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FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/06

SPONSOR Asbill LAST UPDATED _____ HB _____

SHORT TITLE Increase School District Cash Balances SB 95

ANALYST Earp

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	Indeterminate		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates House Bill 301
Conflicts with Senate Bill 450 and House Bill 432

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance & Administration (DFA)
Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 95, sponsored by Senator Asbill on behalf of the Funding Formula Study Task Force, amends the Public School Finance Act to increase the allowable limits for a school district or charter school's ending operational cash balances based on the size of the district's current year budgeted program cost.

FISCAL IMPLICATIONS

The bill proposes to increase the current statutory limits on the cash balances of school districts and charter schools according to each entities' program costs in increments as follows:

- Program cost of less than \$5.0 million: increased from 9 to 15 % of budgeted expenditures;
- Program cost of \$5.0 million or more, but less than \$10.0 million: from 7.5% to 12 % of budgeted expenditures;

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-Program cost of \$10.0 million or more, but less than \$25.0 million: from 6%% to 9% of budgeted expenditures;

-Program cost of \$25.0 million or more, but less than \$200.0 million: from 4.5% to 7% of budgeted expenditures; and

-Program cost of \$200.0 million or more: from 3 % to 5% of budgeted expenditures.

The Public Education Department (PED) and Department of Finance & Administration (DFA) report that, while SB95 carries no appropriations, increasing school district and charter school cash balance limits could have an indeterminate fiscal impact on statewide public school support funding since emergency supplemental funding flows through the Public Education Department 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

This bill conflicts with the provisions of House Bill 432 and Senate Bill 450. These duplicate bills contain provisions which eliminate the statutory limitations on school district/charter school operational cash balances.

ADMINISTRATIVE IMPLICATIONS

No significant administrative implications are apparent.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 95 and House Bill 301 are duplicate measures.

This bill conflicts with House Bill 432 and Senate Bill 450 as noted in Significant Issues above.

OTHER SUBSTANTIVE ISSUES

PED notes that, with higher cash balance limits, school districts could carry forward higher cash balances. This extra cash could pay for unforeseen non-recurring expenditures (i.e. increased energy costs) and allow districts to rely less on supplemental emergency funding.

Allowing school districts to carry larger cash balances would also provide greater flexibility in the event of delays in the distribution of State Equalization Guarantee revenues or other unanticipated cash flow issues.

DKE/nt