

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HB 47

50th Legislature, 1st Session, 2011

Tracking Number: .183190.1

Short Title: School District Cash Balances for Emergency

Sponsor(s): Representative Paul C. Bandy

Analyst: Craig J. Johnson

Date: February 4, 2011 (revised)

FOR THE GOVERNMENT RESTRUCTURING TASK FORCE

Bill Summary:

HB 47 amends the *Public School Finance Act* in the *Public School Code* to allow a school district and charter school to retain their operational cash balances, including emergencies.

More specifically, HB 47 strikes the provisions relating to the determination of a school district's or charter school's **excess cash balance**¹ amount that is used as a credit in the State Equalization Guarantee (SEG, or Public School Funding Formula) distribution.

Fiscal Impact:

HB 47 does not contain an appropriation.

Fiscal Issues:

Current law restricts school district and charter school cash balances that can be carried forward and used in a subsequent fiscal year.

Current law also provides for an "allowable" cash balance that is determined by the size of the program cost of a school district or charter school as outlined in the table below:

Program Cost	Allowable Cash Limits
Less than \$5.0 million	18 percent
\$5.0 million but less than \$10.0 million	12 percent
\$10.0 million but less than \$25.0 million	10 percent
\$25.0 million but less than \$200 million	8.0 percent
Greater than \$200 million	5.0 percent

Once calculated as per provisions in current law, "excess cash balance" is applied as a reduction (or credit) to the school district's or charter school's SEG distribution in the following school year.

¹ Excess cash balance is defined as the difference between actual cash balance at the end of the preceding fiscal year and the allowable cash balance which is capped at a defined level.

The cash balance credit calculation excludes revenue from federal operational Impact Aid, federal Forest Reserve, and the required half-mill levy because the state already takes credit for 75 percent of those revenues.

Based on the following data, the fiscal impact of HB 47 appears to be minimal.

- In FY 10, according to the Public Education Department (PED) bill analysis, only eight charter schools and one school district had a cash balance credit in school year 2009-2010:
 - Academia de Lengua Y Cultura - \$14,112
 - Albuquerque Institute for Mathematics & Science – UNM - \$9,560
 - Albuquerque Talent Development Secondary - \$65,235
 - La Academia de Esperanza - \$84,275
 - Nuestros Valores - \$17,738
 - 21st Century Public Academy - \$3,950
 - Jefferson Montessori Academy - \$175,660
 - Middle College - \$246,141
 - Vaughn Middle Schools - \$121,024
 - **Total Cash Balance Credit = \$455,566**
- And, in a PED staff report to the Legislative Education Study Committee during the 2010 interim, information showing the FY 11 budgeted cash balance credit by district and charter school (Attachment) indicates that the total budgeted cash balance credit was just over \$112,000.

Substantive Issues:

HB 47 strikes the cash balance credit provisions currently in statute, allowing impacted school districts to keep these funds for use in the following school year.

Allowing school districts to use these funds in FY 13 could help alleviate potential reductions in the SEG distribution.

However, it may also allow the state to take credit for school district and charter school cash balances statewide (see Background for 2003).

The Government Restructuring Task Force Final Report contained the following rationale for allowing school districts and charter schools to retain cash balances:

“The change will insulate some school districts, particularly mid- to smaller-size districts, from having to request emergency supplemental funding; will allow better fiscal planning; and provide incentives for efficiencies.

Net effect: more straightforward accounting by school districts

Potential savings: none for general fund; however, creates incentives for districts to save money that can be reallocated for items not fully funded, such as instructional materials adoption cycles, associated costs of opening new schools and emergencies.”

Background:

Prior to 2003, school districts were allowed to retain actual cash balances.

In 2003, \$11.0 million from school district cash balances statewide was used as a credit in the calculation of the SEG for FY 04.

Perhaps to minimize the effect of taking credits for cash balances, primarily for small school districts as well as districts experiencing enrollment growth, also in 2003, legislation was enacted to allow the state to take credit for a portion of a school district's or charter schools operational cash balance in excess of statutory requirements.

In 2006, the statute was amended to:

- increase the amount of cash balance that a school district or charter school may retain relative to the size of its budgeted program cost;
- require that the amount of the excess cash balance for which the state takes credit is based on a specific percentage of the estimated amount of cash balance that a district or charter school may retain rather than on the district's or charter school's actual excess cash balance; and
- upon application by a school district, allow the Secretary of Public Education to waive all or a portion of the cash balance credit if the secretary finds that the school district's excess cash balance is needed to provide the local match required under the *Public School Capital Outlay Act* or to recoup an amount paid as the district's share for a qualified high priority project.

In 2007, the statute was amended to:

- increase the amount of cash balance that a school district or charter school may retain relative to the size of its budgeted program cost; and
- provide that the amount of the excess cash balance for which the state takes credit is based on the actual excess cash balance rather than on the allowable limit.

Related Bills:

None as of February 4, 2011.

