

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 71

50th Legislature, 1st Session, 2011

Tracking Number: .183851.1

Short Title: Limit School District Admin Expenditures

Sponsor(s): Senator John C. Ryan

Analyst: Craig J. Johnson

Date: March 21, 2011

Bill Summary:

Senate Bill 71 adds a new section to the *Public School Finance Act* to cap at no more than 15 percent the total operating budget that can be budgeted in four functions: 2300-General Administration, 2500-Central Services, 2600-Operation and Maintenance of Plant, and 2900-Other Support Services. This limit applies only to school districts with an enrollment of more than 35,000 students. According to the Public Education Department (PED), Albuquerque Public Schools (APS) is currently the only school district in the state with a membership greater than 35,000.

Fiscal Impact:

SB 71 does not contain an appropriation.

Fiscal Issues:

According to PED data:

- \$620,625,792 is the total APS operational budget for school year 2010-2011;
- \$101,492,425 or 16.35 percent is the amount of APS's total 2010-2011 operating budget in the four functions outlined in SB 71;
- 15 percent of APS's 2010-2011 operating budget is \$93,093,868; and
- almost \$8.4 million is the amount that SB 71 would require APS to reduce the budget in functions 2300, 2500, 2600, and 2900.

The PED analysis notes that, while PED has approval authority of a school district's operating budget, once PED approves a budget, local autonomy guides actual expenditure decisions. For school year 2009-2010, APS budgeted 16.64 percent and actually expended 16.65 percent of the district's total operating budget in the functions addressed by SB 71.

Background:

The current PED Manual of Procedures defines the functions outlined in SB 71 as the following:

- Function 2300 – Support Services and General Administration:
 - Includes board expenses and executive administration.

- Function 2500 – Central Services:
 - Includes business/fiscal services, purchasing/warehouse services, printing, planning, public information services, human resources, and administrative technology services.
- Function 2600 – Operation and Maintenance of Plant:
 - Includes operation and maintenance of buildings, care and upkeep of grounds, vehicle operation and maintenance, and security and safety.
- Function 2900 – Other Support Services:
 - Includes tax liability, litigation fees, emergency reserves, and 75 percent June credit.

The other operating budget functions that are not subject to the cap established in SB 71 are as follows:

- Function 1000 – Instruction:
 - Includes activities dealing directly with the interaction between teachers and students. Instruction also includes the cost of aides, textbooks, instructional technology, teacher training and travel, and instructional coaches.
- Function 2100 – Support Services – Students:
 - Includes activities designed to assess and improve the well-being of students; activities such as social work, guidance counseling, health services, and psychological services focused on students.
- Function 2200 – Support Services – Instruction:
 - Includes activities associated with assisting the instructional staff with the content and process of providing learning experiences for students, such as library and media services, instruction-related technology, and student assessments.
- Function 2400 – Support Services – School Administration:
 - Includes activities concerned with overall administrative responsibility for a specific school. Expenditures in this function include principals, assistant principals, and department chairs.
- Function 2700 – Student Transportation:
 - Includes activities concerned with conveying students to and from school, such as operating and maintaining vehicles.

- Function 3100 – Food Services Operations:
 - Includes activities concerned with providing food to students and staff.

- Function 3300 – Community Service Operations:
 - Includes activities concerned with providing community services to students, staff, or other community participants, such as offering adult education, after-school programs provided for the purpose of child-care, or recreational opportunities such as a community swimming pool.

PED noted that the 2600 function is the item from which a district pays for security and safety expenditures and the majority of its fixed costs such as electricity, gas, water, and property/liability insurance. Although they are called “fixed”, these costs have a tendency to fluctuate. PED also noted that the 2900 function is commonly used by school districts to budget emergency reserves. The district can budget a portion of its cash balance in this function for emergencies. Per the *Public School Finance Act*, a district cannot expend out of this emergency account without prior written approval of the Secretary of Public Education and only for the purpose of unforeseen expenditures. School districts generally do not make a request to expend funds out of this account.

The table below compares APS’s operational budget by function to statewide averages.

2010-2011: % of Op Budget by Function		
<i>FUNCTION</i>	<i>APS</i>	<i>STATEWIDE</i>
Instruction (1000)	64.6%	60.9%
Support Students (2100)	9.8%	9.5%
Support Instruction (2200)	3.9%	2.9%
General Admin (2300)¹	0.9%	2.2%
School Admin (2400)	5.2%	6.4%
Central Service (2500)	3.3%	3.5%
Op/Main Plant (2600)	11.6%	13.1%
Transportation (2700)	0.1%	0.1%
Other Support (2900)	0.5%	0.8%
Food Service (3100)	0.1%	0.1%
Community Service (3300)	0.0%	0.1%
Capital Outlay (4000)	0.0%	0.4%
TOTAL OPERATIONAL	100.0%	100.0%

Technical Issues:

PED’s analysis notes that, under current PED policy, a district is required to budget the amount of the 75 percent June credit the state will hold back from its SEG in function 2900. This is used to restrict a portion of the budget since at the time of budget approval the amount of the credit is unknown.

¹ Functions in **BOLD** type are the subject of SB 71

Substantive Issues:

While SB 71 applies only to APS, it is noteworthy that none of the state's 89 school districts had budgeted less than 15 percent of their 2010-2011 operational budget into functions 2300, 2500, 2600, and 2900. A few districts, including Cuba, Mosquero, San Jon, and Wagon Mound, have budgeted over 35 percent of their 2010-2011 operational budgets in these functions. Over 30 districts budget more than 15 percent of their operational budgets into Operation and Maintenance of Plant (function 2600) alone.

Related Bills:

None as of March 11, 2011.