Rule Overview

Date: November 18, 2026
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Rule Citation: NMAC 6.20.2, Governing Budgeting and Accounting for New Mexico Public Schools and School Districts

Overview of Rule

Agency: Public Education Department
Rulemaking Action: Repeal and Replace
Date Adopted: October 8, 2026
Effective Date: October 20, 2026
Rule's Purpose: The rule updates budgeting and accounting procedures in school districts and charter schools.

Summary of Adopted Rule NMAC 6.20.2: Governing Budgeting and Accounting for New Mexico Public Schools and School Districts

The Public Education Department (PED) adopted a new administrative rule, New Mexico Administrative Code (NMAC) 6.20.2 to update budgeting and accounting procedures in school districts, charter schools, and regional education cooperatives (RECs). The rule is expansive and impacts department procedures related to capital outlay, enrollment growth, operational cash balances, and some local budgeting practices related to monthly reconciliations and the uses of operational resources to support specific student groups.

Capital Outlay

The rule defines "bonded to practical capacity" as a school district that has substantially utilized its available bonding capacity, with the department considering bonding capacity, outstanding indebtedness, assessed valuations, debt service obligations, projected capital needs, and other relevant financial information in making its determination. The rule establishes a written process for school districts seeking to use operational funds for a building site acquisition or new construction. The department will determine whether a school district has bonded itself to practical capacity and can require additional information if it has not met this definition. The rule specifies department approval to use operational funds for capital outlay purposes would be valid for one project and one fiscal year. These specific requirements would not apply to charter schools or RECs.

Enrollment Growth

The rule requires school districts and charter schools to submit annual enrollment growth projections that are supported by reliable estimates, reasonable assumptions, or available evidence, and specifies the department may revise enrollment growth projections if it determines the projection is unsupported. Of note, the calculation of the enrollment growth factor of the state equalization guarantee (SEG)—New Mexico's public school funding formula—is statutorily defined in Section 22-8-23.1 NMSA 1978, and therefore, the rule will not impact final calculations of enrollment growth.

Cash Balances

The rule requires school districts and charter schools to report their audited cash balances in all funds for the prior fiscal year by the last working day of February. The rule would also establish procedures for PED intervention when a school district's cash balance, financial condition, or fiscal practices warrant additional safeguards, including instances when a school district or charter school reports a negative cash balance. These potential safeguards could include a requirement that school districts and charter schools reserve budget authority in a designated emergency reserve account, complete monthly reporting, or comply with a corrective action plan. Failure to comply with these provisions could result in the suspension of a school district's or charter school's designation as a board of finance, which is their general ability to manage their own finances.

Budgeting Processes

The rule creates a one-year limit on the duration of an alternative plan for cash deposits in school districts and charter schools. requires school business officials to review reconciled bank statements monthly, and requires the prioritization of funding for programs and methods linked to improved student achievement.

Save Harmless Calculation

The rule repeals the existing provision governing the save harmless calculation for school districts and charter schools with fewer than 200 students.

Severability

The rule also adds a severability clause, which would preserve the validity, legality, and enforceability of the remaining provisions if any section of the rule is found to be invalid or unenforceable.

Impact

This rule aligns administrative rule with existing internal practices of the department, while also creating and expanding department oversight in other areas. Anticipated impacts to the operations of PED, school districts, and charter schools may be significant in some areas, such as potential revision processes for annual enrollment growth projections.

The creation of a definition for “bonded to practical capacity” as well as a written process for requesting the use of operational funding for capital outlay projects would largely codify existing internal processes at PED. This provides clarity and transparency on these existing internal processes to school districts and charter schools.

Language establishing departmental oversight of enrollment growth projections could impact annual budgeting processes for school districts and charter schools. Currently, Section 22-8-12.1 NMSA 1978 requires a school district or charter school to submit membership projections for the following fiscal year, which are used in the allocation of preliminary enrollment growth program units. Statute does not explicitly grant the department authority to revise these preliminary estimates, but statute also does not specify the method by which the department must use locally reported data to determine preliminary enrollment growth program units. Based on the language in the adopted rule, enrollment growth projections from school districts and charter schools may be assessed for potential revision under a potentially ambiguous standard for what constitutes a “reasonable” assumption.

