



# ALEDO INDEPENDENT SCHOOL DISTRICT

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Dear Parents and Community Members,

As I am sure you have read or heard on the news, school districts across the state are cutting programs and/or laying off employees due to a lack of state funding. The Aledo I.S.D. is not immune to the funding crisis and is currently cutting costs to relieve a projected \$3.5 million dollar deficit.

The purpose of this letter is to first share with you what the Aledo I.S.D. is doing to eliminate the \$3.5 million deficit projected for the 2010-2011 school years; second, suggest ways you can help; and third, provide you an explanation of how Texas public schools are funded.

On March 23, 2010, the Board of Trustees determined that a Reduction In Force (RIF) was necessary due to a program change that would require the discharge or non-renewal of one or more employees in order to eliminate a projected \$3.5 million budget deficit for the 2010-2011 school year. The plan includes:

- a reduction in force of 29.5 professional employees (teachers, administrators, librarians, and special service personnel) and 14 paraprofessional employees (aides, secretaries, receptionists and clerks) through attrition and lay-off,
- across the board budget cuts, and
- across the board salary reductions of 5% for all professional employees, 2.5% for paraprofessionals, and 3% for all other non-contracted classified employees.

It is very important to acknowledge the salary reduction suggestion came directly from the staff and was overwhelmingly supported by teachers, administrators and paraprofessionals. The entire staff put students first by volunteering to take a pay cut rather than eliminate programs and services for their students.

Now it is your turn to make a difference. How can you help? Support your children and/or school by voting in the next tax ratification or tax rollback election (TRE). The election will be held in late August or early September of 2010 and **will not increase your total tax rate**. By law, the District may not promote the approval of a TRE or ask you to vote YES. The District can only provide information. The District has no control over the wording on the ballot. The ballot by law must read "tax increase."

Hopefully, the following explanation will provide some clarification concerning how Texas public schools are funded and how the total local tax rate is determined.

*"A Past to Remember,  
A Future to Mold"*

In May of 2006, during the Third Called Session of the 79<sup>th</sup> Legislature, the method for funding public schools was changed from a formula driven system to a Target Revenue System. The Target Revenue System caps the amount of revenue a district can raise for M & O (Maintenance and Operation) expenditures to an amount equal to the revenue a district received in 2005/2006 or 2006/2007, whichever was greater based on a compressed tax rate of \$1.00 plus .04 cents of enrichment. The amount generated was then divided by the district's WADA (Weighted Average Daily Attendance) to create the Target Revenue or per pupil allocation. The Target Revenue for the Aledo I.S.D. was set at \$5,630 per student. The total amount a district receives is determined by the Target Revenue or what has been termed "hold harmless revenue." Hold harmless simply means that if the District's Target Revenue created less revenue for a district than the previous formula driven system, then the state will make up the difference so no district will lose revenue. However, the system or Target Revenue assigned to a district in 2006/2007 has not been adjusted for inflation and has remained constant for the last four years.

So what happens to the additional tax dollars we pay as a result of increased property values if the Target Revenue does not increase?

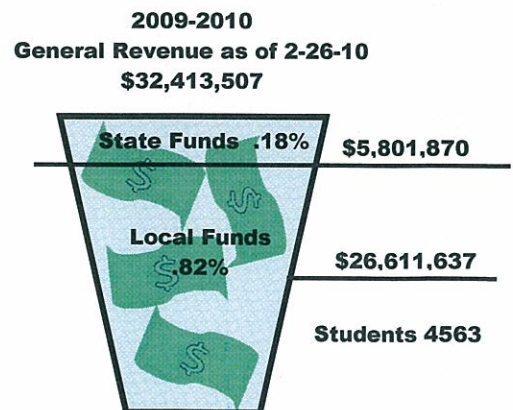
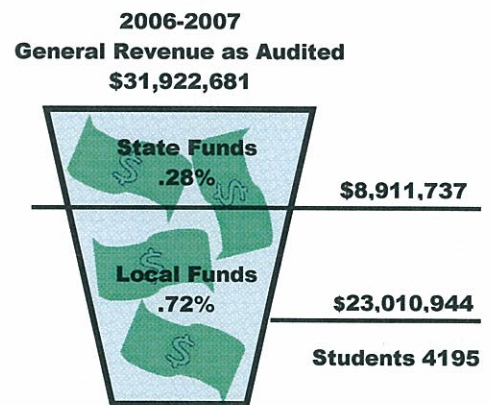
One of the best analogies I have read came from Heath Burns, Superintendent of the Abilene I.S.D. He suggested looking at the school funding system as a large bucket that contains the total local and state revenue to which a school district is entitled.

