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A MEMORIAL

REQUESTING THE LEGISLATIVE EDUCATION STUDY COMMITTEE TO STUDY
DIFFERENT METHODOLOGIES FOR DETERMINING APPROPRIATE CASH
BALANCES FOR DIFFERENT SCHOOL DISTRICTS AND CHARTER SCHOOLS.

WHEREAS, historically, there have been several state
budgetary circumstances that have influenced legislative
decisions regarding cash balances of school districts,
including charter schools; and

WHEREAS, in 2003, the legislature passed an amendment to
Section 22-8-41 NMSA 1978 to provide that, beginning with
fiscal year 2006, there would be a tiered allowable limit on
school district operational cash balances; and

WHEREAS, over several years, the legislature has
considered allowable cash balance limits trying to find the
balance between what is necessary to allow school districts
to open new schools, buy new-cycle textbooks and meet
unforeseen emergencies and what could be considered excessive
cash savings at the expense of the general fund and the
legislative prerogative to appropriate; and

WHEREAS, when the state is threatened with a fiscal
crisis, like it is facing now, public school funding becomes
a target because it is the largest single portion of the
budget, and cash balances become an easy way to recoup
significant cash to use for the budget; and

1 WHEREAS, several alternative cash balance sweep
2 proposals were considered in the 2016 special session and
3 subsequently enacted; and

4 WHEREAS, another, different sweep model was used in this
5 session's solvency package, which was enacted without due
6 consideration of the harm to some school districts; and

7 WHEREAS, it has been proven over and over again that a
8 "one size fits all" budgetary action, such as across-the-
9 board percentage cuts to school cash balances, is an
10 inefficient and ineffective way to go about appropriating and
11 budgeting and ends up punishing some school districts and
12 rewarding others; and

13 WHEREAS, school districts need a more predictable and
14 consistent understanding of the state's intention regarding
15 school finance so they can plan effectively for both annual
16 and exigent circumstances;

17 NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF
18 REPRESENTATIVES OF THE STATE OF NEW MEXICO that the
19 legislative education study committee be requested to study
20 different methodologies for determining reasonable and
21 appropriate school district cash balances; and

22 BE IT FURTHER RESOLVED that the study include methods
23 used by other states; research on the subject; a historical
24 review of the amounts of cash balances kept by school
25 districts and the uses to which cash balances have been put

1 by school districts; the times and ways the legislature has
2 limited cash balances; and the times and amounts it has swept
3 school district cash balances for other uses; and

4 BE IT FURTHER RESOLVED that the committee consider
5 determining a cash balance floor below which school districts
6 should not fall and also some type of appeal process,
7 particularly when a school district knows in advance that it
8 will have to use its current- or next-year cash balances for
9 a particular purpose; and

10 BE IT FURTHER RESOLVED that if the committee determines
11 that cash balances should be severely limited, it should
12 consider increases to emergency supplemental funding or
13 another fund that school districts can apply to for planned
14 or exigent needs; and

15 BE IT FURTHER RESOLVED that the legislative finance
16 committee, the public education department, the state
17 auditor's office, any other state agency or institution, the
18 school districts and charter schools and the coalition of
19 school administrators be requested to assist the legislative
20 education study committee as required; and

21 BE IT FURTHER RESOLVED that copies of this memorial be
22 transmitted to the chair and director of the legislative
23 education study committee.

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