The adopted rule also addresses the financial sustainability of a school district or charter school through the submission of corrective action plans, monthly financial reporting, and the maintenance of a certain amount of funding in a designated emergency reserve account. While these potential actions are aligned with existing internal processes when a school district or charter school receives emergency supplemental funding, the adopted rule expands those potential requirements to any school district or charter school with a negative cash balance, or those that are determined by PED to require additional financial safeguards.

The adopted rule provides clarity in several areas of department guidance, particularly in the use of operational funds for capital outlay. However, the adopted rule also introduces several financial accountability processes that rely on ambiguous language that could result in confusion among school districts and charter schools and place additional administrative burden on PED staff.

TITLE 6 PRIMARY AND SECONDARY EDUCATION
CHAPTER 20 PUBLIC SCHOOL FINANCE - BUDGETING AND ACCOUNTING
PART 2 GOVERNING BUDGETING AND ACCOUNTING FOR NEW MEXICO PUBLIC SCHOOLS AND SCHOOL DISTRICTS

6.20.2.1 ISSUING AGENCY: Public Education Department, hereinafter the department.
[6.20.2.1 NMAC - Rp, 6.20.2.1 NMAC, 10/20/2026]

6.20.2.2 SCOPE: This regulation applies to public school districts, charter schools, and regional education cooperatives in the state of New Mexico.
[6.20.2.2 NMAC - Rp, 6.20.2.2 NMAC, 10/20/2026]

6.20.2.3 STATUTORY AUTHORITY: This rule is adopted pursuant to Sections 9-24-8, 22-2-1, 22-2-2, 22-5-7, 22-8-5, 22-8-6 through 22-8-12.1, 22-8-39, 22-8-40, 22-8-41, 22-13-13, 22-16-1, and 22-29-1 through 22-29-10 NMSA 1978.
[6.20.2.3 NMAC - Rp, 6.20.2.3 NMAC, 10/20/2026]

6.20.2.4 DURATION: Permanent.
[6.20.2.4 NMAC - Rp, 6.20.2.4 NMAC, 10/20/2026]

6.20.2.5 EFFECTIVE DATE: October 20, 2026, unless a later date is cited at the end of a section.
[6.20.2.5 NMAC - Rp, 6.20.2.5 NMAC, 10/20/2026]

6.20.2.6 OBJECTIVE: Establish standards in budgets and uniform financial accounting for New Mexico public schools and school districts. All budgets and financial accounting of public schools and school districts shall be maintained in accordance with the Public School Code, Chapter 22, NMSA 1978, Generally Accepted Accounting Principles (GAAP), and federal laws and regulations.
[6.20.2.6 NMAC - Rp, 6.20.2.6 NMAC, 10/20/2026]

6.20.2.7 DEFINITIONS:

A. "Bonded to practical capacity" - A determination by the department that a public school district has substantially utilized its available bonding capacity. In making this determination, the department may consider bonding capacity, outstanding indebtedness, assessed valuation, debt service obligations, projected capital needs, and any other relevant financial information.

B. "Budget" - A written plan of financial operation for one fiscal year to include an estimate of revenues and proposed expenditures.

C. "Fiscal year" - A 12-month period, beginning July 1 and ending June 30, to which the annual operating budget applies.

D. "Fixed assets" - Land, buildings, improvements other than buildings, equipment, machinery, construction work in progress, and capital leased assets with a cost of $5000 or more. The definition of fixed assets applies to all assets purchased regardless of funding source.

E. "GAAP" - generally accepted accounting principles.

F. "Local school board" or **"board"** - the governing body of a school district or charter school.

G. "Operating budget" - The budget submitted and approved by the local school board by June 20 and certified by the department on or before July 1.

H. "School district" - A public school district, charter school or regional education cooperative (REC).
[6.20.2.7 NMAC - Rp, 6.20.2.7 NMAC, 10/20/2026]

6.20.2.8 PROCEDURAL REQUIREMENTS:

A. School districts shall account for financial transactions and develop and maintain their budgets in accordance with the Public School Code, GAAP, and department procedures for public school accounting and budgeting.

