

Legislative Analysis



DISTRICT AND ISD GENERAL FUND BALANCES

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House Bill 5963

Sponsor: Rep. Tim Melton

Committee: Education

Complete to 3-17-10

A SUMMARY OF HOUSE BILL 5963 AS INTRODUCED 3-17-10

House Bill 5963 would amend the School Aid Act to withhold state aid to school districts and intermediate school districts (ISD) with general fund balances that exceed 15 percent of the district or ISD current operating expenditure.

Starting with the December 2010, state aid payments to each district or ISD with a general fund balance that exceeds 15% of the district or ISD current operating expenditure would have its Section 22b funding (discretionary portion of foundation allowance) or Section 81 funding (ISD general operations) reduced by the amount of the general fund balance exceeding 15% as of June 30 of the immediately preceding fiscal year (2009-10) and as reported November 15 to the Center for Educational Performance and Information (CEPI) from its annual comprehensive financial data submission.

"General fund balance" is defined as the sum of balance sheet major class code 710 (reserved general fund balance), major class code 740 (unreserved general fund balance), and major class code 750 (board designations of general fund balance), and is defined in the chart of accounts approved and published by the Department of Education pursuant to Sec. 18(4) of the school aid act.

FISCAL IMPACT:

The state would recapture school aid funds from school districts and ISDs by an amount equal to each district's or ISD's general fund balance above the 15% threshold. The amount is indeterminate since the calculation will not be determined until the FY 2009-10 financial data submission on November 15, 2010.

In FY 2008-09 there were 324 districts and public school academies and 56 ISDs that had a general fund balance above 15% of their current operating expenditures. The total estimated state aid exceeding the 15% threshold is \$154.1 million.

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