

1 SENATE BILL 225

2 **55TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2021**

3 INTRODUCED BY

4 George K. Munoz

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10 AN ACT

11 RELATING TO PUBLIC SCHOOL FINANCE; ELIMINATING LOCAL REVENUE
12 AND FEDERAL REVENUE FROM THE CALCULATION OF THE STATE
13 EQUALIZATION GUARANTEE DISTRIBUTION.

14
15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

16 SECTION 1. Section 22-8-25 NMSA 1978 (being Laws 1981,
17 Chapter 176, Section 5, as amended) is amended to read:

18 "22-8-25. STATE EQUALIZATION GUARANTEE DISTRIBUTION--
19 DEFINITIONS--DETERMINATION OF AMOUNT.--

20 A. The state equalization guarantee distribution is
21 that amount of money distributed to each school district to
22 ensure that its operating revenue [~~including its local and~~
23 ~~federal revenues as defined in this section~~] is at least equal
24 to the school district's program cost. For state-chartered
25 charter schools, the state equalization guarantee distribution

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1 is the difference between the state-chartered charter school's
2 program cost and the two percent withheld by the department for
3 administrative services.

4 ~~[B. "Local revenue", as used in this section, means~~
5 ~~seventy-five percent of receipts to the school district derived~~
6 ~~from that amount produced by a school district property tax~~
7 ~~applied at the rate of fifty cents (\$.50) to each one thousand~~
8 ~~dollars (\$1,000) of net taxable value of property allocated to~~
9 ~~the school district and to the assessed value of products~~
10 ~~severed and sold in the school district as determined under the~~
11 ~~Oil and Gas Ad Valorem Production Tax Act and upon the assessed~~
12 ~~value of equipment in the school district as determined under~~
13 ~~the Oil and Gas Production Equipment Ad Valorem Tax Act.~~

14 ~~C. "Federal revenue", as used in this section,~~
15 ~~means receipts to the school district or state-chartered~~
16 ~~charter school, excluding amounts that, if taken into account~~
17 ~~in the computation of the state equalization guarantee~~
18 ~~distribution, result, under federal law or regulations, in a~~
19 ~~reduction in or elimination of federal school funding otherwise~~
20 ~~receivable by the school district, derived from the following:~~

21 ~~(1) seventy-five percent of the school~~
22 ~~district's share of forest reserve funds distributed in~~
23 ~~accordance with Section 22-8-33 NMSA 1978; and~~

24 ~~(2) seventy-five percent of grants from the~~
25 ~~federal government as assistance to those areas affected by~~

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1 ~~federal activity authorized in accordance with Title 20 of the~~
2 ~~United States Code, commonly known as "PL 874 funds" or "impact~~
3 ~~aid".~~

4 ~~D.]~~ B. To determine the amount of the state
5 equalization guarantee distribution, the department shall:

6 (1) calculate the number of program units to
7 which each school district or charter school is entitled using
8 an average of the MEM on the second and third reporting dates
9 of the prior year; or

10 (2) calculate the number of program units to
11 which a school district or charter school operating under an
12 approved year-round school calendar is entitled using an
13 average of the MEM on appropriate dates established by the
14 department; or

15 (3) calculate the number of program units to
16 which a school district or charter school with a MEM of two
17 hundred or less is entitled by using an average of the MEM on
18 the second and third reporting dates of the prior year or the
19 fortieth day of the current year, whichever is greater; and

20 (4) using the results of the calculations in
21 Paragraph (1), (2) or (3) of this subsection and the staffing
22 cost multiplier from the October report of the prior school
23 year, establish a total program cost of the school district or
24 charter school;

25 ~~[(5) for school districts and state-chartered~~

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1 ~~charter schools, calculate the local and federal revenues as~~
2 ~~defined in this section;~~

3 ~~(6) deduct the sum of the calculations made in~~
4 ~~Paragraph (5) of this subsection from the program cost~~
5 ~~established in Paragraph (4) of this subsection;~~

6 ~~(7)]~~ (5) deduct the total amount of guaranteed
7 energy savings contract payments that the department determines
8 will be made to the school district from the public school
9 utility conservation fund during the fiscal year for which the
10 state equalization guarantee distribution is being computed;
11 and

12 ~~[(8)]~~ (6) deduct ninety percent of the amount
13 certified for the school district by the department pursuant to
14 the Energy Efficiency and Renewable Energy Bonding Act.

