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SENATE BILL 10

**52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SPECIAL SESSION, 2016**

INTRODUCED BY

John Arthur Smith and Gay G. Kernan

AN ACT

RELATING TO PUBLIC SCHOOL FINANCE; LIMITING CERTAIN SCHOOL DISTRICT AND CHARTER SCHOOL FISCAL YEAR 2016 CASH BALANCES BY TAKING CREDITS AGAINST THOSE SCHOOL DISTRICTS' AND CHARTER 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

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1 secretary determines and certifies to the legislative finance  
2 committee that the expending of money from the operational fund  
3 for this purpose is necessary for an adequate public  
4 educational program and will not unduly hamper the school  
5 district's current operations.

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

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

25 D. Notwithstanding any provision of this section to

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1 the contrary, the secretary shall reduce school districts' and  
2 charter schools' fiscal year 2017 state equalization guarantee  
3 distributions in the amount of twenty-five million dollars  
4 (\$25,000,000) as credit for excess fiscal year 2016 operational  
5 fund cash balances in accordance with Section 2 of this 2016  
6 act."

7 SECTION 2. DISTRIBUTION REDUCTIONS--FISCAL YEAR 2017.--

8 A. The secretary of public education shall:

9 (1) apply as a credit toward the fiscal year  
10 2017 state equalization guarantee distribution calculated in  
11 accordance with Section 22-8-25 NMSA 1978 of every school  
12 district and charter school that has not received an emergency  
13 supplemental distribution in the period from July 1, 2015  
14 through the effective date of this 2016 act an amount that is  
15 equal to the following:

16 (a) twenty-five million dollars  
17 (\$25,000,000) divided by eligible membership; and

18 (b) that quotient multiplied by the  
19 school district's or charter school's final funded membership  
20 in fiscal year 2016;

21 (2) by November 1, 2016, notify each of those  
22 school districts or charter schools of the amount of that  
23 school district's or charter school's reduction; and

24 (3) reduce the state equalization guarantee  
25 distribution of each of those school districts and charter

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1 schools for each of the months from November 2016 through June  
2 2017 in equal amounts.

3 B. As used in Subsection A of this section,  
4 "eligible membership" means the fiscal year 2016 statewide  
5 final funded membership minus the fiscal year 2016 final funded  
6 memberships of all school districts and charter schools that  
7 received an emergency supplemental distribution in the period  
8 from fiscal year 2016 through the effective date of this act.

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