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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/13/06  
 SPONSOR SEC LAST UPDATED 2/14/06 HB \_\_\_\_\_  
 SHORT TITLE Public Peace, Health, Safety & Welfare SB 750/SECS  
 ANALYST Lewis/Earp

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	Indeterminate*		

(Parenthesis ( ) Indicate Expenditure Decreases)

\*See narrative.

Relates to HB 301/SB 95 (Increase School District Cash Balances).

Conflicts with HB 432/SB 450 (Public School Capital Outlay Omnibus Bill).

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Education Department (PED)

Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of SEC Substitute

The SEC substitute for Senate Bill 750, with emergency clause, amends the Public School Finance Act to increase the allowable limits for a school district's or charter school's ending operational cash balance based on the size of the district's or charter school's current year budgeted program cost, as shown below:

<u>If the current year program cost is:</u>	<u>The ending operational cash balance limit is:</u>
less than \$5 million	increased from 9 to 15% of budgeted expenditures
\$5 million or more but less than \$10 million	increased from 7.5 to 12% of budgeted expenditures
\$10 million or more but less than \$25 million	increased from 6 to 9% of budgeted expenditures
\$25 million or more but less than \$200 million	increased from 4.5 to 7% of budgeted expenditures
\$200 million or more	increased from 9 to 15% of budgeted expenditures

## FISCAL IMPLICATIONS

The Public Education Department (PED) and Department of Finance & Administration (DFA) report that, while this legislation carries no appropriations, increasing school district's and charter school's cash balance limits could have an indeterminate fiscal impact on statewide public school support funding since emergency supplemental funding flows through the PED to districts and charter schools based on their certification of need. Historically there is considerable variability across the 89 public school districts in cash balance management, depending upon local conditions and interpretation of emergency needs.

## SIGNIFICANT ISSUES

According to the Public Education Department (PED), by allowing school districts to carry higher cash balances, this bill would allow districts extra cash to pay for unforeseen, non-recurring expenditures (e.g. increased energy costs) and make districts less reliant on supplemental emergency funding.

PED further suggests that allowing school districts to carry higher cash balances would positively affect their bond ratings.

According to the Department of Finance and Administration (DFA), the limit (established by the Legislature in 2003) on the amount of excess operational cash balances that a district or charter school can retain has generated a great deal of discussion. The concerns raised include the numbers of districts and charter schools that apply for emergency supplemental funding; limiting some districts' ability to absorb the costs of implementing the three-tiered teacher licensure system; or reducing the bond ratings of school districts. The DFA suggests that raising the limits as outlined in this bill may provide more flexibility for districts and charter schools in meeting the goals of helping students meet academic standards.

According to the DFA, the Public School Capital Outlay Oversight Task Force recommends the elimination of restrictions on operational cash balances so that districts may have the opportunity to plan for efficient use of funds for capital outlay programs.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

To the amendments to Section 22-8-41 NMSA 1978 that are proposed by duplicate bills HB 301 and SB 95 (Increase School District Cash Balances), SB 750/SECS adds clean-up amendments and the emergency clause.

SB 750/SECS conflicts with duplicate bills HB 432 and SB 450 (Public School Capital Outlay Omnibus Bill), which include conflicting amendments to Sec. 22-8-41.