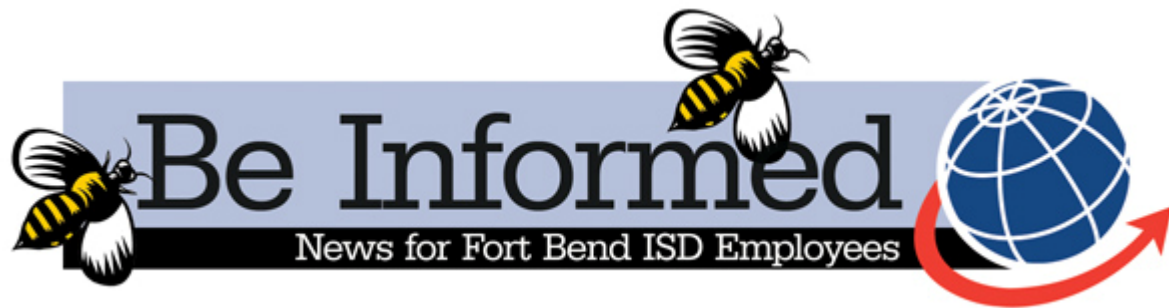


Message sent to FBISD employees, sent in the district's electronic community newsletter, and posted on the district website:



August 18, 2009

The district is pleased to introduce you to ***Be Informed!*** This new communication will be sent to all employees when there is important news to share regarding district issues, initiatives, programs or events. Our objective is to provide staff members with timely and accurate information. This first ***Be Informed*** is from Tracy Hoke, Chief Financial Officer, who addresses current financial challenges the district is facing and their impact on the FBISD budget.

### **Fort Bend ISD Budget Issues Impacting 2009-2010: FAQs**

As Chief Financial Officer, I believe it is important for both staff and community members to have accurate information regarding challenges the district faces due to ongoing budget constraints. Following are answers to frequently asked questions about the Fort Bend ISD budget:

**1 Q. For the past several years we have heard there is not enough funding for public school districts in Texas — why not?** A. School districts receive funds from the state based on complex and predetermined formulas. Many school districts are experiencing budget deficits due to the failure of the Texas Legislature to provide inflationary increases to district revenues. All districts have been operating on a fixed revenue income from the state since 2006.

**2 Q. What does this mean for Fort Bend ISD?** A. While district operating expenses have increased significantly over the past several years, the ability to balance the budget has become nearly impossible since the state has not sufficiently increased its funding to the district to offset inflation and the rising cost of utilities and fuel (new funding is provided only for new students). Additionally, even though property values in Fort Bend County have generally increased each year, the district does not benefit from the additional revenue that residents pay in school taxes. The reason for this is that as local funds for schools increase (through additional school taxes); the state decreases the money it sends the district. So basically, funding for the district remains flat. This is why each year the district faces increasing challenges to balance a budget and at the same time keep up with increasing operating expenses. It becomes more and more difficult each year.

**3 Q. I thought that the Texas Legislature, in its session this summer, was going to put changes in place so that Texas school districts would receive additional funding to address chronic budget shortfalls.**

A. The state did direct an additional \$120 per student to the district. However, FBISD was directed to expend the majority of these funds to provide salary increases to teachers, counselors, nurses, librarians, and speech therapists. While we certainly support increasing the salaries of this valuable group of employees, the mandate left the district with less than \$2.0 million in new discretionary dollars. This amount decreases in the coming years due to the complex methods used to finance schools and our return to a formula-driven system.

**4 Q. How are districts addressing these budget shortfalls?** A. Many districts are taking severe actions which include laying off staff, increasing class sizes, cutting programs, raising employees' contributions to their health care plans, and not giving pay raises. There are districts in our area that have had to put some of these measures in place over the past few years, and more will face these tough decisions this coming school year.

**5 Q. How will Fort Bend ISD's budget be impacted?** A. The budgeting process is currently underway and many factors must be considered before a final budget is presented to the School Board for adoption August 25th. However, based on current revenue and expenditure estimates for 2009-2010, the district is facing the possibility of being several million dollars short of developing a balanced budget.

