

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 10

51nd Legislature, 2nd Special Session, 2016

Tracking Number: .204886.1

Short Title: School District Cash Balances

Sponsor(s): Senators John Arthur Smith and Gay Kernan

Analyst: Rachel Gudgel

Date: October 1, 2016

Bill Summary

Senate Bill 10 (SB10) provides for the secretary of public education to reduce the school district and charter school state equalization guarantee (SEG) distributions (formula funding) in an amount equal to \$25 million as a credit for excess fiscal year 2016 operational fund cash balances. The bill excludes school districts that received emergency supplemental funding in FY16 or FY17 from the reduction. The reduction to each non-emergency supplemental school district and charter school is in proportion to their final funded FY16 student enrollment (MEM).

The bill has an emergency clause.

Fiscal Impact

Senate Bill 10 will result in a one-time (nonrecurring) reduction in school district and charter school SEG distributions in the amount of \$25 million in FY17. The credit taken is independent of a school district's or charter school's actual budgeted cash balance, resulting in a larger fiscal impact on school districts and charter schools with low cash balances and high student membership. In the alternative, school districts and charter schools with high cash balances and low student membership see a smaller fiscal impact.

Fifteen school districts and charter schools that are receiving emergency supplemental funding (FY16 and FY17) are explicitly excluded from the reductions provided for in the bill.

Because the reduction is non-recurring, it will not impact a school district's or charter school's program cost in FY17. Because of this, it should not impact the state's special education maintenance of effort (MOE) requirements pursuant to Part B of the federal Individuals with Disabilities Education Act.

While the reduction does not impact a school district's or charter school's program cost, it may have implications related to two education funding sufficiency lawsuits. Generally, these lawsuits allege New Mexico failed to provide a uniform system of free public schools for the sufficient education of all the children of school age as mandated by the New Mexico Constitution. In particular, these lawsuits allege low student performance is associated with insufficient funding for schools.

At a Glance

- SB 10 will result in an increase of \$25 million in nonrecurring revenue to the general fund in FY17.
- The reduction will not impact each school district's or charter school's program cost and therefore should not impact federal special education maintenance of effort requirements for FY17.
- The reduction is independent of school district or charter school fiscal year 2016 operational fund cash balances.
- Each school district and charter school's portion of the reduction will be equivalent to their proportion of student membership in FY16.

Substantive Issues

The bill takes credit for \$25 million of \$252 million in fiscal year 2016 operational fund cash balances of school districts and charter schools by reducing each school district's and charter school's FY17 SEG distribution. See Attachment. The reduction is a nonrecurring reduction that will not impact each school district's or charter school's program cost.

The bill requires PED to notify each school district and charter school of the amount of their reduction by November 1, 2016 and requires PED to reduce the SEG distributions from November 2016 through June 2017 in equal amounts.

Calculation of the reduction is to be based on the following:

- \$25 million divided by the total final funded student membership in FY16; and
- The quotient of the above calculation multiplied by an individual school district's or charter school's final funded membership in FY16.

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 FY04. Additionally, at that time, Section 22-8-41 NMSA 1978 was amended to allow the state to take credit for a portion of a school district's or charter school's operational cash balance in excess of a percentage of each school district's or charter school's program cost. The section was amended several times between 2003 and 2007 to increase the allowable percentage of cash balance, until the limitation was removed by Laws 2011, Chapter 39. As of 2011, school districts and charter schools have been allowed to carry forward all cash balances from the previous year. Unaudited cash balances budgeted by school districts and charter schools totaled \$252.5 million at the end of FY16. This is an increase of \$42.9 million, or 20.5 percent since FY15 year end.

Related Bills

Senate Bill 9 – Reduce Certain Legislative Appropriations
Senate Bill 4 – Public School Capital Outlay Changes

