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FISCAL IMPACT REPORT

ORIGINAL DATE 02/04/11

SPONSOR Hall LAST UPDATED 02/28/11 HB 113/aHEC

SHORT TITLE Charter School Expenditure Reports SB _____

ANALYST Hoffmann

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI	N/A	None

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

SUMMARY

Synopsis of House Education Committee Amendment

The House Education Committee amendment to House Bill 113 clarifies that locally or state chartered schools would report to both the PED and the school's chartering authority.

Synopsis of Original Bill

House Bill 113 proposes to add a new section to Chapter 22, Article 25 NMSA 1978, the "Public School Capital Improvements Act," (PSIA) and to Chapter 22, Article 26 NMSA 1978 the "Public School Buildings Act" (PSBA). These two new sections require all locally chartered or state chartered charter schools expecting a state distribution or a distribution of property taxes pursuant to these acts to:

- The charter school must submit a report to the PED no later than December 1 of each year showing the purposes for which the expected distribution will be expended. The PED shall review the report, and no later than twenty days after receipt of the report, advise the charter school whether the proposed expenditures are consistent with law.
- No later than January 31 of each year, each charter school that received distributions under the above acts would be required to submit to the PED a report showing the purpose for which the distribution was expended and the amount expended for each purpose.

FISCAL IMPLICATIONS

House Bill 113 makes no appropriations.

SIGNIFICANT ISSUES

The PED provided the following comments.

The Public School Capital Outlay Task Force (PSCOTF) was created to develop the structure and goals of the newly created standards-based program under the Public School Capital Outlay Act (PSCOA). It is the responsibility of the PSCOTF to provide ongoing monitoring and oversight of the program as well as address any issues in order to maintain the uniform system in the way the state funds public school capital outlay expenditures. House Bill 113 is a bill that was endorsed by the PSCOTF.

This annual submission of reporting provides greater transparency in regards to processes, procedures, and accountability. Since the submission of reports is only required annually, it should not be viewed as an extra layer of bureaucracy, especially since the requirements will protect charter schools from inappropriately spending these funds.

It is important to note that a majority of charter schools are housed in private buildings. In these instances, the funds generated from these acts cannot be used to renovate or upgrade those buildings. To use state funds to upgrade private building would be a direct violation of the anti-donation clause of the New Mexico Constitution. It may be important to implement this approval process to ensure and prevent occurrences of this nature from happening.

HB 113 is aimed at providing oversight and assistance to the charter schools so they are consistently spending funds with the purposes approved in statute. Oversight is being created since this is the first time charter schools will be receiving funds from these sources. The purpose of this bill is not to prevent charter schools from receiving the funds to which they are entitled or to create any barriers to their doing so. This bill provides assistance to charter schools and districts to help avoid audit findings.

ADMINISTRATIVE IMPLICATIONS

The PED notes it will be responsible for collecting and approving expenditures under the PSIA and the PSBA. Currently there are only 25 charter schools who will be receiving funds under the PSBA; however, a total of 83 charter schools receive Senate Bill 9 state match funds. As capital outlay appropriations have declined in recent years the PED will be able to absorb the additional duties. Administrative impact will increase if appropriations increase to previous years' levels.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

According to the PED, there could be potential audit findings for both school districts and charter schools if funds are not used appropriately.

JCH/bym