B. The submittal deadlines for required reports and documents identified in this regulation may be extended by the secretary of education or their designee after a request has been submitted by the school district, provided the extension is not in violation of state or federal law.

C. If reporting requirements and deadlines are not met, the department may withhold funds, suspend payments, or both, pursuant to 6.21.2.10 NMAC and 6.21.2.11 NMAC.

D. Business officials, serving in the capacity of a supervisor or director or manager of accounting or bookkeeping as mentioned in 6.63.12.8 NMAC, responsible for the preparation and presentation of financial documentation and budget maintenance will meet the competency requirements enumerated in 6.63.12.9 NMAC. [6.20.2.8 NMAC - Rp, 6.20.2.8 NMAC, 10/20/2026]

6.20.2.9 BUDGET PREPARATION STANDARDS:

A. School districts shall follow budget requirements stated in Sections 22-8-5 and 22-8-6 through 22-8-12.1 NMSA 1978, and procedures of the department in preparing, submitting, maintaining, and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

B. The proposed budget for the ensuing fiscal year shall be submitted to the department by April 15 of each year, unless extended to a later date by the secretary of education.

C. The department shall review the school district's projected revenues, including estimated tax production based on the most current assessed valuation from the local taxing authority and estimated cash carryover for all funds. The budget shall prioritize resources toward proven programs and methods that are linked to improved student achievement and demonstrate parental involvement in the budgeting process was solicited. The department shall confer with the school district before determining where additions or reductions to the budget will be incorporated.

D. Approval of the proposed budget by the local school board shall be in a public hearing held prior to June 20. The notice of public hearing for the adoption of the budget shall be published in accordance with the Open Meetings Act, Section 10-15-1 et seq. NMSA 1978, Public School Code, and local school board policy. Certification of the proposed budget by the department shall be on or before July 1. The approved and certified budget then constitutes the operating budget.

E. On or before the last working day of February, unless extended to a later date by the secretary of education, school districts shall determine their audited cash balances from the prior fiscal year in all funds and report them on the most current form prescribed by the department. Cash balance carried forward from the previous fiscal year in the operational fund shall not be used for salaries and benefits.

F. Public school districts shall submit a written request to the department prior to expending money from its operational fund for the acquisition of a building site or the construction of a new structure pursuant to Section 22-8-41 NMSA 1978. The requirements of this subsection shall not apply to charter schools or RECs.

(1) The department shall determine whether the public school district has bonded itself to practical capacity for the fiscal year and project identified in the request. At a minimum, the request shall include:

(a) a description of the proposed project;

(b) the amount of operational funds proposed to be expended;

(c) the estimated total project cost;

(d) a description of capital funding sources that have been utilized, considered, or determined to be unavailable for the project, including an analysis of whether expenditures currently budgeted in capital funds may be appropriately reallocated to other funding sources, thereby making capital funds available for the proposed project; and

(e) an explanation of why the expenditure of operational funds is necessary.

(2) If the department determines the public school district has not bonded itself to practical capacity, the department may require additional information necessary for the secretary's determination and certification, including information regarding alternative capital funding sources, the public school district's financial condition, whether expenditures currently budgeted in capital funds may be appropriately funded from other sources, whether the proposed expenditure is necessary for an adequate public educational program, whether the proposed expenditure will unduly hamper current operations, information obtained through consultation with the public school facilities authority, and any other information deemed relevant by the department.

(3) A determination that a public school district has bonded itself to practical capacity and any certification by the secretary shall be valid only for the project and fiscal year identified in the request.

G. The operating budget and any authorized adjustments shall be integrated into the school district's accounting system after required approvals. Encumbrances shall be used as an element of control and integrated into the budget system.

H. School districts shall submit membership projections and budget requests that support projected enrollment growth and associated growth units. If a school district's projected enrollment growth is not supported by reliable estimates, reasonable assumptions, or available evidence, the department may require additional supporting documentation. The department may revise projected enrollment growth and reduce budgeted projected growth units when the projection is unsupported.

