Financial Update for a Chapter 49 District

Fiscal Year 2026-2027

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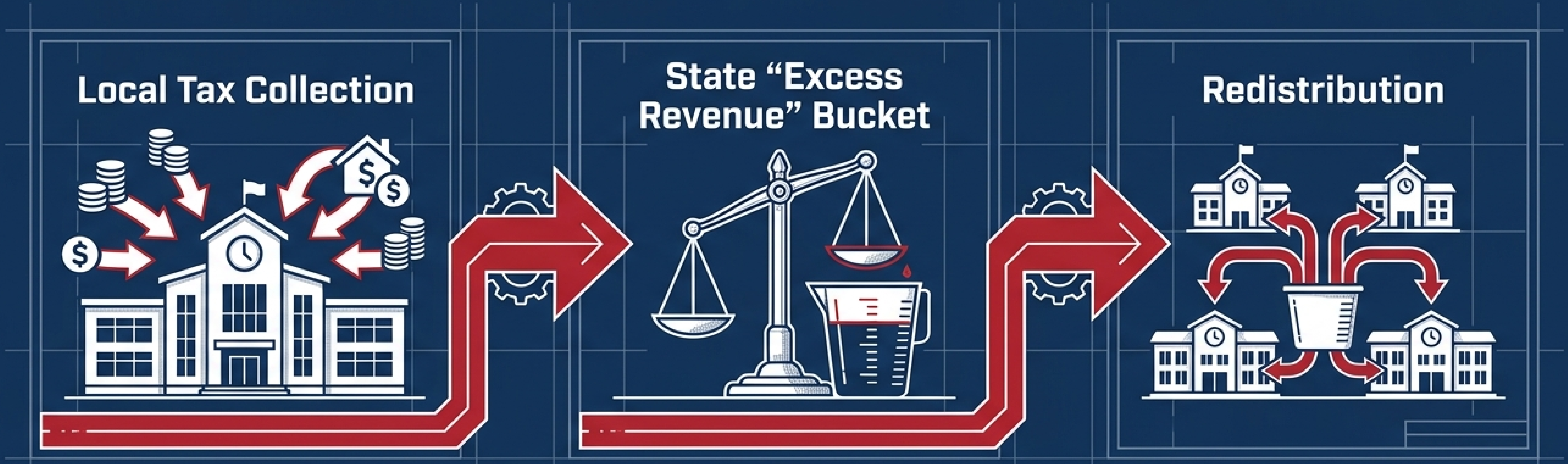
The Mechanics of Recapture

Texas law requires school districts with high property wealth per student to return a portion of local tax revenue to the state. This mechanism, formally designated under Texas Education Code (TEC) Chapter 49, is commonly known as the “Robin Hood” plan.



