

Reaching a Compromise for Solvency

Written by By Rep. Patty Lundstrom, D-Gallup Chairperson, House Appropriations & Finance Committee
Friday, 03 February 2017 06:50



Re: HB7/SB114 – School district cash balances

SANTA FE – The State of New Mexico finds itself in the throes of fixing a historic structural deficit, which includes shoring up our current fiscal year to pay our bills. Our approach working with both the Executive and Legislative branches is to find reserves and cash balances that can be used to carry us through June.

The Solvency Package includes multiple proposals to close this gap and stabilize our reserves. Over the last couple years, the Legislature has drawn down our reserves to a near-crisis level that has jeopardized our bond rating and left us with few options.

To put it bluntly, the current year deficit is not allowed by our State constitution and state law prohibits the treasurer from issuing payments we do not have the money to pay. With few options, we have looked at spreading the impact proportionately to minimize the pain across state and local governments.

One of the bills that follows this approach is sweeping FY16 year-end cash balances in local school districts and charter schools. This option reveals how desperate the State is, as effecting any funding from schools is always a last resort.

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The Legislative approach, both in the Senate and the House, was to do this in a fair and equitable manner. Our original legislation reduced and changed the original recommendation by the Governor that would have had a higher (approximately \$120M) and fundamentally disproportionate impact to school districts that have saved and rely on cash reserves to make it through the school year.

The key difference is that the Governor's recommendation would have only pulled back cash balances from those districts that have above a 5 percent cash balance. The Legislative proposal changes this to proportionately reduce school district's and charter school's State Equalization Guarantee (SEG) distributions by approximately 2 percent.

Our method provided a fair and proportionate approach to treat every district and every school the same, as we believe that every classroom and all children should be treated equally. Basically, the Governor's proposal took from some, thus picking winners and losers while the Democratic Legislative proposal took a little from all except for those already receiving emergency distributions and those with small cash balances.

As the Chairman of the House Appropriations and Finance Committee, I weighed the Governor's and Senate's proposals and tried to find an appropriate balance.

Ultimately, we compromised with the Senate and Governor's proposal to keep the proportionate cuts at 2% of SEG, while providing a floor for those districts that only have a 3% cash reserves and keeping the exemption for districts receiving emergency supplemental funding.

This provides for equity and a share of the pain across schools districts and charters no matter the size or situation, but also allows those operating with a minimum of reserves or emergency funding to continue through the remainder of the school year.

To provide an example of how these proposals differ in impacts, I will use my own school district in Gallup and McKinley County. This local district has one of the highest rates of children living in poverty in the country and nearly all students in these schools receive free or reduced-fee breakfast and lunch.

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In contrast to the winners in the Governor's proposal, McKinley County only has the ability to collect property taxes on 20% of its lands, which hinders the local ability to raise or replace funding cuts at the State.

The total impact between these proposals were that the Legislative proposal reduces Gallup-McKinley County School District by \$1.7M while the Governor reduces it by \$2.4M.

This local district is moving the needle to improve its schools in terms of the Governor's grading system. Since 2012, Gallup-McKinley County School District has advanced 69 percent of schools by one-grade level and 22 percent of schools two-grade levels. The Governor's proposal would have punished this district and stall its heroic efforts to better our schools.

I stand for the principle of equity in education and giving our students the best opportunity to succeed. I will continue to fight on behalf of our students.

Lundstrom represents McKinley and San Juan counties. This op/ed piece was compiled Jan. 26.

**By Rep. Patty Lundstrom, D-Gallup
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