[6.20.2.9 NMAC - Rp, 6.20.2.9 NMAC, 10/20/2026]

6.20.2.10 BUDGET MAINTENANCE STANDARDS:

A. Budget adjustment requests shall be submitted on the most current form prescribed by the department. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

B. School districts shall submit budget adjustment requests for the operating budget to the department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. The department shall take action on budget adjustment requests within 30 calendar days from the date of receipt by the department or such requests will otherwise be considered approved. Expenditures shall not be made by the school district until budget authority has been established and approved by the department. Budget adjustments shall not be incorporated into the school district's accounting system until approved by the department.

C. School districts shall submit periodic financial reports using the department-approved format. Reporting shall be monthly or quarterly, at the discretion of the department. The school district shall be notified of its required reporting frequency in writing by the department. Required reporting frequency may be changed by the department at any time during the year. Reports are due at the department by the last working day of the month following the end of the required reporting period, unless extended to a later date by the secretary of education.

[6.20.2.10 NMAC - Rp, 6.20.2.10 NMAC, 10/20/2026]

6.20.2.11 INTERNAL CONTROL STRUCTURE STANDARDS:

A. School districts shall establish and maintain an internal control structure to provide school district management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies) and accounting controls (activity cycles, financial statement captions, accounting applications, including computer systems) that are in accordance with GAAP.

B. School districts shall establish and maintain written internal accounting controls that provide for segregation of duties, authorization and recording procedures, and sound accounting practices. Segregation of duties shall require that the authorization, recording, and custody of assets for any transaction be performed by different individuals.

(1) When granting authorization to execute school district business, school district management shall prioritize protection of public trust.

(2) School districts shall ensure that employees handling significant amounts of cash are adequately bonded and that access to assets is limited to authorized personnel.

(3) Receipts, checks or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.

(4) School districts shall have proper safeguards to protect unused checks and other pre-numbered forms, undeposited cash and other receipts, and facsimile signature plates.

(5) School districts shall record transactions as necessary to support GAAP-compliant financial statements and shall establish any additional criteria required to maintain asset accountability.

(6) School districts shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports.

C. An internal control structure is required to demonstrate the school district's ability to record, process, summarize, and report financial data consistent with the following financial statement assertions:

(1) rights and ownership;
(2) existence and occurrence;
(3) valuation and allocations;
(4) completeness; and,
(5) presentation and disclosure.

D. The internal control structure shall identify applicable laws and regulations and include procedures providing reasonable assurance of compliance. Internal control procedures shall be established, implemented, and documented through school district correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the local school board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.
[6.20.2.11 NMAC - Rp, 6.20.2.11 NMAC, 10/20/2026]

6.20.2.12 ORGANIZATIONAL STRUCTURE: School districts shall develop, establish, and maintain an effective organizational structure that includes the following:

A. A system for measuring and ensuring accountability for employee performance.

B. A policy delegating responsibility for employee actions combined with sufficient authority to perform assigned activities;

C. Creation and maintenance of budgets and financial reports which facilitate the discharge of assigned responsibilities and monitors activities at each level of the organizational structure; and

D. A system of checks and balances which separates incompatible activities to preclude absolute control by any individual or unit and provides for supervision and monitoring of overall school district activities by higher levels of management.
[6.20.2.12 NMAC - Rp, 6.20.2.12 NMAC, 10/20/2026]

6.20.2.13 FINANCIAL STANDARDS:

A. General ledger: School districts shall establish and maintain a general ledger in accordance with GAAP. The general ledger will be comprised of individual funds and account groups using the department's uniform chart of accounts and shall be reconciled every fiscal year with department records.

B. Funds and account groups: School districts shall use funds and account groups to report their financial position and operating results. Funds are classified into three broad categories: a) governmental funds, b) proprietary funds, and c) fiduciary funds. There are two account groups: a) general fixed assets and b) general long-term debt.

C. Chart of accounts: School districts shall prepare, maintain, and report budget and financial information utilizing a standard and uniform chart of accounts.