First, the state makes us put in our share with the tax dollars we generate, and then the remaining "space" is filled with state dollars. Of course, the amount of tax dollars we can generate is directly tied to our property values.

So when our property values increase, our tax dollars also increase. As a result, the state simply reduces its share because the size of our bucket (Target Revenue) does not change. It is true that we may collect more money locally, but that does not translate into more money for our school district's budget. It translates into more money in the state's general fund since the amount of money needed to fill the state's share or "space in the bucket" has decreased.

And what happens if a district's local taxes overflow the bucket (exceeds the Target Revenue)? The state "recaptures" the excess tax dollars, adds nothing to the bucket, and passes the money on to another district. (Robin Hood)

The only way to generate more revenue (enlarge the bucket) is by enrolling more students or securing voter approval to increase the M & O tax rate from \$1.04 to a state allowed maximum of \$1.17. The process is called a tax ratification or tax rollback



(TRE) election. The term “roll back” relates to what happens if the voters fail to ratify the Board of Trustee’s decision to increase the M & O tax rate to \$1.17. If rejected by voters, the tax rate “rolls back” to \$1.04.

Last November, voters rejected the District’s proposed \$1.17 M & O tax rate despite the fact that approval would not have changed the total tax rate. How is it possible to increase the M & O tax rate by .13 cents, yet not increase the total tax rate?

A school district’s total tax rate consists of two separate tax rates. The M & O (Maintenance and Operation) rate and the I & S (Interest and Sinking) rate.

The Maintenance and Operation (M & O) rate generates the local share of the Target Revenue. The rate is capped at \$1.04, but may be increased to a maximum of \$1.17 with voter approval. Dollars raised by the M & O tax rate pay for all operational expenditures, e.g., instructional programs, salaries, and benefits for teachers and other staff, textbooks, instructional supplies and materials, staff development, testing and assessment, special education, utilities, property insurance, maintenance and repairs, custodial services, pupil transportation, technology equipment and any other legal expense, including bond payments. Aledo’s M & O tax rate is \$1.04. (See pie chart.)

The Interest and Sinking (I & S) tax rate is not part of a district’s Target Revenue. Districts hold bond elections for voters approval to levy an I & S tax rate for the construction of facilities and/or special projects, e.g., purchasing school buses, or equipping a district with network technology or large ticket items that require borrowing money to be paid back over time. Taxes levied through the sale of bonds may not be used interchangeably for maintenance and operation expenses. For example, teacher salaries and benefits CAN NOT be paid from bond revenues. In 2008, voters approved a \$67 million bond issue with a projected I & S tax levy of \$0.4330. The current I & S tax rate is \$0.3852 or \$0.0478 cents lower than projected. The lower rate was made possible through sound investments and increased property values because, unlike the cap placed on revenues generated by the M & O rate under the Target Revenue system, additional dollars generated under the I & S tax rate, due to increased property values, remain in the District, but again, can only be used to retire bond debt.

Combined, the District’s total tax rate is \$1.4252. The M & O rate is \$1.04 and the I & S rate is \$0.3852.

Approval of the TRE would have increased the M & O rate to \$1.17 and reduced the I & S rate to \$0.2552 for the same total tax rate of \$1.4252. But, the District’s bucket (Target Revenue) would have increased by approximately \$2.8 million dollars with the state recapturing around seven hundred thousand under Robin Hood. If the \$0.2552 I & S rate fails to generate enough revenue to support the bond payment, the remaining balance may be paid out of the increased M & O revenue. M & O revenue may be used to pay I & S debt. I & S revenue can not be used for M & O expenses.

When the TRE failed last November, the resulting \$3.5 million budget deficit was taken from the District’s fund balance. The fund balance is the District’s savings account. The state recommends school districts maintain a fund balance sufficient to cover two or three months operating expenses. With a remaining fund balance of approximately

\$8.1 million and monthly expenses of approximately \$3.5 million, the District can not fund another deficit budget without depleting the fund balance.

Approval of a TRE coupled with the District's plan to eliminate the budget deficit will protect the fund balance and provide the additional funding needed to reduce or eliminate the salary reduction. In addition to voting in the TRE election, you can also help by contacting your state officials, Representatives, Senators, Lt. Governor and Governor, and encouraging them to correct the Target Revenue System. Unless the state funding formula is adjusted to allow for inflation, moving the cap to \$1.17 just delays the inevitable.

