

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

AN ACT

RELATING TO PUBLIC SCHOOL FINANCE; MAKING CASH BALANCE
CREDITS PROPORTIONAL TO THE SIZE OF THE EXCESS CASH BALANCE.

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
an emergency account. Money in the emergency account shall
be used only for unforeseen expenditures incurred after the
annual budget was approved and shall not be expended without

1 the prior written approval of the secretary.

2 C. In addition to the emergency account, school
3 districts or charter schools may also budget operational fund
4 cash balances carried forward from the previous fiscal year
5 for operational expenditures, exclusive of salaries and
6 payroll, upon specific prior approval of the secretary. The
7 secretary shall notify the legislative finance committee in
8 writing of the secretary's approval of such proposed
9 expenditures. For fiscal years 2004 and 2005, with the
10 approval of the secretary, a school district or charter
11 school may budget so much of its operational cash balance as
12 is needed for nonrecurring expenditures, including capital
13 outlay.

14 D. Beginning with fiscal year 2007, prior to
15 approval of a school district's or charter school's budget,
16 the secretary shall verify that the reductions from the state
17 equalization guarantee distribution have been taken pursuant
18 to this section.

19 E. The allowable limit for a school district's or
20 charter school's ending operational cash balance is:

21 (1) if the current year program cost is less
22 than five million dollars (\$5,000,000), eighteen percent of
23 the budgeted expenditures;

24 (2) if the current year program cost is five
25 million dollars (\$5,000,000) or more but less than ten

1 million dollars (\$10,000,000), twelve percent of the budgeted
2 expenditures;

3 (3) if the current year program cost is ten
4 million dollars (\$10,000,000) or more but less than
5 twenty-five million dollars (\$25,000,000), ten percent of the
6 budgeted expenditures;

7 (4) if the current year program cost is
8 twenty-five million dollars (\$25,000,000) or more but less
9 than two hundred million dollars (\$200,000,000), eight
10 percent of the budgeted expenditures; and

11 (5) if the current year program cost is two
12 hundred million dollars (\$200,000,000) or more, five percent
13 of the budgeted expenditures.

14 F. Except as otherwise provided in this section,
15 for the 2006 and subsequent fiscal years, the secretary shall
16 reduce the state equalization guarantee distribution,
17 calculated pursuant to Section 22-8-25 NMSA 1978, to each
18 school district or charter school by an amount equal to the
19 school district's or charter school's excess cash balance.

20 As used in this section, "excess cash balance" means the
21 difference between a school district's or a charter school's
22 actual operational cash balance and the allowable limit
23 calculated pursuant to Subsection E of this section. However:

24 (1) for a school district or charter school
25 with a current year program cost that exceeds two hundred

1 million dollars (\$200,000,000), if the excess cash balance is
2 greater than twenty percent of the allowable, unrestricted,
3 unreserved operational cash balance and the emergency
4 reserve, the reduction pursuant to this subsection shall
5 equal twenty percent of the allowable, unrestricted,
6 unreserved operational cash balance and the emergency
7 reserve; and

8 (2) for other school districts and charter
9 schools, if the excess cash balance is greater than eighteen
10 percent of the allowable, unrestricted, unreserved
11 operational cash balance and the emergency reserve, the
12 reduction pursuant to this subsection shall equal eighteen
13 percent of the allowable, unrestricted, unreserved
14 operational cash balance and the emergency reserve.

15 G. In developing budgets, school districts and
16 charter schools shall not budget current year cash balances
17 without the approval of the secretary.

18 H. A school district or charter school whose
19 enrollment growth exceeds one percent from the prior year and
20 whose facility master plan includes the addition of a new
21 school within two years may request from the secretary a
22 waiver of up to fifty percent of the reduction otherwise
23 required by Subsection F of this section.

24 I. Upon application by a school district, the
25 secretary may waive all or a portion of the reduction

1 otherwise required by Subsection F of this section if the
2 secretary finds that the school district's excess balance is
3 needed to provide the local match required under the Public
4 School Capital Outlay Act or to recoup an amount paid as the
5 district's share pursuant to Section 22-24-5.7 NMSA 1978.

6 J. Notwithstanding the provisions of Subsection F
7 of this section, for fiscal year 2004, the reduction from the
8 state equalization guarantee distribution shall be the
9 greater of the amount calculated pursuant to that subsection
10 or ten dollars (\$10.00) per MEM.

11 K. For the purposes of this section, "operational
12 cash balance" means the allowable, unrestricted, unreserved
13 operational cash balance and the emergency reserve.

14 L. For the purposes of this section, "allowable,
15 unrestricted, unreserved operational cash balance and the
16 emergency reserve" means the proportional share not
17 attributable to revenue derived from the school district
18 property tax, forest reserve funds and impact aid for which
19 the state takes credit in determining a school district's or
20 charter school's state equalization guarantee distribution."