D. Basis of accounting: In accordance with Government Accounting Standards Board Statement No. 34 (GASB 34), school districts shall use a full accrual basis of accounting in preparation of annual financial statements and cash basis of accounting for budgeting and reporting.

E. Financial statements: The school district bears responsibility for its financial statements and shall maintain adequate accounting records, prepare financial statements in accordance with GAAP and GASB 34, and provide complete, accurate, and timely information to the independent public accountant (IPA) upon request. If there are differences between the financial statements, school district records, and department records, the IPA should provide the adjusting entries to the school district to reconcile the report to the school district records. If the IPA prepared the financial statements, this fact shall be disclosed in the notes to the financial statements. If the IPA prepared the financial statements, this fact shall be disclosed in the notes to the financial statements. The school district shall make all reasonable efforts to assist the IPA with financial statement preparation.

F. Financial and compliance audit: School districts shall undergo a yearly audit of financial records as required by Section 12-6-3, NMSA 1978.

G. Financial reporting: School districts shall provide periodic financial information to the local school board as prescribed by local school board action. Information shall be presented at a regularly scheduled board meeting.
[6.20.2.13 NMAC - Rp, 6.20.2.13 NMAC, 10/20/2026]

6.20.2.14 CASH CONTROL STANDARDS:

A. School districts shall establish and maintain a cash management program to safeguard cash and ensure prompt, accurate reporting in compliance with applicable state and federal laws and regulations.

B. The school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "VOID" and retained in the receipt book.

C. Money received and receipted shall be deposited in the bank within 24 hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts or low volume and it is impractical to meet the 24-hour or one banking day requirement, the local school board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference. An alternative deposit plan approved by the department shall remain valid for one fiscal year.

D. A cash receipts journal is to be used for each fiscal year beginning July 1 and ending June 30, and is to be presented to the school district's auditor during the annual audit.

E. The school district shall verify that there are sufficient cash and budget prior to the disbursement of cash. A revenue ledger is required for each revenue code as approved in the finalized budget, and additional revenue ledgers may be added as necessary.

F. The school district shall establish and maintain a cash control ledger for each fund or subfund in which all transactions affecting cash are recorded. Cash balances reported to the department shall match the school district's cash control ledger and annual audit. Inter-fund transfers of cash among separate and distinct funds are not receipts or expenditures. Permanent transfers of previously receipted cash require local school board and department approval prior to the transfer. Pursuant to Section 6-10-43 NMSA 1978, requests to transfer any remaining balance in an interest or sinking fund after all bonded obligations have been satisfied shall be submitted to the department. Upon departmental review, the request will be forwarded to the secretary of finance and administration for approval. No such transfer shall occur without approval of the secretary of finance and administration. All other types of cash transfers require only local school board approval.

(1) Temporary transfers of cash are to be posted as "due from" and "due to" to indicate inter-fund receivables and payables.

(2) Posting errors are not to be erased, crossed out, or otherwise altered in the ledger. Corrections shall be made by separate entry, with a cross-reference to the original error noted in the description column.

G. Clearing accounts or pooled accounts may be used to combine more than one fund in one bank account. Clearing accounts shall reconcile to a zero balance at the end of each month. Bank reconciliations for clearing accounts shall be completed on a monthly basis.

H. A local school board, through the issuance of a formal board resolution, may authorize the superintendent of schools or their designee to approve vouchers for payment prior to a board meeting. A summary listing of the vouchers and any additional information prescribed by the local school board shall be presented at the next regular local school board meeting for formal approval and entry in the minutes.

I. Vouchers shall be numbered in such a manner as to provide a cross-reference between the voucher, the check, and the check register. All blank checks shall be properly safeguarded and an inventory of unused checks shall be taken periodically. Completed vouchers and supporting documentation are to be placed in numerical sequence, by the month in which they were paid, and filed for future reference and annual audit.

(1) Each warrant or check issued shall have printed on its face the words, "void after one year from date". The fiscal officer shall cancel any warrant or check outstanding for one year or more in accordance with Section 6-10-57(A) NMSA 1978.

