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
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 the prior written approval of the secretary.

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

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

SECTION 2. TEMPORARY PROVISION--DISTRIBUTION REDUCTIONS--FISCAL YEAR 2017.--The secretary of public education shall:
A. apply as a credit against the fiscal year 2017
state equalization guarantee distribution of each school
district and charter school that does not receive an
emergency supplemental distribution in fiscal year 2017 and
whose audited fiscal year 2016 operational fund cash balance
is greater than three percent of its fiscal year 2016 program
cost an amount equal to the result of the following
calculation or, if, using that result, the applied credit
would leave the school district's or charter school's audited
fiscal year 2016 operational fund cash balance below three
percent of its fiscal year 2016 program cost, then equal to
the portion of that result that will leave the school
district's or charter school's audited fiscal year 2016
operational fund cash balance at three percent of its fiscal
year 2016 program cost:

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

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

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

C. for each school district and charter school
that does not receive an emergency supplemental distribution
in fiscal year 2017 and whose audited fiscal year 2016
operational fund cash balance is greater than three percent
of its fiscal year 2016 program cost, reduce by the amount of
its credit the school district's or charter school's state
equalization guarantee distributions evenly over the period
remaining in fiscal year 2017.

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