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FISCAL IMPACT REPORT

ORIGINAL DATE 1/30/2007

SPONSOR Miera LAST UPDATED _____ HB 59

SHORT TITLE Public School Cash Balance Credits SB _____

ANALYST Aguilar

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
NFI **			

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 159

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 59 raises the allowable limit on cash balances a school district may keep. The bill also changes the basis for calculating excess cash balances by referring to the “unrestricted, unreserved cash balance and emergency reserve” rather than the “allowable limit”.

FISCAL IMPLICATIONS

The bill makes the following changes:

- Districts with program costs less than \$5 million, the allowable cash balance limit is increased from 15% to 18% of budgeted expenditures;
- Districts with program costs between \$10 million and \$25 million, the allowable cash balance limit raised from 9% to 10% of budgeted expenditures.; and,
- Districts with program costs between \$25million and \$200 million, the allowable cash balance limit raised from 7% to 8% of budgeted expenditures.

Cash balance limits for all other districts remain the same.

** Because cash balances vary from year-to-year it is difficult to determine a finite annual fiscal impact, however PED notes that in FY06, language contained in current statute resulted in seven districts with excess cash balances that produced a cash balance credit of \$814 thousand. Using the same data, provisions contained in HB 59 would result in only three entities with excess cash resulting in cash balance credits of \$183 thousand.

SIGNIFICANT ISSUES

An LESC analysis indicates that provisions contained in a 2006 amendment to Section 22-8-41 NMSA 1978 changed the calculation of the upper limit of the cash balance credit from 18 (or 20) percent of the allowable cash balance to 18 (or 20) percent of the allowable limit. For districts and charter schools with cash balances greater than 18 (or 20) percent of the allowable limit, the result is that the state now takes credit for a greater portion of the allowable cash balance from a school district or charter school that has kept its cash balance closer to the allowable limit than it does from a district or charter school that greatly exceeds the allowable limit. HB 59 corrects this problem and also raises certain of the allowable limits to minimize any potential impact.

The bill also defines the allowable unrestricted, unreserved operational cash balance and the emergency reserve as the total amount of cash balance and emergency reserve not attributable to other revenue sources for which the state also takes credit.

PA/nt