(2) The fiscal officer shall keep a register of all canceled warrants or checks. The register shall show the number, date and amount, name of payee, fund out of which it was payable, and date of cancellation. The face amount shall revert and be credited to the fund against which the warrant or check was drawn.

J. All bank accounts shall be reconciled on a monthly basis. A business official shall review reconciled bank statements monthly. The bank statement, deposit slips, and canceled checks shall be made available to the school district's auditor during the annual audit.

K. The school district shall submit cash reports to the department by the last working day of the month following the end of the reporting period, unless extended to a later date by the secretary of education.

L. If the department determines that a school district's cash balance, financial condition, or fiscal practices warrant additional safeguards, the department may require that budget authority be reserved in a designated emergency reserve account. Such reserves may be required to preserve fiscal stability, improve cash balances, restore solvency, or otherwise protect the financial interests of the school district and the state. Amounts reserved pursuant to this subsection shall not be transferred or expended without the prior written approval of the

secretary. Before requiring an emergency reserve, the department shall provide the school district with written notice that includes:

(1) the specific condition giving rise to the reserve;

(2) the amount required to be reserved; and

(3) the evidence used to determine the amount.

M. If a school district maintains a negative cash balance, the department may issue a corrective action plan or request additional monthly financial reporting. If the school district fails to comply, the department may consider suspending the school district's board of finance, pursuant to Section 22-8-39 NMSA 1978.

N. Petty cash funds shall be utilized only in rare instances to facilitate small payments. Petty cash funds are established by drawing a check made payable to the employee charged with responsibility for the fund. The petty cash fund shall contain cash or invoices totaling the full amount of the petty cash fund and is to remain at the amount originally established.

(1) Petty cash funds are to be reflected on the school district's balance sheet as cash on hand.

(2) Petty cash and change funds shall not be used to make loans to employees or for cashing checks.

(3) Petty cash may not contain more than $100 unless a higher amount is authorized through local school board action.

(4) Change funds shall be established pursuant to school district procedure.

O. School districts shall obtain a surety bond for persons who handle or manage cash or funds.

[6.20.2.14 NMAC - Rp, 6.20.2.14 NMAC, 10/20/2026]

6.20.2.15 INVESTMENTS:

A. The school district shall account for public money placed in interest-bearing deposits in accordance with Subsections (C) through (G) of Sections 22-8-40, 6-10-17, and 6-10-31, NMSA 1978, and other federal and state laws applicable to the investment of public school money.

B. Pledged collateral: School districts shall require pledged collateral for all cash and investments in accordance with Section 22-8-40 NMSA 1978.

[6.20.2.15 NMAC - Rp, 6.20.2.15 NMAC, 10/20/2026]

6.20.2.16 WAREHOUSE AND SUPPLY INVENTORY: School districts that maintain a warehouse shall conduct a physical inventory of expendable goods and materials at the end of each fiscal year and shall establish internal accounting controls over supplies inventory in accordance with GAAP.

[6.20.2.16 NMAC - Rp, 6.20.2.16 NMAC, 10/20/2026]

6.20.2.17 PURCHASING:

A. School districts shall establish and implement written policies and procedures for purchasing in compliance with applicable grant requirements and the Procurement Code, Section 13-1-21 et seq. NMSA 1978. An internal control structure over purchasing shall be established and maintained to ensure compliance with school district policy and state and federal regulations.

B. A school district may contract with a business holding a current price agreement with the state purchasing agent or a central purchasing office of another school district, for services, construction, or items of tangible personal property without the use of competitive sealed bids or competitive sealed proposals, subject to the following conditions:

(1) the services or construction meet the same standards and specifications as the items to be procured;

(2) the total quantity to be purchased would not exceed the quantity which may be purchased under the existing applicable price agreement;

(3) the purchase order clearly identifies the price agreement relied upon;

(4) the price agreement relied upon is available for public and auditor inspection; and

(5) where the agreement belongs to another school district's central purchasing office, that school district has provided written consent to its reliance.