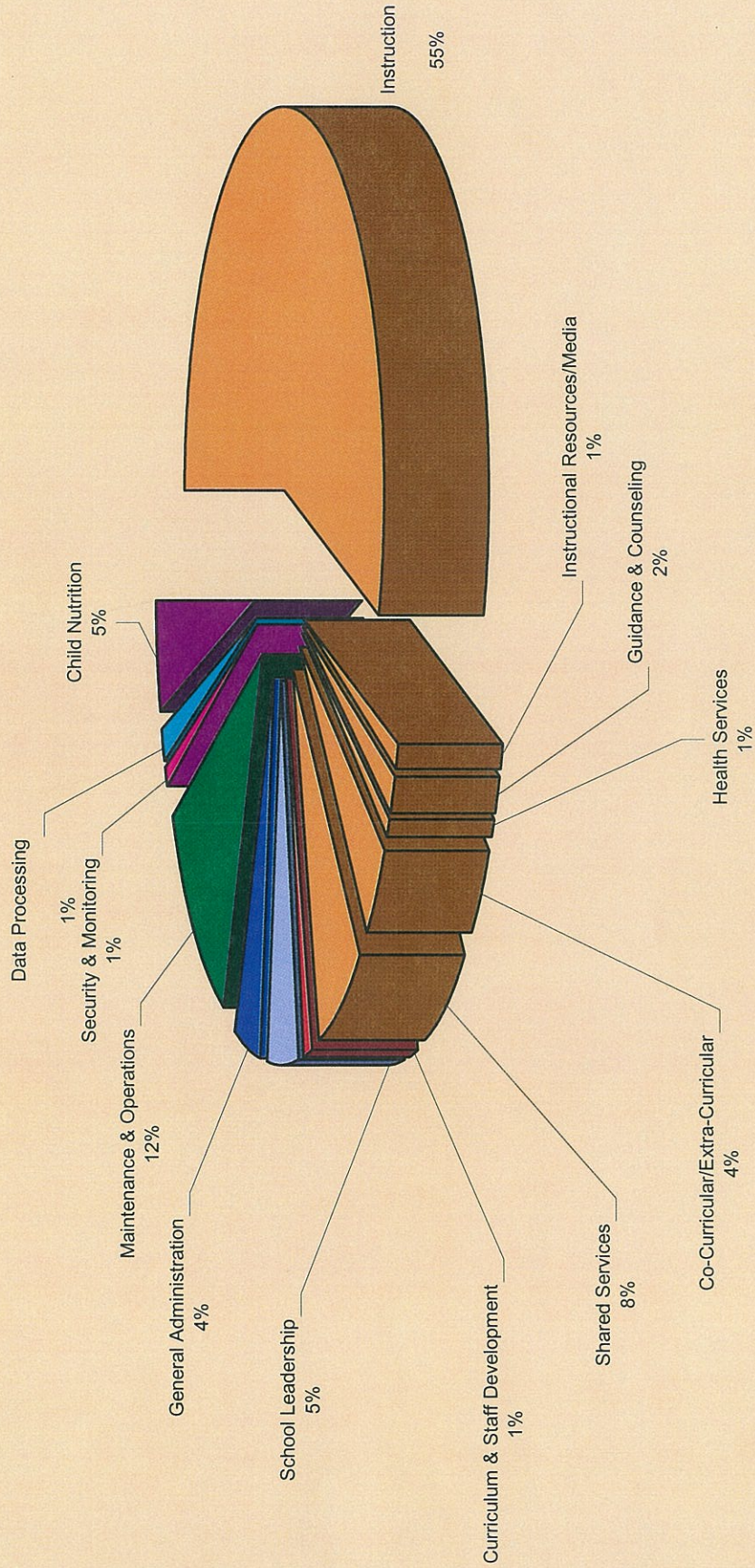
The web site Texas Legislature Online at <http://www.capitol.state.tx.us/> is an excellent resource for contacting your representatives and how the legislature works. The Texas House of Representatives has a web site as well: [www.house.state.tx.us/](http://www.house.state.tx.us/). The Senate site is [www.senate.state.tx.us/](http://www.senate.state.tx.us/). You can send an e-mail to your reps from these web sites if you choose. Some key contacts include House Public Education committee chairman Rob Eissler and vice chair Scott Hochbert. Senate Public Education chair is Dan Patrick.

If we can provide additional information or answer any questions, please call 817-441-8327.

Thank you for your continued support.

Don Daniel  
Superintendent of Schools

# Aledo ISD 2009-2010 Budgeted Expenditures



- Instruction
- Shared Services
- Security & Monitoring
- Instructional Resources/Media
- Curriculum & Staff Development
- Data Processing
- Guidance & Counseling
- School Leadership
- Child Nutrition
- Health Services
- General Administration
- Co-Curricular/Extra-Curricular
- Maintenance & Operations