Information Guide 2010 – Maintenance & Operation Override Task Force

Washington Elementary School District

What is the Purpose of Calling for a Maintenance & Operation Override?

Washington Elementary School District would like to maintain the current level of educational opportunities that we offer to students attending our District schools.

What is a Maintenance & Operation (M&O) Override?

- ARS 15-481 – A school district may exceed its expenditure limit for M&O through voter approval. The override is funded by tax levies on property.

- The maximum amount for an M&O Override is 10% of the district's Revenue Control Limit - WESD has a revenue control limit of $107,010,860 for 2009-10. WESD currently budgets for $10,775,610 in excess of this limit per voter approval in March 2006.

Current Maintenance and Operation (M&O) Override Information

- Recent budget reductions for the State of Arizona will result in a reduction in the Revenue Control Limit (RCL) for WESD.
- Depending on legislative decisions and/or the results from the May 18 statewide special election – the WESD Revenue Control Limit could range from $98 million to $105 million.
- The resulting override amounts could range from $9.8 million to $10.5 million.

Current Maintenance & Operation (M&O) Override Information

- For the 2010-11 school year WESD will be in the fifth year of the override authorized by voters in March 2006.
- If voters give approval for WESD to renew the override, the District could maintain approximately $10 million in budget capacity.

Current Maintenance & Operation (M&O) Override Information

- If the override is not reauthorized in November, the budget will be reduced further.
- In the sixth year and seventh year, the amount allowed for the override budget will be approximately $7.1 million and $3.1 million respectively (based on current RCL).

What might the loss of override funds mean to WESD?

- The loss of $3.5 million is equivalent to 70 classroom teachers – resulting in further increased class size.
- The loss of $3.5 million is more than the current budget of approximately $2.1 million for supplies throughout the District (classroom, maintenance, office).

What Items Can The Maintenance and Operation Fund Pay For?

- Salaries and Employee-Related Expenses
- Classroom Supplies
- Contracted Services
- Transportation Expenses

What Items Are Not Paid From the WESD Maintenance and Operation Fund ?

- Capital purchases such as furniture and equipment
- Construction projects such as remodels, renovation and new buildings
- Staff development activities provided for by grants
- Field trips and other activities funded by donations to schools
- Community schools programs that are funded by tuition payments

Can we use other funds to cover this amount?

- **Grants** – WESD currently funds almost 12% of our salary costs from federal and state grants. These funds are identified for specific areas of instruction and instructional support. The District <u>cannot</u> replace current M&O expenses with these funds.

Can we use other funds to cover this amount?

- **Tax Credit Funds** – These funds are donated for use only in extracurricular activities sponsored by individual schools. The funds must be used as designated by the donor, and there must be a fee assessed in order for the activity to qualify.
- Activities required for a grade <u>do not</u> qualify for payment from these funds.

Can we use other funds to cover this amount?