[6.20.2.17 NMAC - Rp, 6.20.2.17 NMAC, 10/20/2026]

6.20.2.18 PAYROLL: The local school board shall establish written payroll policies and procedures which comply with state and federal payroll regulations and maintain strict internal controls, close supervision, and

financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation:

A. employment contracts (including increments)

B. personnel/payroll action forms;

C. certification records;

D. employment eligibility verification (federal form I-9 for citizenship certification);

E. federal and state withholding allowance certificates;

F. pay deduction authorizations;

G. pay or position change notices;

H. Educational Retirement Act plan application and

I. direct deposit authorizations.

[6.20.2.18 NMAC - Rp, 6.20.2.18 NMAC, 10/20/2026]

6.20.2.19 TRAVEL AND TRAINING: School districts shall establish and implement written policies and procedures for travel and training in compliance with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, NMSA 1978, and department of finance and administration (DFA) regulations.

[6.20.2.19 NMAC - Rp, 6.20.2.19 NMAC, 10/20/2026]

6.20.2.20 INSURANCE:

A. Each school district shall maintain adequate insurance coverage addressed in the Tort Claims Act, Section 41-4-1 et seq. NMSA 1978; the Workers' Compensation Act, Section 52-1-1 et seq. NMSA 1978; Insurance of Public Buildings, Section 13-5-1 et seq. NMSA 1978; Officers and Surety Bonds, Section 22-5-7 NMSA 1978; and the Public School Insurance Authority Act, Sections 22-29-1 through 22-29-10 NMSA 1978.

B. Surety bonds paid from the operational fund shall be approved by the department and filed with the secretary of DFA pursuant to Subsection D of Section 22-5-7 NMSA 1978.

[6.20.2.20 NMAC - Rp, 6.20.2.20 NMAC, 10/20/2026]

6.20.2.21 DEBT SERVICE AND BONDS:

A. School districts shall create a debt service fund to account for resources used to service general long-term debt, which shall be recorded in the general long-term debt account group. General long-term debt includes noncurrent bonds, as well as other noncurrent liabilities that might arise from compensated absences.

B. Debt service funds shall be established only when legally required or when resources are being accumulated to meet future principal and interest payments. A single debt service fund shall account for any restricted portion of a general property tax used to finance principal and interest payments on all general obligation bonds. Debt service funds shall be used only for the retirement of general long-term debt and for payment of county collection costs. Remaining funds after satisfaction of all debts may be transferred upon approval by the department and DFA pursuant to Section 6-10-43 NMSA 1978.

C. All general obligation bonds, except refunding bonds, shall be issued in accordance with Sections 6-15-3 through 6-15-8 NMSA 1978. Refunding bonds shall be governed by Sections 6-15-11 through 6-15-13 NMSA 1978.

D. No school district shall issue or sell bonds after three years from the initiation of proceedings for the election authorizing the issue, except as provided in Sections 6-15-9 and 6-15-10 NMSA 1978.

E. Arbitrage: School districts shall not earn any income on invested bond proceeds exceeding what would have been earned at the bond yield rate, nor issue tax-exempt bonds to invest proceeds at a profit. Long-term investments of bond proceeds shall not exceed the interest rate on the tax-exempt bonds.

[6.20.2.21 NMAC - Rp, 6.20.2.21 NMAC, 10/20/2026]

6.20.2.22 FIXED ASSETS:

A. Governmental fixed assets shall be recorded at cost. Donated assets shall be recorded at their estimated fair market value at the time of the donation.

B. Fixed assets related to specific proprietary or trust funds shall be accounted for in those funds. All other fixed assets shall be accounted for in the general fixed asset account group.

C. Property control system: The local school board shall adopt a complete property control system for the acquisition and accounting of long-term assets, including land and ground improvements, buildings and related improvements, remodeling, additions, furniture, machinery, and equipment. The system shall comply with GAAP, General Services Department rules, the Procurement Code, and applicable state and federal requirements.