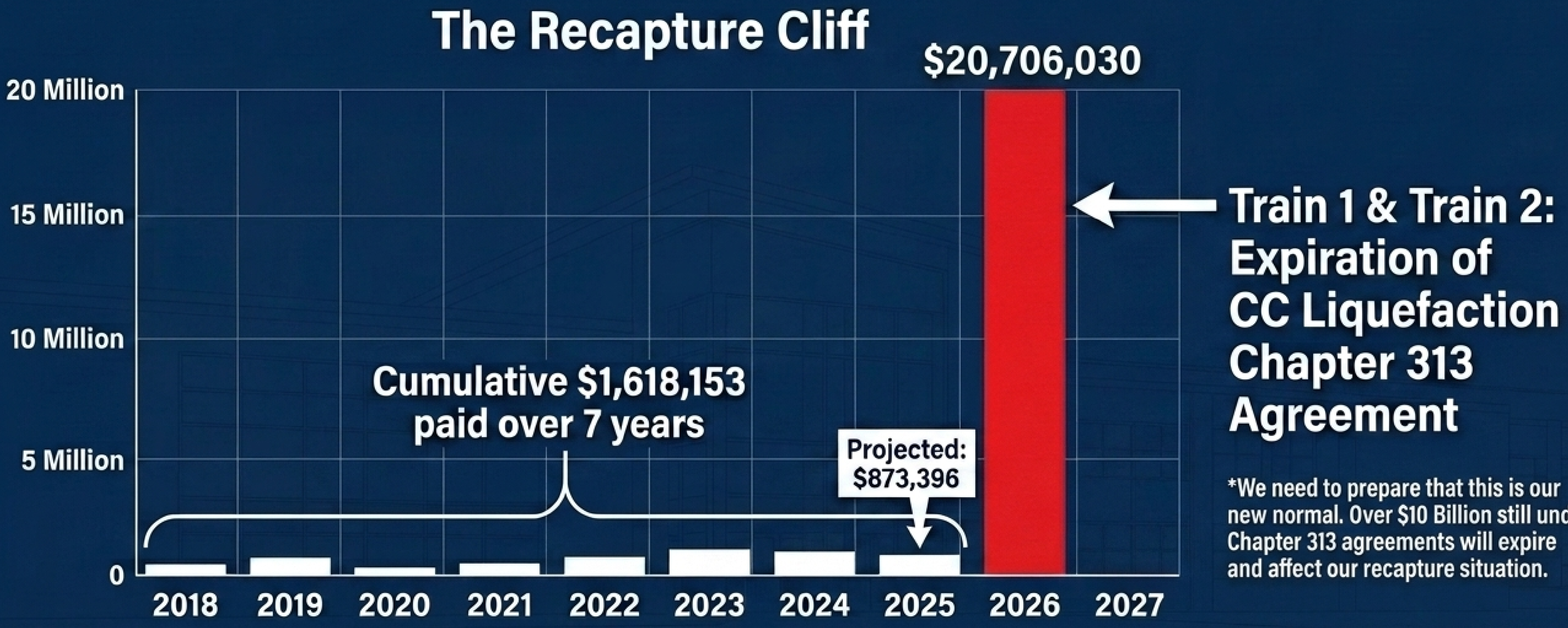
G-PISD collects local property taxes.

Local M&O tax revenue is compared to the District’s Foundation School Program (FSP) entitlement. Any local revenue collected in excess of the District’s entitlement is identified as Excess Local Revenue (ELR) and is subject to Chapter 49 recapture.

Recaptured funds are redistributed to the Foundation School Program to assist low property wealth districts.

Historical Perspective: The Recapture Cliff

G-PISD has been designated a high-wealth Chapter 49 district since the 2018-2019 school year. Our historical payments have been manageable, but we are approaching an unprecedented financial cliff.



*We need to prepare that this is our new normal. Over $10 Billion still under Chapter 313 agreements will expire and affect our recapture situation.

Financial Blueprint

The Data Gap: TEA Estimates vs. District Reality

The TEA Estimate

$397,195

Preliminary Excess Revenue Estimate

- Based on outdated 2025 state-certified property values + 3.6% growth.
- Calculated using a Tier Two guaranteed yield of $49.72 per WADA.

The Missing Variable

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The TEA estimate does not consider the expiration of our Chapter 313 agreement.

CC Liquefaction (LCC) adds approximately $6.8 Billion in valuation to local tax rolls.

The G-PISD Reality

$20,000,000+

Internal Excess Revenue Estimate

- Based on preliminary values sent by CAD on April 25, 2026.
- Pending final certified property values due July 25, 2026.

Evaluating Our Statutory Options

Under current law, a Chapter 49 school district has five options to reduce its wealth per resident student to the required levels.

~~Option 1: Consolidation with another district (Subchapter B)~~

~~Option 2: Detachment of territory (Subchapter C)~~

Option 3: Purchase of Attendance Credits from the state (Subchapter D) - Selected Strategy

~~Option 4: Education of nonresident students (Subchapter E)~~

~~Option 5: Tax base consolidation with another district (Subchapter F)~~

Executing Option 3: Preserving Local Governance

What are "Attendance Credits"?

Despite the name, G-PISD is **not** actually purchasing student attendance.

"Attendance Credits" are **simply the statutory accounting mechanism** Texas uses to **transfer excess local revenue** back into the **statewide Foundation School Program**.