\$25M - Per MEM Scenario

	School District/Charter	MEM FY16	Total \$	
1	Academy for Technology and the Classics	358.00	\$ 27,372	1
2	Academy of Trades and Technology	132.00	\$ 10,092	2
3	ACE	343.50	\$ 26,263	3
4	ALAMOGORDO	5,778.00	\$ 441,774	4
5	ALBUQUERQUE	85,336.25	\$ 6,524,632	5
6	ALBUQUERQUE CHARTER ACADEMY	285.00	\$ 21,791	6
7	ALBUQUERQUE INSTI. MATH & SCI. (AIMS) ST. (APS)	364.50	\$ 27,869	7
8	Albuquerque School of Excellence	301.50	\$ 23,052	8
9	Albuquerque Sign Language Academy	94.00	\$ 7,187	9
10	Albuquerque Talent Development	159.50	\$ 12,195	10
11	ALDO LEOPOLD	141.00	\$ 10,781	11
12	ALICE KING COMMUNITY SCHOOL	332.00	\$ 25,384	12
13	ALMA D' ARTE	195.00	\$ 14,909	13
14	Amy Biehl Charter High School	296.50	\$ 22,670	14
15	ANANSI CHARTER	156.00	\$ 11,927	15
16	ANIMAS	145.25	\$ 11,106	16
17	ANTHONY CHARTER	66.50	\$ 5,084	17
18	ARTESIA	3,859.00	\$ 295,051	18
19	ASK ACADEMY	326.50	\$ 24,964	19
20	AZTEC	3,070.75	\$ 234,783	20
21	BATAAN MILITARY ACADEMY	72.50	\$ 5,543	21
22	BELEN	4,110.00	\$ 314,242	22
23	BERNALILLO	2,926.50	\$ 223,754	23
24	BLOOMFIELD	2,997.25	\$ 229,163	24
25	CAPITAN	477.00	\$ 36,470	25
26	CARINOS DE LOS NINOS	105.00	\$ 8,028	26
27	CARLSBAD	6,300.75	\$ 481,742	27
28	CARRIZOZO	144.00	\$ 11,010	28
29	CENTRAL CONS.	6,041.75	\$ 461,940	29
30	CESAR CHAVEZ COMM.	203.50	\$ 15,559	30
31	CHAMA VALLEY		\$ -	31
32	CHRISTINE DUNCAN COMMUNITY	221.00	\$ 16,897	32
33	CIEN AGUAS INTERNATIONAL	349.50	\$ 26,722	33
34	CIMARRON	378.50	\$ 28,939	34
35	CLAYTON	478.50	\$ 36,585	35
36	CLOUDCROFT	355.25	\$ 27,162	36
37	CLOVIS	8,286.50	\$ 633,569	37
38	COBRE CONS.	1,237.00	\$ 94,578	38
39	CORAL COMMUNITY	162.50	\$ 12,424	39
40	CORONA		\$ -	40
41	CORRALES INTERNATIONAL	250.50	\$ 19,153	41
42	COTTONWOOD CHARTER	169.50	\$ 12,960	42
43	COTTONWOOD CLASSICAL	649.00	\$ 49,621	43
44	CREATIVE ED. PREP INST #1	176.50	\$ 13,495	44
45	CUBA	553.00	\$ 42,281	45
46	DEMING	5,224.25	\$ 399,435	46
47	DEMING CESAR CHAVEZ	132.00	\$ 10,092	47
48	DES MOINES		\$ -	48
49	DEXTER	973.00	\$ 74,394	49
50	DIGITAL ARTS & TECH ACADEMY	319.50	\$ 24,428	50