D. Capital projects: The acquisition, accountability, and disposition of fixed assets for capital projects shall be in accordance with GAAP. Funds used to erect, remodel, make additions to school buildings, or to purchase and improve public school grounds shall be classified under capital projects.
[6.20.2.22 NMAC - Rp, 6.20.2.22 NMAC, 10/20/2026]

6.20.2.23 OTHER SERVICES:

A. Food services: Food service funds shall be accounted for in the special revenue fund or the enterprise fund. All monies collected from the sale of food for the food service operation are to be accounted for in accordance with GAAP, U.S. department of agriculture (USDA) requirements, and Section 22-13-13 NMSA 1978.

B. Legal fees: No school district funds shall be used for payment of personal legal fees, including attorney's fees and costs, of any school district or charter school employee or local school board member. Any payment of legal fees shall serve a clearly identifiable public interest. Personal legal fees include:

(1) legal fees expended in obtaining or retaining any elected position;

(2) legal fees incurred by any employee or local school board member in any civil action filed by or against the employee or local school board member in one's personal capacity, unless, in the case of an action against the employee or local school board member, the allegations arise from acts taken in the course and scope of one's employment or service; and

(3) legal fees incurred by any employee or local school board member in the defense of any criminal case, unless the charges arise from acts taken in the course and scope of one's employment or service.

C. Federal and state grants:

(1) Flowthrough funds: School districts shall use flowthrough grant funds for their awarded purpose, submit complete and accurate required reports within prescribed timeframes, and account for such funds in accordance with GAAP, applicable federal regulations, and the grant award.

(2) Direct funds: School districts shall use direct grant funds for their awarded purpose, submit complete and accurate required reports within prescribed timeframes, and account for such funds in accordance with GAAP, applicable federal regulations, and the grant award. These direct funds shall be incorporated into the school district operating budget without prior approval provided that the school district submits a budget adjustment request to the department.

D. Student activity funds (non-instructional activities): Funds set aside for non-instructional activities shall be accounted for in the same manner as other operational fund budgets. Other assets held by the school district in a fiduciary capacity for school or student organizations shall be accounted for in accordance with GAAP and are not required to be budgeted. School districts are responsible for the accountability of fiduciary funds. These funds are not considered public money for purposes of the state Procurement Code. School districts shall follow appropriate internal controls over such funds and shall comply with all applicable laws, rules and regulations governing the receipt, custody, and disbursement of activity funds.

E. Joint powers agreements: Accounting for joint powers agreements, entered into pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7 NMSA 1978, shall be in accordance with the agreement.
[6.20.2.23 NMAC - Rp, 6.20.2.23 NMAC, 10/20/2026]

6.20.2.24 OTHER ADMINISTRATIVE STANDARDS:

A. Transportation: Student transportation is provided for in Section 22-16-1 et seq. NMSA 1978. Monies allocated by the transportation unit of the department shall be utilized for transportation expenditures only and accounted for in accordance with department transportation regulations and GAAP.

B. Records retention and disposition: The management of school district records shall be in accordance with the Public Records Act, Section 14-3-1 et seq. NMSA 1978.

C. Open Meetings Act: School districts shall comply with the provisions of the Open Meetings Act, Section 10-15-1 et seq. NMSA 1978.
[6.20.2.24 NMAC - Rp, 6.20.2.24 NMAC, 10/20/2026]

6.20.2.25 SEVERABILITY: In the event that any one or more of the sections of this rule, in whole or in part, should be held to be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining sections of this rule shall not in any way be affected or impaired.
[6.20.2.25 NMAC - N, 10/20/2026]

HISTORY OF 6.20.2 NMAC:

PRE-NMAC HISTORY: The material in this regulation is derived from that previously with the State Records Center & Archives under: SBE Rule 89-7, Manual of Procedure for Uniform Financial Accounting and Budgeting for New Mexico School Districts, filed 12/8/1989; SBE Rule 93-1, Governing Budgeting and Accounting for New Mexico Public Schools and Schools Districts, filed 2/3/1993.

Other History: 6.20.2 NMAC - Governing Budgeting and Accounting For New Mexico Public Schools and School Districts filed 11/01/1997, was repealed and replaced by 6.20.2 NMAC - Governing Budgeting and Accounting For New Mexico Public Schools and School Districts, effective 10/20/2026.