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FISCAL IMPACT REPORT

ORIGINAL DATE 02/15/11

SPONSOR King/Sapient LAST UPDATED _____ HB 252

SHORT TITLE District & Charter School Financial Reporting SB _____

ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

Office of the State Auditor (OSA)

SUMMARY

Synopsis of Bill

House Bill 252 adds a new section to the Public School Finance Act requiring school districts and charter schools to provide quarterly financial reports to their governing boards on department developed forms. The bill also requires PED to promulgate rules governing the use of procurement, travel and gas cards by school districts and charter schools.

FISCAL IMPLICATIONS

The quality of a school district or charter school governing board directly impacts its ability to strategically align fiscal and human resources. The type and quality of financial information received by boards is generally improving, but needs to meet minimum standards statewide.

SIGNIFICANT ISSUES

House Bill 252 will require the Public Education Department to develop forms to be used by school districts and charter schools for the required financial reporting. The forms shall provide for the following:

- Report on the budget status, including the approved operating budget for revenues and expenditures compared to year-to-date actuals;
- Budget adjustment requests;
- Cash reports, including revenue and expenses, temporary loans and cash balances for operational, state and federal grants, capital outlay and debt service funds;
- Voucher reports, including a list of issued warrants or checks;
- Reports listing procurement, travel or gas card expenses; and
- Investment reports.

Districts and charter schools will be required to post these reports on their web site. PED indicates Mosquero Municipal Schools is the only school district in the state that doesn't have a developed website capable of publishing reports, nor does the school employ a webmaster. School districts are not mandated to have a website, and it is likely that Mosquero will not be required to establish one to comply with this bill. The bill does not mandate that a district create a website for the purpose of publishing reports, only that a district publish reports on their website. Mosquero could also contract with an REC to assist them in developing a website, or publishing reports on the REC website on behalf of the district.

PED will also be required to establish rules governing the use of procurement, travel and gas cards, including at a minimum, the requirement that school district and charter school governing boards adopt policies for the use of procurement, travel or gas cards, including placing limits on the amounts and types of purchases that may be made on such cards and procedures to monitor, control and report expenditures.

The Office of the State Auditor indicates it might be prudent to require a listing of accounts payables and receivables also to have a meaningful review of the school's actual expenses and revenues in comparison to the budgeted expenses and revenues.

ADMINISTRATIVE IMPLICATIONS

PED indicates the department currently requires reports related to Paragraphs 1, 2 and 3 of Section A through OBMS and department developed reports. PED would be required to develop forms related to Paragraphs 4, 5 and 6 of Section A, and to promulgate rules governing the use of procurement, travel and gas cards. The department does indicate that most districts and charter schools use Vision accounting system or APTA Fund accounting system that is capable of generating the reports outlined in Paragraphs 4 and 5 of Section A.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

Recent LFC evaluations of charter schools and school districts have identified a number of concerns about communications between charter school and school districts and their governing boards regarding finance and operations, and the lack of uniform procurement card policies and use.

Evaluations have noted a lack of knowledge of school district and charter school governing boards regarding financial information. Many districts and charter schools lack a formal mechanism to provide pertinent information to the board regarding finances, including the district or charter's budget status, budget adjustment requests, cash reports, voucher reports, and procurement card reports is not in place.

District and charter school procurement card policies are diverse. Procurement cards are issued from multiple vendors and are issued inappropriately to individuals. Purchase card policies and procedures are inadequate, and include a lack of information provided to school boards. Additionally, districts and charter schools could improve training for purchase card users that focus on procurement rules and regulations, proper card use guidelines and appropriate policies.

Charters and school districts are not bound by state requirements for using procurement cards, however LFC considers DFA's procurement card program a best practice. DFA's Financial Control Division recommends that all agencies that have credit cards issued by oil companies replace them with Wright Express fuel cards from the Transportation Services Division of the General Services Department and recommends all agencies holding house credit cards from vendors (e.g. Office Depot, Wal-Mart and Staples) use instead the state's procurement cards. Charter schools have mixed implementation of procurement cards. The LFC recommends

Key recommendations from these evaluations include:

- Develop rules establishing minimum financial information superintendents should regularly provide boards.
- Boards should regularly review comprehensive financial information and student performance data to develop budgets.
- Amending the Public School Code or including language in the General Appropriation Act to require all public school districts and charter schools to implement procurement card programs that conform to the program authorized by DFA. PED should promulgate rules governing the use of school district purchase cards. The rules should provide districts that use purchase cards with comprehensive policies, procedures, and reporting frameworks similar to those used by the Department of Finance and Administration.
- Districts should
 - Cancel and eliminate credit cards issued to superintendents, directors, and board members;
 - Eliminate cards from all vendors such as Wal-Mart and Lowe's;
 - Review card activity and cancel unused cards;
 - Reduce spending limits to levels appropriate to each card's intended purpose; and
 - Provide monthly purchase card expenditure reports to their boards and post the reports on their websites.