

Written Testimony before the
Senate Ways and Means Committee

on

SB505 – An Act related to unencumbered cash balances held by school districts.

by

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Mr. Chairman, Members of the Committee:

Thank you for the opportunity to testify. We stand opposed to SB505 as currently written for many reasons. It appears the intent of the bill is to put into law the recommendation by consultants Alvarez and Marsal (A&M) related to cash balances held by school districts. The A&M recommendation excludes several funds from consideration (Federal Funds, Capital Outlay, Gifts/Grants, and Bond & Interest – page 173 of the report) however the bill as written does not exclude these funds; nor does it refer to the A&M recommendation as a definition of funds to be included or excluded. As a school district in Group 3 (over 5,000 students) with a cash balance below 10% as defined by A&M we may still see a reduction in state aid of over \$1 million if all funds are included; this is due to the level of cash we must maintain in our Bond & Interest fund to meet our current and future debt obligations. At a minimum clarification must be added to the bill with regards to which funds are included or excluded.

With respect I believe consideration should be given to excluding even more funds – among these are Nutrition Services and Special Education; funds which may include federal funding along with state and local funds. Textbook funds may carry large balances; however the source for funding is typically student fees and districts must accumulate funds over several years in order to afford textbooks for each subject area. Many districts also have a Special Reserve Fund which holds reserves for their self-funded worker's compensation, health insurance or property & casualty insurance plan(s). A reduction to state aid caused by districts maintaining reserves for those purposes would be devastating and force said districts to disband cost saving self-insurance plans to protect operation funding.

Finally I do not believe it is appropriate to use June 30, 2014 cash balances. In many cases funds were held in contingency, capital outlay or textbook funds that have subsequently been expended. Selecting a date this far in the past would negatively impact many districts who no longer have those balances. I would recommend the committee consider using the district's December 31, 2015 balances instead. This would more accurately reflect district's current cash balances.

I would urge the committee to collaborate with district superintendents and finance officers to better understand the reasons districts maintain cash balances to find a reasonable solution. I appreciate your time and service, please, feel free to contact me if I can be of additional assistance.