	School District/Charter	MEM FY16	Total \$	
51	DORA	246.25	\$ 18,828	51
52	DREAM DINE' (SC)	27.00	\$ 2,064	52
53	DULCE	685.00	\$ 52,374	53
54	DZIT DIT LOOL DEAP	23.00	\$ 1,759	54
55	EAST MOUNTAIN	361.50	\$ 27,640	55
56	EL CAMINO REAL	336.50	\$ 25,728	56
57	ELIDA	116.00	\$ 8,869	57
58	ESPAÑOLA	3,774.75	\$ 288,610	58
59	ESTANCIA	717.75	\$ 54,878	59
60	ESTANCIA VALLEY	396.50	\$ 30,316	60
61	EUNICE	735.50	\$ 56,235	61
62	EXPLORE ACADEMY	213.00	\$ 16,286	62
63	FARMINGTON	10,995.25	\$ 840,674	63
64	FLOYD	219.50	\$ 16,783	64
65	FT. SUMNER	294.50	\$ 22,517	65
66	GADSDEN	13,478.25	\$ 1,030,519	66
67	GALLUP	11,142.00	\$ 851,894	67
68	GILBERT L. SENA	172.50	\$ 13,189	68
69	GORDON BERNELL	379.50	\$ 29,016	69
70	GRADY		\$ -	70
71	GRANTS	3,572.75	\$ 273,165	71
72	HAGERMAN	454.50	\$ 34,750	72
73	HATCH	1,277.25	\$ 97,656	73
74	HEALTH LEADERSHIP HIGH SCHOOL	166.50	\$ 12,730	74
75	HOBBS	9,748.75	\$ 745,369	75
76	HONDO		\$ -	76
77	HORIZON ACADEMY WEST	454.00	\$ 34,712	77
78	HOUSE		\$ -	78
79	INT'L SCHOOL MESA DEL SOL	225.50	\$ 17,241	79
80	J. PAUL TAYLOR ACADEMY	191.50	\$ 14,642	80
81	JAL	475.00	\$ 36,318	81
82	JEFFERSON MONT. ACAD.	185.00	\$ 14,145	82
83	JEMEZ MOUNTAIN	240.50	\$ 18,388	83
84	JEMEZ VALLEY	315.50	\$ 24,122	84
85	LA ACADEMIA DE ESPERANZA	373.50	\$ 28,557	85
86	LA ACADEMIA DOLORES HUERTA	160.00	\$ 12,233	86
87	LA JICARITA COMMUNITY SCHOOL	34.50	\$ 2,638	87
88	LA PROMESA ST. CHARTER	369.50	\$ 28,251	88
89	LA RESOLANA LEADERSHIP	81.00	\$ 6,193	89
90	LA TIERRA MONTESSORI	97.00	\$ 7,416	90
91	LAKE ARTHUR		\$ -	91
92	LAS CRUCES	24,043.75	\$ 1,838,335	92
93	LAS MONTANAS	183.00	\$ 13,992	93
94	LAS VEGAS CITY	1,664.75	\$ 127,283	94
95	LINDRITH AREA HERITAGE	25.00	\$ 1,911	95
96	LOGAN	297.00	\$ 22,708	96
97	LORDSBURG		\$ -	97
98	LOS ALAMOS	3,477.50	\$ 265,882	98
99	LOS LUNAS	8,225.00	\$ 628,866	99
100	LOS PUENTES	195.00	\$ 14,909	100
101	LOVING	577.00	\$ 44,116	101
102	LOVINGTON	3,693.75	\$ 282,416	102

	School District/Charter	MEM FY16	Total \$	
103	MAGDALENA	355.00	\$ 27,143	103
104	MASTERS PROGRAM	197.50	\$ 15,100	104
105	MAXWELL		\$ -	105
106	MCCURDY CHARTER SCHOOL	531.50	\$ 40,637	106
107	MEDIA ARTS COLLAB.	223.50	\$ 17,088	107
108	MELROSE		\$ -	108
109	MESA VISTA	345.00	\$ 26,378	109
110	MIDDLE COLLEGE HIGH	70.50	\$ 5,390	110
111	MISSION ACHIEVEMENT & SUCCESS (MAS)	523.50	\$ 40,026	111
112	MONTE DEL SOL	356.50	\$ 27,257	112
113	MONTESSORI ELEMMENTARY	390.50	\$ 29,857	113
114	MONTESSORI OF THE RIO GRANDE	217.50	\$ 16,630	114
115	MORA	445.50	\$ 34,062	115
116	MORENO VALLEY HIGH	76.50	\$ 5,849	116
117	MORIARTY		\$ -	117
118	MOSAIC ADADEMY	179.50	\$ 13,724	118
119	MOSQUERO	43.75	\$ 3,345	119
120	MOUNTAIN MAHOGANY	206.50	\$ 15,789	120
121	MOUNTAINAIR	254.50	\$ 19,459	121
122	NATIVE AMERICAN COMM ACAD.	376.00	\$ 28,748	122
123	NEW AMERICA CHARTER SCHOOL	367.50	\$ 28,098	123
124	NEW AMERICA SCHOOL	243.50	\$ 18,618	124
125	NEW MEXICO CONNECTIONS ACADEMY	810.50	\$ 61,969	125
126	NEW MEXICO VIRTUAL ACADEMY	498.00	\$ 38,076	126
127	NM INTERNATIONAL SCHOOL	204.00	\$ 15,597	127
128	NM SCHOOL FOR THE ARTS	195.50	\$ 14,948	128
129	NORTH VALLEY ACADEMY	484.50	\$ 37,044	129
130	NUESTROS VALORES	127.50	\$ 9,748	130
131	PECOS	592.00	\$ 45,263	131
132	PEÑASCO	343.50	\$ 26,263	132
133	POJOAQUE	1,909.75	\$ 146,016	133
134	PORTALES	2,749.00	\$ 210,183	134
135	Public Academy for Performing Arts	366.50	\$ 28,022	135
136	QUEMADO		\$ -	136
137	QUESTA		\$ -	137
138	RATON	969.00	\$ 74,088	138
139	RED RIVER VALLEY	84.50	\$ 6,461	139
140	RESERVE		\$ -	140
141	RIO GALLINAS CHARTER SCHOOL	93.00	\$ 7,111	141
142	RIO RANCHO	16,778.50	\$ 1,282,849	142
143	ROBERT F. KENNEDY	271.50	\$ 20,758	143
144	ROOTS & WINGS	41.00	\$ 3,135	144
145	ROSWELL	10,167.50	\$ 777,386	145
146	ROY	52.00	\$ 3,976	146
147	RUIDOSO	2,010.00	\$ 153,680	147
148	SAGE MONTESORRI	220.00	\$ 16,821	148
149	SAN DIEGO RIVERSIDE	92.50	\$ 7,072	149
150	SAN JON	143.00	\$ 10,933	150
151	SANDOVAL ACADEMY OF BIL ED SABA	42.00	\$ 3,211	151
152	SANTA FE	13,078.50	\$ 999,955	152
153	SANTA ROSA	627.00	\$ 47,939	153
154	SCHOOL OF DREAMS	377.00	\$ 28,825	154