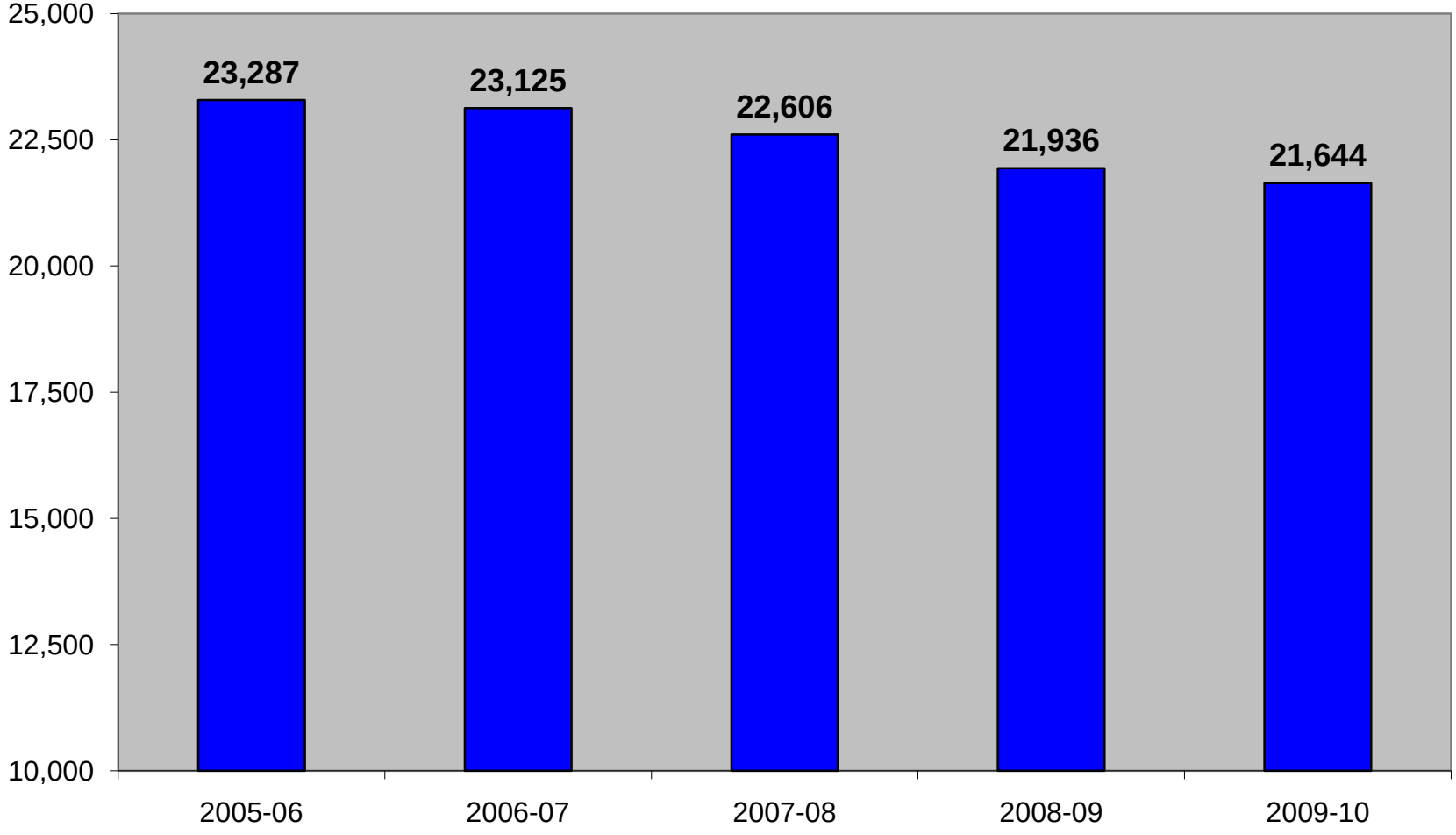
- **Capital** – The District has several sources of capital funding such as Bond, Unrestricted Capital, Soft Capital and Building Renewal. These funds provide for furniture, equipment, textbooks and building improvements.
- The types of expenditures currently paid from the Maintenance and Operation fund <u>do not</u> qualify as acceptable expenses from the funds listed above.

Historical Data: Decreased Revenue

- Fluctuation in **Average Daily Membership** (ADM) leads to decreased revenue. The base support level for each student is $3,267. WESD has experienced a decrease in student ADM over the last few years.

- Even in years when the State has given an increase to the base support level, a decrease in student count does not allow our District to realize the full increase in revenue. The current economic environment has magnified this issue.