15 ~~[E.]~~ C. Reduction of a school district's state
16 equalization guarantee distribution shall cease when the school
17 district's cumulative reductions equal its proportional share
18 of the cumulative debt service payments necessary to service
19 the bonds issued pursuant to the Energy Efficiency and
20 Renewable Energy Bonding Act.

21 ~~[F.]~~ D. The amount of the state equalization
22 guarantee distribution to which a school district is entitled
23 is the balance remaining after the deductions made in
24 Paragraphs ~~[(6) through (8)]~~ (5) and (6) of Subsection ~~[D]~~ B of
25 this section.

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1 [~~G.~~] E. The state equalization guarantee
2 distribution shall be distributed prior to June 30 of each
3 fiscal year. [~~The calculation shall be based on the local and~~
4 ~~federal revenues specified in this section received from June 1~~
5 ~~of the previous fiscal year through May 31 of the fiscal year~~
6 ~~for which the state equalization guarantee distribution is~~
7 ~~being computed.~~] In the event that a school district or charter
8 school has received more state equalization guarantee funds
9 than its entitlement, a refund shall be made by the school
10 district or charter school to the state general fund."

11 SECTION 2. Section 22-8-31 NMSA 1978 (being Laws 1967,
12 Chapter 16, Section 84, as amended) is amended to read:

13 "22-8-31. STATE-SUPPORT RESERVE FUND.--

14 A. The "state-support reserve fund" is created.

15 B. The state-support reserve fund shall be used
16 only to augment the appropriations for the state equalization
17 guarantee distribution in order to [~~insure~~] ensure, to the
18 extent of the amount undistributed in the fund, that the
19 maximum figures for such distribution established by law shall
20 not be reduced.

21 C. The undistributed money in the state-support
22 reserve fund shall be invested by the state treasurer in
23 interest-bearing securities of the United States government or
24 in certificates of deposit in qualified banks and in savings
25 and [~~loans~~] loan associations whose deposits are insured with

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1 an agency of the United States. The state treasurer may
2 deposit money from the state-support reserve fund or any other
3 fund in one or more accounts with any such bank or federally
4 insured savings and loan association, but the state treasurer,
5 in any official capacity, shall not deposit money from ~~[said]~~
6 that fund or any other fund in any one ~~[such]~~ federally insured
7 savings and loan association the aggregate of which would
8 exceed the amount of federal savings and loan insurance
9 corporation insurance for a single public account. Income from
10 these investments shall be periodically credited to the general
11 fund.

12 D. At least forty-five days before the money is
13 needed, the ~~[chief]~~ state superintendent shall notify the state
14 treasurer in writing of the amount that will be needed for
15 distribution.

16 ~~[E. In the event that local or federal revenues as~~
17 ~~defined in Section 77-6-19 NMSA 1953 are received after May 31~~
18 ~~of the fiscal year for which the state equalization guarantee~~
19 ~~distribution is being computed and it is therefore necessary to~~
20 ~~use money from the state-support reserve fund to augment the~~
21 ~~appropriation for the state equalization guarantee~~
22 ~~distribution, the chief, upon receipt by the school district of~~
23 ~~the delayed local or federal revenues, shall deduct the~~
24 ~~appropriate amount from the current state equalization~~
25 ~~guarantee distribution to that school district and reimburse~~

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1 ~~the state-support reserve fund in the amount of the deduction.~~

2 ~~F.~~ E. It is the intent of the legislature that the
3 state-support reserve fund be reimbursed in the amount of the
4 yearly distribution by appropriation in the year following the
5 distribution so that the fund at the beginning of each fiscal
6 year shall have a credit balance of at least ten million
7 dollars (\$10,000,000).

8 ~~G.~~ F. Distribution from [~~this~~] the state-support
9 reserve fund shall be made in the same manner and on the same
10 basis as the state equalization guarantee distribution."

11 **SECTION 3. APPLICABILITY.**--The provisions of this act
12 apply to public school funding beginning with fiscal year 2023.