Frenship Independent School District 2014 Bond

Frequently Asked Questions

What is a Bond?
A bond is similar to a home mortgage. It is a contract to repay borrowed money with a low-cost interest rate over time. Bonds are sold by a school district to competing lenders to raise funds. Most school districts in Texas utilize bonds to finance new building construction, renovations, equipment, land purchases, and other capital projects.

How can bond funds be used?
Bond funds can be used to pay for new buildings, additions and renovations to existing facilities, land acquisition, technology infrastructure and equipment for new or existing buildings. Bonds cannot be used for salaries or operating costs such as utility bills, supplies, fuel and insurance.

How is the District's tax rate configured?
A school district's tax rate is comprised of two tax rates: the Maintenance & Operations tax (M&O) and the Interest & Sinking tax (I&S). The M&O rate is used to operate the school district, including salaries, utilities, furniture, supplies, food, gas, etc. The I&S rate is used to pay off school construction bonds. Bond sales only affect the I&S rate.

How much is the District asking for?
The Board of Trustees have called a bond election in the amount of $85.2 million to be brought before the District's voters on **May 10, 2014**.

What is a school bond election?
School districts hold bond elections to seek approval from voters to sell bonds for the purpose of generating revenue for capital projects. Bond revenue can only be used for new construction, renovations to existing facilities, land acquisition, equipment, technology, and other approved items associated with providing school district facilities.

Bonds are issued in accordance with a ballot proposition, such as a school bond proposition that has been authorized by the voters. They are repaid over a period of years from local tax revenues in the school district's interest and sinking (I&S) fund budget. Most school districts in Texas, including Frenship ISD, utilize bonds to finance their school facilities.

How did the district initiate this bond package?
The Board, district superintendent, and administrative staff obtained input from community members, parents, educators, consultants and others. After conducting extensive meetings, the administrative staff developed and prioritized a comprehensive list of projects and presented them to the Board in a workshop meeting on September 16, 2013.

Why is the bond election on May 10?
The Texas Legislature establishes uniform election dates for local political subdivisions, which include school districts, cities, counties and other local government agencies that conduct elections. The May 10, 2014 date is the scheduled spring uniform election established for the State of Texas and recently mandated by the Texas Legislature.

The last date to register to vote or change the address for this election is **April 10, 2014**. The first day of early voting is **April 25, 2014**, and the last day for early voting is **May 6, 2014**.

During early voting, Frenship ISD voters can vote at any Lubbock County early election site and the places will be listed on the Lubbock County elections site. When the sites are finalized, they also will be posted on the district's website at www.frenship.us.

Why is a bond being proposed to pay for school facilities?

A bond is being proposed because the district does not have funds in the amount of $85.2 million to pay for these proposed facilities, renovations, land, etc. By using a bond, the district is able to spread the cost of the facilities over their useful life (similar to having a mortgage on a home) and allow future residents to assist in the payment of the facilities.

It is the intent of the district to finance all capital improvements over the life of their usefulness. Technology and other shorter life assets will be financed over fewer years.

Frenship ISD passed a bond issue in 2007, yet the tax rate has changed very little. Why? The Interest & Sinking Tax Rate (I&S) can only be used to pay bonded debt. As the property values of the school district increase the I&S tax rate can be held constant and the district can still generate enough revenue to cover annual bond payments. As a fast growth district, Frenship ISD has a trend line of adding new value to the district over time.

Will new residents help pay for the bond program?

As additional homes and other taxable properties are constructed within the district, additional tax dollars would be generated for the payment of the bonds. As the district's tax base grows larger, the percentage of the bonds paid for by each taxpayer declines.

The additional commercial, industrial and business growth that comes with the residential developments also will help the overall tax base.

How will the bond package affect residents who are 65 years old or older?

For residents, who are 65 or older and own their own home and have received an "over-65 homestead exemption," there is a tax ceiling on the amount of school taxes that they pay.

Persons who have the over-65 exemption do not pay more taxes – even if the school district raises its tax rate or if the appraised value of their home increases.

School taxes on the home cannot increase as long as they own and live in that home. The tax ceiling is the amount paid in the year the taxpayer qualifies for the over-65 exemption. School taxes may be below the ceiling, but not above the ceiling amount.

If a couple owns a home together and only one is 65 or older, they both qualify for the over-65 exemption.

Taxes for those 65 and older can only go up if substantial home improvements are made on the home.

How much will the bond package increase my taxes?

The current I&S tax rate is 46 cents per $100 valuation. The district anticipates this rate would be increased no more than an additional 4 cents per $100 valuation (for a total I&S tax rate of 50 cents per $100 valuation), but the actual increase will depend on the future growth in the district's tax values.

> The estimated additional tax from an increase of 4 cents per $100 valuation for a $133,000 home (average value within the district) would be:
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> > $47.20 a year (133,000 less 15,000 state homestead exemption divided by $100 times $0.04)
> >
> > or $3.93 a month.
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> On a $100,000 house, the tax increase would be $34 a year or $2.83 a month.
>
> For a $300,000 home, the tax increase would be $114 a year or $9.50 a month.