2010-2011 BUDGETED CASH BALANCE CREDIT

DISTRICT/CHARTER	2010-2011 BUDGETED CASH BALANCE CREDIT
ALAMOGORDO	\$0.00
ALBUQUERQUE	\$0.00
ACADEMIA DE LENGUA Y CULTURA	\$14,112.00
ALB TALENT DEV SECONDARY	\$0.00
ALICE KING COMMUNITY SCHOOL	\$0.00
BATAAN MILITARY ACADEMY	\$0.00
CAREER ACADEMIC TECH ACADEMY	\$0.00
CHRISTINE DUNCAN COMMUNITY	\$0.00
CORRALES INTERNATIONAL	\$0.00
DIGITAL ARTS & TECH ACADEMY	\$0.00
EL CAMINO REAL	\$0.00
GORDON BERNELL	\$0.00
LA ACADEMIA DE ESPERANZA	\$0.00
LA RESOLANA LEADERSHIP	\$0.00
LEARNING COMMUNITY	\$0.00
LOS PUENTES	\$0.00
MONTESORI OF THE RIO GRANDE	\$0.00
MOUNTAIN MAHOGANY	\$0.00
NATIVE AMERICAN COMM ACAD.	\$0.00
NUESTROS VALORES	\$17,738.00
PAPA	\$0.00
RALPH J. BUNCHE ACADEMY	\$0.00
ROBERT F. KENNEDY	\$0.00
SIA TECH	\$0.00
SOUTH VALLEY	\$0.00
TWENTY FIRST CENT.	\$3,950.00
ALBUQUERQUE W/CHARTERS	\$5,500.00
ANIMAS	\$0.00
ARTESIA	\$0.00
AZTEC	\$0.00
MOSAIC ACADEMY CHARTER	\$0.00
AZTEC W/CHARTERS	\$0.00
BELEN	\$0.00
BERNALILLO	\$0.00
BLOOMFIELD	\$0.00
CAPITAN	\$0.00
CARLSBAD	\$0.00
JEFFERSON MONT. ACAD.	\$0.00
CARLSBAD W/CHARTERS	\$0.00
CARRIZOZO	\$0.00
CENTRAL CONS.	\$0.00
CHAMA VALLEY	\$0.00
CIMARRON	\$0.00
MORENO VALLEY HIGH	\$0.00
CIMARRON W/CHARTERS	\$0.00
CLAYTON	\$0.00
CLOUDCROFT	\$0.00
CLOVIS	\$0.00
COBRE CONS.	\$0.00
CORONA	\$0.00
CUBA	\$0.00
DEMING	\$0.00
DEMING CESAR CHAVEZ	\$0.00
DEMING W/CHARTERS	\$0.00
DES MOINES	\$0.00
DEXTER	\$0.00
DORA	\$0.00
DULCE	\$0.00
ELIDA	\$0.00
ESPAÑOLA	\$0.00
CARINOS DE LOS NIÑOS	\$0.00
ESPAÑOLA W/CHARTER	\$0.00
ESTANCIA	\$0.00
EUNICE	\$0.00
FARMINGTON	\$0.00
FLOYD	\$0.00
FT. SUMNER	\$0.00

2010-2011 BUDGETED CASH BALANCE CREDIT

DISTRICT/CHARTER	2010-2011 BUDGETED CASH BALANCE CREDIT
GADSDEN	\$0.00
ANTHONY CHARTER	\$0.00
GADSDEN W/CHARTER	\$0.00
GALLUP	\$0.00
MIDDLE COLLEGE HIGH	\$76,759.00
GALLUP W/CHARTER	\$76,759.00
GRADY	\$0.00
GRANTS	\$0.00
HAGERMAN	\$0.00
HATCH	\$0.00
HOBBS	\$0.00
HONDO	\$0.00
HOUSE	\$0.00
JAL	\$0.00
JEMEZ MOUNTAIN	\$0.00
LINDRITH AREA HERITAGE	\$0.00
JEMEZ MOUNTAIN W/CHARTERS	\$0.00
JEMEZ VALLEY	\$0.00
SAN DIEGO RIVERSIDE CHARTER	\$0.00
WALATOWA CHARTER HIGH	\$0.00
JEMEZ VALLEY W/CHARTER	\$0.00
LAKE ARTHUR	\$0.00
LAS CRUCES	\$0.00
LA ACADEMIA DOLORES HUERTA	\$0.00
LAS MONTANAS	\$0.00
LAS CRUCES W/CHARTER	\$0.00
LAS VEGAS CITY	\$0.00
LOGAN	\$0.00
LORDSBURG	\$0.00
LOS ALAMOS	\$0.00
LOS LUNAS	\$0.00
LOVING	\$0.00
LOVINGTON	\$0.00
MAGDALENA	\$0.00
MAXWELL	\$0.00
MELROSE	\$0.00
MESA VISTA	\$0.00
MORA	\$0.00
MORIARTY	\$0.00
MOSQUERO	\$0.00
MOUNTAINAIR	\$0.00
PECOS	\$0.00
PENASCO	\$0.00
POJOAQUE	\$0.00
PORTALES	\$0.00
QUEMADO	\$0.00
QUESTA	\$0.00
RED RIVER VALLEY	\$0.00
ROOTS & WINGS	\$0.00
QUESTA W/CHARTERS	\$0.00
RATON	\$0.00
RESERVE	\$0.00
RIO RANCHO	\$0.00
ROSWELL	\$0.00
SIDNEY GUTIERREZ	\$0.00
ROSWELL W/CHARTER	\$0.00
ROY	\$0.00
RUIDOSO	\$0.00
SAN JON	\$0.00
SANTA FE	\$0.00
ACAD FOR TECH & CLASSICS	\$0.00
MONTE DEL SOL	\$0.00
TIERRA ENCANTADA CHARTER	\$0.00
TURQUOISE TRAIL	\$0.00
SANTA FE W/CHARTERS	\$0.00
SANTA ROSA	\$0.00
SILVER CITY CONS.	\$0.00