	School District/Charter	MEM FY16	Total \$	
155	SIDNEY GUTIERREZ	62.00	\$ 4,740	155
156	Siembra Leadership		\$ -	156
157	SILVER CITY CONS.	2,900.00	\$ 221,728	157
158	Six Directions Indigenous		\$ -	158
159	SOCORRO	1,617.25	\$ 123,652	159
160	SOUTH VALLEY	548.00	\$ 41,899	160
161	SOUTH VALLEY PREP	153.50	\$ 11,736	161
162	Southwest Intermediate Learning Center	112.00	\$ 8,563	162
163	Southwest Primary Learning Center	105.00	\$ 8,028	163
164	Southwest Secondary Learning Center	264.50	\$ 20,223	164
165	SPRINGER	177.75	\$ 13,590	165
166	SW Aeronautics, Mathematics and Science Academy	278.00	\$ 21,255	166
167	TAOS	2,390.50	\$ 182,773	167
168	TAOS ACADEMY	203.00	\$ 15,521	168
169	TAOS INTEGRATED SCHOOL OF ARTS	171.50	\$ 13,113	169
170	TAOS INTERNATIONAL SCHOOL	90.50	\$ 6,919	170
171	TAOS MUNICIPAL CHARTER	213.00	\$ 16,286	171
172	TATUM	378.00	\$ 28,901	172
173	TECHNOLOGY LEADERSHIP	79.00	\$ 6,040	173
174	TEXICO	559.75	\$ 42,797	174
175	THE GREAT	218.00	\$ 16,668	175
176	TIERRA ADENTRO	233.50	\$ 17,853	176
177	TIERRA ENCANTADA CHARTER	266.50	\$ 20,376	177
178	TRUTH OR CONSEQ.	1,316.50	\$ 100,657	178
179	TUCUMCARI	946.25	\$ 72,348	179
180	TULAROSA	919.25	\$ 70,284	180
181	TURQUOISE TRAIL	462.00	\$ 35,324	181
182	TWENTY FIRST CENT.	251.50	\$ 19,229	182
183	UPLIFT COMMUNITY SCHOOL	169.50	\$ 12,960	183
184	VAUGHN	84.25	\$ 6,442	184
185	VISTA GRANDE	84.50	\$ 6,461	185
186	WAGON MOUND		\$ -	186
187	WALATOWA CHARTER HIGH	58.50	\$ 4,473	187
188	WEST LAS VEGAS	1,433.75	\$ 109,622	188
189	WILLIAM AND JOSEPHINE DORN	58.00	\$ 4,435	189
190	ZUNI	1,286.75	\$ 98,382	190
	GRAND TOTALS	326,977.25	\$ 25,000,000	

Emergency Supplemental
Districts Excluded