

1 HOUSE BILL 601

2 **54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

3 INTRODUCED BY

4 David M. Gallegos and Sheryl Williams Stapleton and  
5 Rachel A. Black and Phelps Anderson and Gregg Schmedes  
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10 AN ACT

11 RELATING TO PUBLIC SCHOOL FINANCE; SEQUESTERING UP TO TEN  
12 PERCENT OF A SCHOOL DISTRICT'S OR CHARTER SCHOOL'S CASH BALANCE  
13 FROM NONSCHOOL PURPOSES OR FROM LEGISLATIVE CREDITING THROUGH  
14 THE STATE EQUALIZATION GUARANTEE DISTRIBUTION; MAKING AN  
15 APPROPRIATION.  
16

17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

18 SECTION 1. Section 22-8-41 NMSA 1978 (being Laws 1967,  
19 Chapter 16, Section 99, as amended) is amended to read:

20 "22-8-41. RESTRICTION ON OPERATIONAL FUNDS--EMERGENCY  
21 ACCOUNTS--CASH BALANCES.--

22 A. A school district shall not expend money from  
23 its operational fund for the acquisition of a building site or  
24 for the construction of a new structure, unless the school  
25 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.

21 ~~[D. Notwithstanding any provision of this section~~  
22 ~~to the contrary, the secretary shall reduce school districts'~~  
23 ~~and charter schools' fiscal year 2017 state equalization~~  
24 ~~guarantee distributions as credit for excess fiscal year 2016~~  
25 ~~operational fund cash balances in accordance with Section 2 of~~

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1 ~~this 2017 act, and a school district or charter school whose~~  
2 ~~distribution is accordingly reduced shall apply in the amount~~  
3 ~~of that credit its audited fiscal year 2016 operational fund~~  
4 ~~cash balance toward the school district's or charter school's~~  
5 ~~fiscal year 2017 operations.]~~

6 D. School districts and charter schools shall  
7 sequester the following amounts of their cash balances for  
8 emergencies, and that money shall not be available for further  
9 appropriation by the legislature for non-district or non-  
10 charter school purposes or to be taken credit for as a means to  
11 reduce the state equalization guarantee distribution:

12 (1) for very small school districts with fewer  
13 than two hundred MEM, ten percent;

14 (2) for small school districts with two  
15 hundred to two thousand MEM, seven percent;

16 (3) for mid-size school districts with two  
17 thousand one to twenty-five thousand MEM, five percent; and

18 (4) for large school districts with over  
19 twenty-five thousand MEM, three percent."

20 SECTION 2. APPROPRIATION.--Forty million eight hundred  
21 thousand dollars (\$40,800,000) is appropriated from the general  
22 fund to the public education department for expenditure in  
23 fiscal year 2020 to restore the operational fund cash balances  
24 of the school districts and charter schools whose fiscal year  
25 2017 state equalization guarantee distributions were reduced in

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1 accordance with Laws 2017, Chapter 3, Section 2. The  
2 department shall distribute to each of those school districts  
3 and charter schools the amount of its reduction pursuant to  
4 that section. Any unexpended or unencumbered balance remaining  
5 at the end of fiscal year 2020 shall revert to the general  
6 fund.

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