Average Daily Membership Trend



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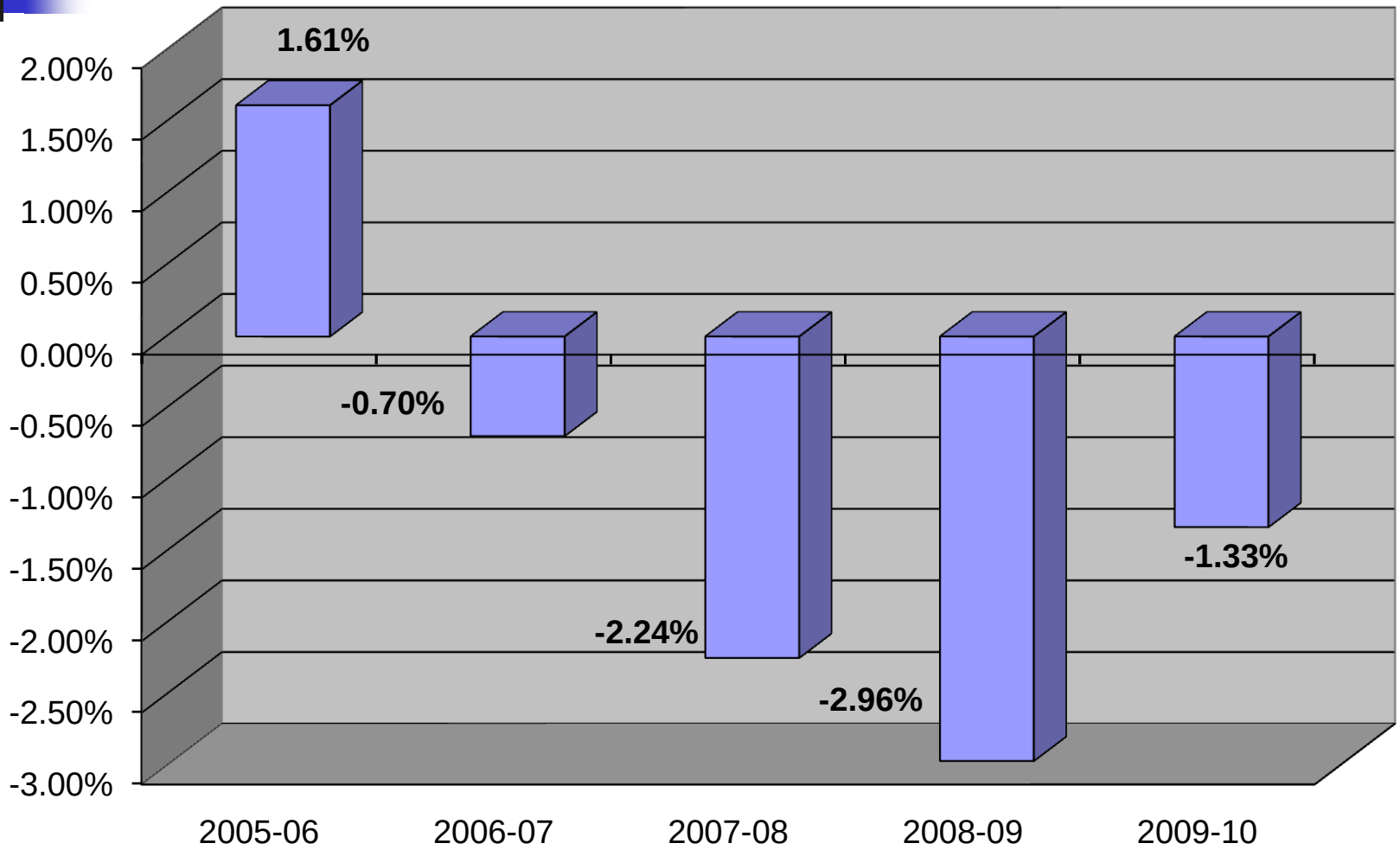


Where does the funding for the M&O budget come from?

- **School District Property Taxes** - comes from local property taxes on real and personal property within each district.

- **State and county equalization assistance** - the amount of money which the state and county provide to school districts over and above the qualifying tax rate.

Primary Tax Rate

- Based on assessed valuation of property within the district
- Supports the Maintenance and Operations and Capital Outlay Funds (levy funds)
- Source of Adjacent Ways Funds

