

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

HOUSE BILL 301

**47TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2006**

INTRODUCED BY

Brian K. Moore

FOR THE FUNDING FORMULA STUDY TASK FORCE

AN ACT

RELATING TO PUBLIC SCHOOL FINANCE; INCREASING THE LIMITS ON  
CASH BALANCES OF SCHOOL DISTRICTS.

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

underscoring material = new  
~~[bracketed material] = delete~~

underscored material = new  
[bracketed material] = delete

1 educational program and will not unduly hamper the school  
2 district's current operations.

3 B. A school district or charter school may budget  
4 out of cash balances carried forward from the previous fiscal  
5 year an amount not to exceed five percent of its proposed  
6 operational fund expenditures for the ensuing fiscal year as an  
7 emergency account. Money in the emergency account shall be  
8 used only for unforeseen expenditures incurred after the annual  
9 budget was approved and shall not be expended without the prior  
10 written approval of the secretary.

11 C. In addition to the emergency account, school  
12 districts or charter schools may also budget operational fund  
13 cash balances carried forward from the previous fiscal year for  
14 operational expenditures, exclusive of salaries and payroll,  
15 upon specific prior approval of the secretary. The secretary  
16 shall notify the legislative finance committee in writing of  
17 [his] the secretary's approval of such proposed expenditures.  
18 For fiscal years 2004 and 2005, with the approval of the  
19 secretary, a school district or charter school may budget so  
20 much of its operational cash balance as is needed for  
21 nonrecurring expenditures, including capital outlay.

22 D. [~~Notwithstanding the provisions of Subsection C~~  
23 ~~of this section~~] Beginning with fiscal year [~~2006~~] 2007, prior  
24 to approval of a school district's or charter school's budget,  
25 the secretary shall verify that the reductions from the state

.159451.1

underscored material = new  
[bracketed material] = delete

1 equalization guarantee distribution have been taken pursuant to  
2 this section.

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

5 (1) if the current year program cost is less  
6 than five million dollars (\$5,000,000), [~~nine~~] fifteen percent  
7 of the budgeted expenditures;

8 (2) if the current year program cost is five  
9 million dollars (\$5,000,000) or more but less than ten million  
10 dollars (\$10,000,000), [~~seven and one-half~~] twelve percent of  
11 the budgeted expenditures;

12 (3) if the current year program cost is ten  
13 million dollars (\$10,000,000) or more but less than twenty-five  
14 million dollars (\$25,000,000), [~~six~~] nine percent of the  
15 budgeted expenditures;

16 (4) if the current year program cost is  
17 twenty-five million dollars (\$25,000,000) or more but less than  
18 two hundred million dollars (\$200,000,000), [~~four and one-half~~]  
19 seven percent of the budgeted expenditures; and

20 (5) if the current year program cost is two  
21 hundred million dollars (\$200,000,000) or more, [~~for fiscal~~  
22 ~~year 2004, two and one-half percent of the budgeted~~  
23 ~~expenditures and, for subsequent fiscal years, three~~] five  
24 percent of the budgeted expenditures.

25 F. Except as otherwise provided in this section,

.159451.1

underscored material = new  
[bracketed material] = delete

1 for the 2006 and subsequent fiscal years, the secretary shall  
2 reduce the state equalization guarantee distribution,  
3 calculated pursuant to Section 22-8-25 NMSA 1978, to each  
4 school district or charter school by an amount equal to the  
5 school district's or charter school's excess cash balance. As  
6 used in this section, "excess cash balance" means the  
7 difference between a school district's or a charter school's  
8 actual operational cash balance and the allowable limit  
9 calculated pursuant to Subsection E of this section. Provided,  
10 however, that:

11 (1) for a school district or charter school  
12 with a current year program cost that exceeds two hundred  
13 million dollars (\$200,000,000), if the excess cash balance is  
14 greater than twenty percent of the allowable, unrestricted,  
15 unreserved operational cash balance and the emergency reserve,  
16 then the reduction pursuant to this subsection shall equal  
17 twenty percent of the allowable, unrestricted, unreserved  
18 operational cash balance and the emergency reserve; and

19 (2) for other school districts and charter  
20 schools, if the excess cash balance is greater than eighteen  
21 percent of the allowable, unrestricted, unreserved operational  
22 cash balance and the emergency reserve, then the reduction  
23 pursuant to this subsection shall equal eighteen percent of the  
24 allowable, unrestricted, unreserved operational cash balance  
25 and the emergency reserve.

.159451.1

underscoring material = new  
[bracketed material] = delete

1           G. In developing budgets, school districts and  
2 charter schools shall not budget current year cash balances  
3 without the approval of the secretary.

4           H. A school district or charter school whose  
5 enrollment growth exceeds one percent from the prior year and  
6 whose facility master plan includes the addition of a new  
7 school within two years may request from the secretary a waiver  
8 of up to fifty percent of the reduction otherwise required by  
9 Subsection F of this section.

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

15          J. For the purposes of this section, "operational  
16 cash balance" means the allowable, unrestricted, unreserved  
17 operational cash balance and the emergency reserve.

18          K. For the purposes of this section, "allowable,  
19 unrestricted, unreserved operational cash balance and the  
20 emergency reserve" means the proportional share not  
21 attributable to revenue derived from the school district  
22 property tax, forest reserve funds and impact aid for which the  
23 state takes credit in determining a school district's or  
24 charter school's state equalization guarantee distribution."  
25