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## FISCAL IMPACT REPORT

SPONSOR Miera DATE TYPED 03/01/05 HB 1081

SHORT TITLE Public School Use of Approved Budget Charts SB \_\_\_\_\_

ANALYST Chabot

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	See Narrative				

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Finance and Administration (DFA)  
Public Education Department (PED)

#### Response Not Received From

State Auditor

### SUMMARY

#### Synopsis of Bill

House Bill 1081 amends Section 22-8-5 NMSA 1978 to require no later than July 1, 2006 PED, in consultation with the State Auditor, establish rules and procedures for a uniform system of accounting and budgeting of funds for all public schools and school districts. The official submitting district or charter school budget reports will certify in writing the report contains correct classification of expenditures and reporting of public school funds. Intentional misreporting shall constitute grounds for suspending or revoking any license of the person submitting the report by PED or for taking any other action provided for by law or department rule. The bill also strikes language requiring filing of the system with the State Records Center and DFA.

#### Significant Issues

An LFC audit conducted in 2003 found inconsistencies in how school districts classify expendi-

tures, which makes comparisons among districts and state statistics with other states. The conversion to the National Center for Education Statistics (NCES) chart of accounts was begun in FY04 at cost of \$1.8 million, and the Executive, LESC and LFC all recommended continued funding to complete the process. The LFC has recommended extending the FY04 appropriation through 2006 and including another \$1 million in FY05 through FY06 to complete the process. At a LESC meeting in October 2004, PED indicated the complete conversion would take approximately three years. This bill would require implementation by July 1, 2006.

DFA questions whether PED can sanction an individual for intentional misreporting of financial information. At a minimum, due process procedures would have to be included into department rules and a hearing process established.

PED states the bill supports PED and the Governor's legislative initiatives. PED states "it is critical that the technological infrastructure of the PED be upgraded before a new chart of accounts is fully implemented. It is also critical that this initiative dovetail with the data warehouse initiative recommended by the LFC in an audit conducted in cooperation with the LESC, the PED, the DFA and the Office of Education Accountability during the 2004 interim."

### **PERFORMANCE IMPLICATIONS**

This bill directly relates to PED financial management measures in the general appropriation act.

### **FISCAL IMPLICATIONS**

The bill contains no appropriation but continued funding of the conversion effort through the general appropriation act is required for implementation.

### **ADMINISTRATIVE IMPLICATIONS**

PED assesses the plan developed for the implementation establishes a vendor advisory committee to determine the costs both for the department and the school districts to accommodate the new chart of accounts.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

The NCES chart of accounts conversion will continue without a specific date for accomplishment and existing statutory penalties for false financial information reporting will remain in effect.

### **POSSIBLE QUESTIONS**

1. Is the July 1, 2006, a realistic date for completion of the NCES chart of accounts conversion?
2. Has the State Auditor been active in this project?

**GAC/lg**