

August 15, 2024

Fellow Peaster Residents,

At the monthly school board meeting tonight, the Peaster ISD Board of Trustees unanimously voted 1) to reduce the Interest and Sinking (I&S) tax rate by 3.05 cents, and 2) to send to the voters in November a measure to increase the Maintenance and Operations (M&O) tax rate by 3 cents. These moves will help balance our future budgets while continuing to provide a quality education for our Peaster ISD students. We want to briefly explain how we came to the decision to raise additional M&O funds at the local level.

Texas schools are financed through two different pots of money with each having its own purposes and limitations—M&O and I&S. Maintenance and Operations revenue is used to fund the daily operations of the district. Traditionally, about 80% of M&O revenues fund teacher and staff salaries. The M&O tax rate is largely controlled by the Texas legislature, although districts may receive a limited increase through local elections. Interest and Sinking revenue funds payment on our debt for construction of buildings and other capital expenses. In the last several years, Peaster has purchased new buses and built the intermediate campus through I&S bonds. I&S funds may not be used to fund the district's daily operations, including paying teacher salaries. The voters approve I&S bond sales that drives the I&S tax rate. The Peaster ISD combined tax rate in 2023 was \$1.1692, with \$.6692 for M&O revenue and \$.50 for I&S revenue.

Like many Peaster residents, over the past two years our district has experienced minimal income growth while expenses rose due to a period of high inflation, plus opening a new campus. First, let us explain the stagnant revenue. In 2021, the Peaster ISD tax rate was \$1.372, and in 2022, the tax rate was \$1.3546, both with a \$40,000 homestead exemption. As property values increased, the legislature reduced the M&O tax rate by over 20-cents, for a combined tax rate of \$1.1692 while also increasing the homestead exemption to \$100,000. These tax reduction acts provided much needed property tax relief to our community, but also dramatically decreased the amount of M&O taxes generated—again, that portion of our revenue used to pay our outstanding staff to educate our children and pay the electric bill to keep the lights on. At the same time, Peaster ISD experienced the increased expenses associated with opening a new campus, which included new staffing requirements and new utility and maintenance expenses, along with increased expenses across the district for salaries, utilities, fuel, and insurance, amongst others.

These forces combined to create our first budget deficit in several years for the 2023-24 school year. Even so, we projected that the legislature would 1) provide additional funding from state surpluses to cover the loss from the reduction in local tax revenues, and 2) increase the basic allotment of \$6,160 per student, an amount that has not changed *since 2019*. Neither of these state funding measures passed. As a result, Peaster ISD is now entering its second school year in a row with a deficit budget.

We believe Peaster ISD is in a good position to weather a short deficit period based on financial reserves, known as a "fund balance." However, those reserves are limited. As such, we took steps to limit the deficit. For the first time in several years, we accepted about 60 transfer students to increase revenue. We also limited spending, to include not being able to provide raises over and beyond the annual step increases provided for years of service, even though we would prefer to provide teachers and staff raises that at least keep up with the high rate of inflation. Additionally, we took other steps to reduce expenditures, to include not replacing some positions through natural attrition. This has led to some

increase in class sizes; a move that we were reluctant to make, because we know that small class sizes is one of the many attributes that has brought so many students to Peaster. Even so, these steps did not balance the budget.

As we watched neighboring districts implement significant cuts in staffing and programs, we sought out ways to hopefully prevent such cuts from hitting Peaster ISD in the very near future. We now believe that we require two steps to address our funding deficit. First, we continue to call on our legislature to increase state revenue streams, to include increasing the annual allotment provided per student. Second, we have called a voter-approval tax rate election (VATRE), which seeks the authorization of the residents of Peaster for a 3-cent increase in the M&O tax rate. This increase amounts to an M&O rate of \$.6969, closer to that of Weatherford (\$.7552), Brock (\$.7552), and Millsap (\$.7552), and it will increase our local M&O revenues by an estimated \$850,000. If both of these actions occur, we should not only be able to balance our budget and replenish our fund balance, we also hope to return to smaller class sizes and increase the salaries provided to our staff so that Peaster ISD teachers do not remain at the bottom of the Parker County pay scale. Additionally, these measures will help avert future cuts like those imposed by our neighboring districts, such as cuts in extra-curricular programs and in the classroom.

This Board understands that family budgets are running very tight. Thus, to ensure that there is no net increase in the property tax rate, in addition to calling for a community vote to increase the M&O tax rate by 3-cents, we have unanimously passed an I&S tax rate reduction that will more than offset the projected M&O increase. That means that if the M&O tax rate increase passes, the Peaster ISD tax rate will decrease from the 2023 rate of \$1.1692 to \$1.1664.

We wanted to briefly explain our vote tonight for those who were unable to make the school board meeting. Over the upcoming weeks, the administration will set town hall meetings where our current school finances and this measure will be explained in more detail, and each community member can ask their questions. Please attend one of those meetings because we want to ensure that each community member is fully informed before casting their vote in November.

Thank you for being such great supporters of Peaster ISD. We wish the absolute best for each of our students and their families in the new school year. Go Greyhounds!

Sincerely,

Your Peaster ISD Board of Trustees



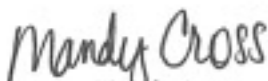
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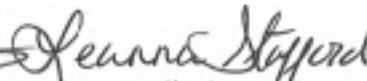
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