u>\$306,821</u>

OR

$$\frac{\text{Chapter 41 WADA } 4,823.42}{\text{Chapter 42 WADA } 5,022.73} = 0.9603$$

$$\$319,500 \times 0.9603 = \$306,821$$