Primary Tax Rate Comparison

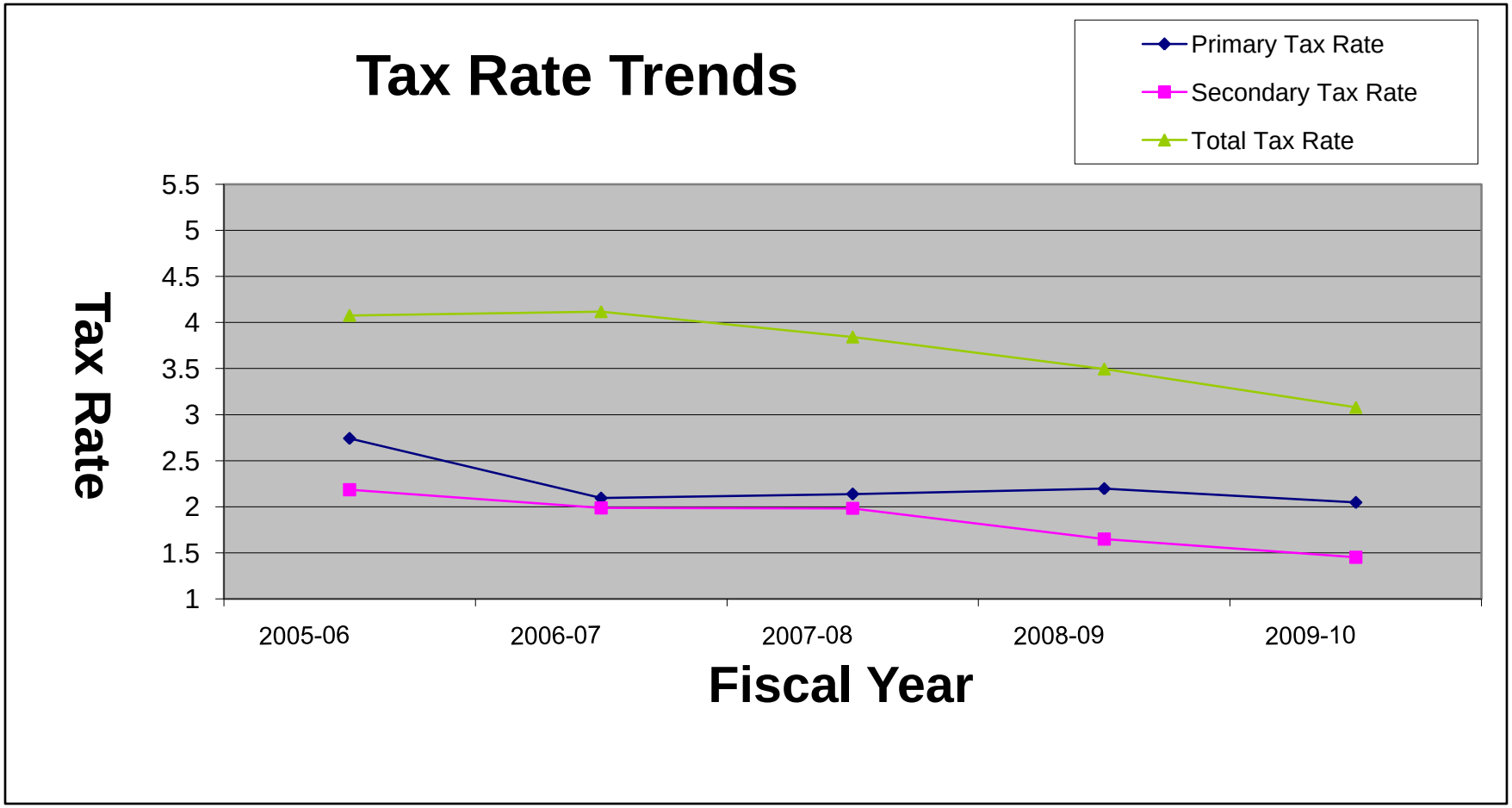
- Fiscal year 2005-06 2.0919
- Fiscal year 2006-07 2.1366
- Fiscal year 2007-08 2.1946
- Fiscal year 2008-09 2.1398
- Fiscal year 2009-10 1.6568

Secondary Tax Rate

- Based on assessed valuation of property within the district
- Used to fund debt service (payment of bonds)
- Used to fund M&O, K-3 and Capital Overrides

Secondary Tax Rate Comparison

- Fiscal year 2005-06 1.9845
- Fiscal year 2006-07 1.9803
- Fiscal year 2007-08 1.6469
- Fiscal year 2008-09 1.5521
- Fiscal year 2009-10 1.4207


Tax Rate Trends
Primary Tax Rate
Secondary Tax Rate
Total Tax Rate
Tax Rate
5.5
5
4.5
4
3.5
3
2.5
2
1.5
1
2005-06
2006-07
2007-08
2008-09
2009-10
Fiscal Year

What is the impact of the M&O Override on taxpayers?

- Currently the tax rate specifically for the M&O Override is approximately $0.49 per $100 of assessed value of a home.

- The cost to a homeowner of a $100,000 home is approximately $49.00 per year.

What is the impact of the M&O Override on taxpayers?

- Recently assessed values have gone down, so you may see an increase in the tax rate.
- This doesn't necessarily mean that the amount you pay will increase or decrease.
- The District makes every attempt to manage the tax rate so that the actual cost impact remains relatively constant.

What is the impact of the M&O Override on taxpayers?

- For fiscal year 2010-11, the tax rate could very well increase by as much as $0.10 solely on the changes in assessed values as of February 2010.
- WESD won't be receiving any additional money for bonds or overrides, but the amount a homeowner will pay for each $100 of his or her home's value will increase, even though assessed values have decreased.