**6 Q. What does this mean for the district — how can we operate if we do not have a balanced budget?** A. It would mean that the district would operate a "deficit" budget which would require moving money from the district fund balance (our savings account) to our operating budget.

**7 Q. Didn't the district operate this past year with a deficit budget?** A. In order to give employees a pay raise this past year, the Board did approve a deficit budget of approximately \$10 million in August 2008. However, the Board charged the Superintendent to aggressively review all budget expenditures during the year to find ways to recoup the \$10 million. It is important to remember that maintaining a balanced budget and a healthy fund balance is vital to a school district's credit rating. Because Fort Bend ISD has an excellent credit rating, the district has been able to borrow money and purchase bonds at a low interest rate. Over the years this has allowed-the district to save significant money for taxpayers.

**8 Q. So what is the district doing this year to address the budget shortfall?** A. The district is committed to redirecting costs to balance the budget, while encouraging state legislators to provide financial relief for schools. Specifically, the district has asked all campuses and departments to decrease budgets even more. We are reviewing all staffing allocations for possible savings through reallocation and attrition, identifying and using energy conservation measures, critically reviewing all travel requests, delaying some new initiatives, and reviewing the amount spent on catering and snacks for meetings.

**9 Q. What about the stimulus funds that school districts are suppose to receive from the Federal Government — what will FBISD receive and couldn't this money be used to help balance our budget?** A. Our district is receiving approximately \$19.8 million in stimulus funds to offset the state's share of school finance which was used in part to finance the additional \$120 per student which FBISD received as a result of HB 3646. It is important to note, that after implementing the state's mandated salary increase, FBISD gained less than two million dollars, or 0.4 percent of the current operating budget, in new discretionary revenue.

**10 Q. Isn't the district proposing to raise its debt service tax rate for 2009-2010 by 3.5 cents — can't this increase be used to help balance the budget?** A. Districts have two separate budgets. The M & O (Maintenance and Operations) budget is the money we use to run or operate the district. The other budget is for repaying debt or money that voters, through approved bond referendums, have authorized the district to borrow to build new facilities and support specific improvement initiatives. Any increase in the debt service tax rate can only be used to pay off debt—nothing else.

**11 Q. So why doesn't the district consider raising the M & O portion of the tax rate?** A. The state capped the M & O tax rate for school districts at \$1.04 several years ago. The only way a district can increase this tax is by holding a tax increase election in which voters would have to approve an increase. Given the current economic conditions, it is reasonable to assume that taxpayers are not inclined to vote to increase their taxes, although some districts have been successful in this effort.

**12 Q. Why doesn't the district just cut administrative costs to make up the shortfall?** A. FBISD already has a very low administrative cost ratio, and administrative expenditures have been critically examined to identify possible reductions. Cutting all administrative costs is not practical and would not eliminate the budget shortfall.

**13 Q. What is included in our overall budget?** A. Eighty-seven (87) percent of the budget is comprised of salaries and benefits for all employees. Of this, 73 percent is allocated to the classroom in direct support of teacher salaries and benefits and another seven percent is allocated for instructional support in the areas of curriculum and campus administration. Ten percent of the salaries and benefits are allocated to student support services which includes counselors, social workers, nursing services, and bus drivers, and another eight percent is allocated for our auxiliary employees. Less than two percent goes to administrative salaries and benefits.

**14 Q. Why is the district changing its fiscal year?** A. Changing the fiscal year will allow the district to align the academic and budgetary year. It is important that campuses and departments have the tools available to them to begin school when the school year starts. Having a budget process which occurs during the school year also allows the public to more fully participate in the budget process.

**15 Q. How can I express my opinions about the district's budget and the public education finance system?**

- E-mail: to communicate with FBISD, please send e-mails to [askFBISD@fortbendisd.com](mailto:askFBISD@fortbendisd.com)
- Contact Government Officials: go to the district website and click on “Board of Trustees” and then “Governmental Relations.”
- Ask appropriate staff members: school administrators and department supervisors can provide information about individual school or department budgets.