Rule Overview

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

Overview of Proposed Rule

Agency: Public Education Department
Rulemaking Action: Repeal and Replace
Date of Notice: August 25, 2026
Public Comment Period: August 25, 2026, through September 24, 2026
Rule's Purpose: The proposed rule would update budgeting and accounting procedures in school districts and charter schools.

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

The Public Education Department (PED) gave notice of a proposed repeal and replacement of 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 proposed rule is expansive and would impact 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 proposed repeal and replacement would define "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 proposed rule would establish a written process for school districts seeking to use operational funds for a building site acquisition or new construction. The department would determine whether a school district has bonded itself to practical capacity and could require additional information if it has not met this definition. The proposed 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 proposed rule would require 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 or creates a material financial risk to the school district or charter school. 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 proposed rule will not impact final calculations of enrollment growth.

Cash Balances

The proposed rule would require school districts and charter schools to report their actual cash balances in all funds by the last working day of February, rather than the end of the fiscal year (currently July 31). The proposed 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 proposed rule would create a one-year limit on a school district's or charter school's ability to have an alternative plan for cash deposits, require school business officials to review reconciled bank statements monthly, and require the prioritization of funding for programs and methods linked to improved student achievement.

Save Harmless Calculation

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

Severability

The proposed 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.

If adopted, the rule is proposed to take effect October 20, 2026.

Impact

This proposed rule would align 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 could provide clarity and transparency on these existing internal processes to school districts and charter schools.

Proposed 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. Should the language in the proposed rule be adopted, enrollment growth projections from school districts and charter schools would be assessed for potential revision under a potentially ambiguous standard for what constitutes a "reasonable" assumption.

The rule also proposes to address 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 proposed rule would expand 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 proposed rule seeks to provide clarity in several areas of department guidance, particularly in the use of operational funds for capital outlay but 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.