2010-2011 BUDGETED CASH BALANCE CREDIT

DISTRICT/CHARTER	2010-2011 BUDGETED CASH BALANCE CREDIT
SOCORRO	\$0.00
COTTONWOOD CHARTER	\$0.00
SOCORRO W/CHARTERS	\$0.00
SPRINGER	\$0.00
TAOS	\$0.00
ANANSI CHARTER	\$0.00
TAOS CHARTER	\$0.00
VISTA GRANDE	\$0.00
TAOS W/CHARTER	\$0.00
TATUM	\$0.00
TEXICO	\$0.00
TRUTH OR CONSEQ.	\$0.00
TUCUMCARI	\$0.00
TULAROSA	\$0.00
VAUGHN	\$0.00
WAGON MOUND	\$0.00
WEST LAS VEGAS	\$0.00
RIO GALLINAS CHARTER SCHOOL	\$0.00
WEST LAS VEGAS W/CHARTER	\$0.00
ZUNI	\$0.00
STATE CHARTERS	
ACADEMY OF TRADES & TECH ST. CHARTER (APS)	\$0.00
ACE (APS)	\$0.00
ALBUQUERQUE INSTI. MATH & SCI. (AIMS) ST. (APS)	\$0.00
ALBUQUERQUE SCHOOL OF EXCELLENCE ST. CHAR (APS)	\$0.00
ALBUQUERQUE SIGN LANGUAGE ST. CHARTER (APS)	\$0.00
ALDO LEOPOLD ST. CHARTER (SILVER CITY)	\$0.00
ALMA D' ARTE STATE CHARTER (LAS CRUCES)	\$0.00
AMY BIEHL ST. CHARTER (APS)	\$0.00
ASK ACADEMY ST. CHARTER (RIO RANCHO)	\$0.00
CESAR CHAVEZ COMM. ST. CHARTER (APS)	\$0.00
CIEN AGUAS INTERNATIONAL ST. CHARTER (APS)	\$0.00
COTTONWOOD CLASSICAL ST. CHARTER (APS)	\$0.00
CREATIVE ED. PREP INST #1 ST. CHARTER (APS)	\$0.00
EAST MOUNTAIN ST. CHARTER (APS)	\$0.00
GILBERT L. SENA STATE CHARTER (APS)	\$0.00
HORIZON ACADEMY WEST ST. CHARTER (APS)	\$0.00
INT'L SCHOOL MESA DEL SOL ST. CHARTER (APS)	\$0.00
LA PROMESA ST. CHARTER (APS)	\$0.00
MASTERS PROGRAM ST. CHARTER (SFPS)	\$0.00
MEDIA ARTS COLLAB. ST. CHARTER (APS)	\$0.00
MONTESSORI ELEMMENTARY ST. CHARTER (APS)	\$0.00
NEW AMERICA CHARTER SCHOOL ST. CH. (APS)	\$0.00
NEW MEXICO SCHOOL FOR THE ARTS ST. CH (SANTA FE)	\$0.00
NORTH VALLEY ACADEMY ST. CHARTER (APS)	\$0.00
SCHOOL OF DREAMS ST. CHARTER (LOS LUNAS)	\$0.00
SOUTH VALLEY PREP ST. CHARTER (APS)	\$0.00
SOUTHWEST INTERMEDIATE LEARNING CENTER (APS)	\$0.00
SOUTHWEST PRIMARY LEARNING CENTER (APS)	\$0.00
SOUTHWEST SECONDARY LEARNING CENTER (APS)	\$0.00
TAOS ACADEMY ST. CHARTER (TAOS)	\$0.00
TAOS INTEGRATED SCHOOL OF ARTS ST. (TAOS)	\$0.00
TIERRA ADENTRO ST. CHARTER (APS)	\$0.00
VILLAGE ACADEMY ST. CHARTER (BERNALILLO)	\$0.00
STATEWIDE	112,559.00