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AN ACT

RELATING TO PUBLIC SCHOOL FINANCE; LIMITING CERTAIN SCHOOL DISTRICTS' AND CHARTER SCHOOLS' FISCAL YEAR 2016 CASH BALANCES BY TAKING CREDITS AGAINST THOSE SCHOOLS' FISCAL YEAR 2017 STATE EQUALIZATION GUARANTEE DISTRIBUTIONS; MAKING AN APPROPRIATION; DECLARING AN EMERGENCY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 22-8-41 NMSA 1978 (being Laws 1967, Chapter 16, Section 99, as amended) is amended to read:

"22-8-41. RESTRICTION ON OPERATIONAL FUNDS--EMERGENCY ACCOUNTS--CASH BALANCES.--

A. A school district shall not expend money from its operational fund for the acquisition of a building site or for the construction of a new structure, unless the school district has bonded itself to practical capacity or the secretary determines and certifies to the legislative finance committee that the expending of money from the operational fund for this purpose is necessary for an adequate public educational program and will not unduly hamper the school district's current operations.

B. A school district or charter school may budget out of cash balances carried forward from the previous fiscal year an amount not to exceed five percent of its proposed operational fund expenditures for the ensuing fiscal year as

1 an emergency account. Money in the emergency account shall
2 be used only for unforeseen expenditures incurred after the
3 annual budget was approved and shall not be expended without
4 the prior written approval of the secretary.

5 C. In addition to the emergency account, school
6 districts or charter schools may also budget operational fund
7 cash balances carried forward from the previous fiscal year
8 for operational expenditures, exclusive of salaries and
9 payroll, upon specific prior approval of the secretary. The
10 secretary shall notify the legislative finance committee in
11 writing of the secretary's approval of such proposed
12 expenditures.

13 D. Notwithstanding any provision of this section
14 to the contrary, the secretary shall reduce school districts'
15 and charter schools' fiscal year 2017 state equalization
16 guarantee distributions as credit for excess fiscal year 2016
17 operational fund cash balances in accordance with Section 2
18 of this 2017 act, and a school district or charter school
19 whose distribution is accordingly reduced shall apply in the
20 amount of that credit its audited fiscal year 2016
21 operational fund cash balance toward the school district's or
22 charter school's fiscal year 2017 operations."

23 SECTION 2. TEMPORARY PROVISION--DISTRIBUTION
24 REDUCTIONS--FISCAL YEAR 2017.--The secretary of public
25 education shall:

1 A. apply as a credit against the fiscal year 2017
2 state equalization guarantee distribution of each school
3 district and charter school that does not receive an
4 emergency supplemental distribution in fiscal year 2017 and
5 whose audited fiscal year 2016 operational fund cash balance
6 is greater than three percent of its fiscal year 2016 program
7 cost an amount equal to the result of the following
8 calculation or, if, using that result, the applied credit
9 would leave the school district's or charter school's audited
10 fiscal year 2016 operational fund cash balance below three
11 percent of its fiscal year 2016 program cost, then equal to
12 the portion of that result that will leave the school
13 district's or charter school's audited fiscal year 2016
14 operational fund cash balance at three percent of its fiscal
15 year 2016 program cost:

16 (1) fifty million dollars (\$50,000,000)
17 divided by the fiscal year 2016 program costs for all school
18 districts and charter schools; and

19 (2) that quotient multiplied by the school
20 district's or charter school's fiscal year 2016 program cost;

21 B. promptly after the effective date of this 2017
22 act, notify each school district and charter school of the
23 amount of its credit; and

24 C. for each school district and charter school
25 that does not receive an emergency supplemental distribution

1 in fiscal year 2017 and whose audited fiscal year 2016
2 operational fund cash balance is greater than three percent
3 of its fiscal year 2016 program cost, reduce by the amount of
4 its credit the school district's or charter school's state
5 equalization guarantee distributions evenly over the period
6 remaining in fiscal year 2017.

7 SECTION 3. EMERGENCY.--It is necessary for the public
8 peace, health and safety that this act take effect
9 immediately.

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