

Comal Independent School District

NEWS RELEASE

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Comal ISD board proposes 2010-11 six-cent debt service tax increase

At the Aug. 10 school board workshop, the Comal ISD Board of Trustees approved a proposed six-cent increase to the district's interest and sinking (I&S) or debt service tax rate, which will raise the rate from 27 cents to 33 cents per \$100 valuation for property owners if approved in September. The maintenance and operations tax rate (M&O) will remain at \$1.04 per \$100 valuation giving the district a total proposed tax rate of \$1.37.

A public hearing to discuss the 2010-11 budget and tax rate is set for Aug. 26 at 6 p.m. in the board room of the district's support services building in New Braunfels. The board will take action on the proposed 2010-11 budget at the Aug. 26 board meeting. Action will not be taken on the tax rate until the Sept. 30 board meeting.

Administration made the recommendation for the six-cent increase on the I&S (debt service) tax rate in June due to the significant decline in property growth value increases over the last few years.

"The property growth value increases for Comal ISD have dropped 20 percent just since 2008-09," said Comal ISD Assistant Superintendent for Business Services Debra Smith. "This year's certified property values are at negative one percent. Revenue from the state is frozen at the 2005-06 levels due to House Bill 1 for maintenance and operations. But property growth values are the main source of revenue for debt service, so this major drop (in values) directly impacts the I&S (debt service) tax rate."

In 2008-09, the property growth value increase was 19 percent and it dropped to 2.4 percent in 2009-10. For 2010-11, the property growth value took another drastic hit dropping another 3.4 percent to negative one percent.

At the workshop, Comal ISD Superintendent Dr. Marc Walker made a note of how the district has helped taxpayers over the last five years by decreasing the debt service tax rate by a total of five cents.

"Over the years, we have tried to help taxpayers wherever we could," said Walker. "Property growth values were up in 2005, so we had the opportunity to drop our (debt service) tax rate by two cents (from 32 cents to 30 cents). In 2006,

the property growth values increased again, allowing us to drop the tax rate by another three cents bringing it to the 27 cents we have maintained over the last four years despite the decline in values since 2008. Now, the property growth values have dropped so significantly that we need to recover that five cents and raise the rate by another penny. We can't afford not to."

The state law requires districts to set a debt service tax rate that retires a district's debt on a pre-set schedule. For 2010-11, that debt service tax rate for Comal ISD is 39 cents. In order to help buy that rate down to 33 cents, the district budgeted to use \$6 million from the debt service fund balance for 2010-11. Last year, the district used \$7.2 million from the fund balance to keep from increasing the debt service tax rate from 27 cents to 35 cents.

"What our taxpayers need to understand is that by law we have to raise the debt service tax rate in order to pay off our bonds according to a schedule that was given when the bonds were issued," said Walker. "Our board only has two choices. They can either set the tax rate at 39 cents or they can not increase the rate as much by using funds from the debt service fund balance to make up the difference. The board is trying to help the taxpayers by proposing the 33 cents and using \$6 million from the debt service fund balance."

Although the board has the option to buy down the debt service tax rate with the reserves in the debt service fund balance, Walker said it is just a one-year fix.

"We will be faced with this very same issue next year," he said. "We will have to raise the debt service tax rate again and by how much will depend on what we're able to use from the debt service fund balance. Between this year and last year, we will have used about \$13 million to aid our taxpayers. Our debt service fund balance won't be there forever, and the more we use, the more we will have to rely on our taxpayers unless we see a significant increase in our property values."

Comal ISD also offers its taxpayers a break on property taxes with the 20 percent homestead exemption. Of the 1,029 districts in Texas, 218 offer a homestead exemption ranging from one to 20 percent. Comal ISD is one of 174 districts that offer the 20 percent exemption.

"Of the 174 districts that offer the 20 percent exemption, Comal ISD is one of six districts that give the largest amount of money back to its taxpayers," Walker said. "Annually, we cut our taxpayers about a \$3 million break through this exemption. If our taxpayers didn't have the exemption, they would be paying 3.5-4.5 cents more on top of the proposed six-cent debt service tax rate increase. We feel fortunate we can continue to provide the 20 percent exemption."

If the board approves the 33-cent debt service tax rate, the average homeowner in Comal ISD (average taxable value of \$169,815 for 2010-11) will see an annual increase of about \$97, which amounts to about \$8 a month or 25 cents a day. This increase is expected only for Comal ISD homeowners who have a one percent decline in the taxable value of their homes. Homeowners who are 65 and

older can have their school property taxes frozen and would not see any increase in their taxes.

“Nobody wants to see their taxes raised in (economic) times like this, including us,” said Comal ISD board president Carol Kendall Keller. “We know it is tough for many families right now, but we have to look at the future. Not raising the (debt service) tax rate now by six cents, will only result in us having to raise it by 12 or 16 cents in the next year or two. We’ve weighed our options.”

Another factor affecting the debt service tax rate is growth within the district. From the 2005-06 school year through 2008-09, the district grew by around 800-1,000 students a year or in other words—an elementary school a year.

Last year, the district projected to see an increase of about 750 students in enrollment and actually only increased by around 600. While projections for the 2010-11 school year are for only about 480 students, larger enrollments of between 800-1,150 students are expected annually between 2012 and 2017.

“We are seeing slightly slower student growth that we were not expecting these last couple of years,” said Walker. “And although we don’t anticipate tremendous growth in the next year or two, we expect that will change in the 2012-2013 school year, which will be beneficial to us financially.”

In addition to the debt service tax rate, the board also discussed the 2010-11 budget, which is proposed at \$125 million (\$2.3 million increase from 2009-10). The budget is supported by the \$1.04 M&O tax rate. In her report, Smith said the differences in the two budgets include 483 new students, one new school (Clear Spring Elementary), an increase in the technology budget for computer rotation, an increase in transportation budget for new buses, and a step increase for teachers. Overall, the district will have a 13 net increase in positions districtwide, which includes a 15 net decrease in teaching positions, a 34 net increase in other campus positions, and a seven net decrease in department positions.

For more information, the 2010-11 proposed budget and Smith’s budget/tax rate report are posted online at

http://www.comalisd.org/Fiscal_Information/Default.asp.

Year	Debt Service Tax Rate (in cents)	Property Growth Value Increases (in percentages)	Debt Service Fund Balance Used (in millions)
2004-2005	32	9.2	\$0
2005-2006	30	14.2	\$0
2006-2007	27	21.1	\$0
2007-2008	27	21.4	\$0
2008-2009	27	19	\$0
2009-2010	27	2.4	\$7.2
2010-2011	33*	-1	\$6

**Proposed debt service tax rate for the 2010-2011 school year. A hearing to discuss the proposed budget and tax rate is set for Aug. 26. The 2010-2011 debt service tax rate will not be approved until the Sept. 30 board meeting.*

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