Strategic Benefit: This option satisfies our recapture obligation while allowing G-PISD to completely maintain our tax base and local governance.

The Offset Provision (TEC §48.257(c))

The state allows districts to **offset** the reduction of excess local revenue against **Chapter 48 state aid funding**.

G-PISD is submitting **Option 3 but not utilizing state aid as an offset**. Instead, we will be **opting to receive state aid** and from there make **payments** in the Spring 2026 based on best value for the district.

Payment Method Considerations

Once Option 3 is selected, we must choose a payment timeline. Tax collections are primarily paid from December through March, requiring strategic cash flow management.

Method 1 (Standard Monthly)

- Seven equal monthly payments
- Distributed from February 2027 through August 2027.

Standard Installment

Feb
Mar
Apr
May
Jun
Jul
Aug

Method 2 (Standard Lump-Sum)

- One single lump-sum payment
- Due no later than August 15, 2027.

Single Lump-Sum
August 15, 2027

Method 3 (HB 1939 - The New Advantage)

- Effective Sept 1, 2025 (89th Legislative Session)
- One lump-sum payment made early, by February 15, 2027.
- Incentive: The gross recapture obligation is reduced by 4%.

Early Lump-Sum
February 15, 2027

4% Savings
Recapture Reduced

Cost-Benefit Analysis: Optimizing the $20M Obligation

If the district waits until August to pay, we can keep the funds invested. However, capitalizing on the new HB 1939 statutory discount yields a superior net financial position.

	Dimension	Standard Strategy (Hold & Invest)	HB 1939 Strategy (Pay Early)
1	Payment Deadline	August 15, 2027	**February 15, 2027**
2	Gross Obligation	$20,000,000	$20,000,000
3	Statutory Discount	0% ($0)	**4% ($800,000)**
4	Estimated Interest Earned	~$400,000 (at ~4% for 6 mo.)	$0 (Funds deployed early)
	Net Financial Position	**+$400,000**	**+$800,000**

Strategic Win: By executing the early payment strategy, G-PISD nets an additional $400,000 in ultimate value.

Required Board Action: Contractual Delegation

Deadline: September 1, 2025

To execute this strategy, the Board of Trustees must formally submit the Intent/Choice Selection form to the TEA and pass a resolution delegating authority to the Superintendent.

> **Required Board Minute Language:** "For the 2026-2027 school year, we delegated contractual authority to obligate the school district under Texas Education Code (TEC) §11.1511(c)(4) to the superintendent, solely for the purpose of obligating the district under TEC, §48.257 and TEC, Chapter 49, Subchapters A and D, and the rules adopted by the commissioner of education as authorized under TEC, 49.006. This included approval of the Agreement for the Purchase of Attendance Credit or the Agreement for the Purchase of Attendance Credit (Netting Chapter 48 Funding)."

Note: Without this notification and delegation, the TEA commissioner may order the detachment and annexation of property or consolidation.

The Compliance Roadmap

Sept 1, 2025

Intent Form & Board Resolution Due

(Contract for Option 3 submitted via the FSP system).

Jan 14, 2026

Supporting Documentation Deadline

(CAD Cost, District Partner Data, Tuition & Payments submitted).

Feb 15, 2027

HB 1939 Early Payment Deadline

(Strategic $19.2M lump-sum payment executed to secure 4% savings).

Aug 15, 2027

Final Standard Payment Deadline

(Applicable only if early payment is bypassed).

The Settle-Up Process: Reconciling Estimates

Because our payments are based on estimates, the TEA conducts a **two-round** reconciliation process to match our estimated costs with our actual Chapter 49 obligations.

Near-Final Settle-Up (Fall)

- **Incorporates updated enrollment, WADA, and property values** (excluding final tax collections).
- If our actual cost is **more than paid: We remit the balance.**
- If our actual cost is **less than paid: TEA issues a refund.**

Final Settle-Up (Spring)

- **Incorporates final M&O tax collections** from the annual financial audit.
- **Note on Advocacy:** G-PISD initiates property value study ‘Audit Appeals’ when necessary during this phase to generate significant savings in recapture.