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FISCAL IMPACT REPORT

SPONSOR Nava DATE TYPED 03/07/05 HB _____

SHORT TITLE Public Peace, Health, Safety and Welfare SB 1077

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 HB 1081
Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 1077 amends Section 22-8-5 NMSA 1978 (Rules—Procedures) to require, no later than July 1, 2006, all public schools and school districts to comply with the accounting rules of the 2003 edition of the National Center for Education Statistics' chart of accounts. School districts are to comply with requests for financial information by PED. 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. PED is to submit financial information as requested by DFA, LFC or LESC. The bill also amends Section 22-8-9 NMSA (Budgets—Minimum Requirements) to require the allocation of maximum dollars to instruction as defined by NCES.

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 \$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 additional funding through FY06. 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.

There is a potential conflict with the legislation by referencing the "National Center for Education Statistics". Article IV, Section 18 of the New Mexico Constitution provides that no law shall be revised or amended by reference. Designation of NCES is a reference to a specific organization and standard of accounting.

PED indicates NCES does not specify a budget format nor does it define "allocation of maximum dollars to instruction."

In addition, PED states it is the process of upgrading the technological infrastructure to collect and report financial data. "Due to years of under funding...the technology currently used by the PED is outdated and in many cases incompatible with the technology used by school districts and charter schools. It is critical that the technological infrastructure be upgraded before a new chart of accounts is fully implemented."

PED will use the appropriations in the General Appropriations Act to begin the upgrade. It has begun to design and implement a workplan and has established a vendor advisory committee to assist in determining costs for the total project. This includes interface with the public school districts.

PED further advises the current Public School Finance Act provides sanctions for intentionally falsifying financial information.

PERFORMANCE IMPLICATIONS

A uniform chart of accounts as established by the U.S. Department of Education will allow direct comparisons with other states using the same chart of accounts.

FISCAL IMPLICATIONS

HB 2 as amended by the Senate has a special appropriation of \$600 thousand through fiscal year 2007 for the implementation of a standardized chart of accounts. In addition, the balance of the special appropriation for \$1.8 million in the 2004 General Appropriation Act for the same purpose is extended through fiscal year 2006 for the same purpose.

TECHNICAL ISSUES

The LFC has not been able to find a definition of "the allocation of maximum dollars to instruction" by NCES. The uniform chart of accounts would allow comparisons with school districts within the state and with other states. As Section 22-8-9A(4) is written, PED will have to determine what would be the intent of the subsection.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

Current statutes will remain in effect.

POSSIBLE QUESTIONS

1. Can a standardized chart of accounts be fully implemented by July 1, 2006?
2. How does the sponsor interpret the statement “the allocation of maximum dollars to instruction as defined by the national center for education statistics”?

GAC/lg