

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HB 252

50th Legislature, 1st Session, 2011

Tracking Number: .184424.1

Short Title: District & Charter School Financial Reporting

**Sponsor(s): Representative Rhonda S. King, Senator John M. Sapien,
Representative Jimmie C. Hall, and Representative Rick Miera**

Analyst: Eilani Gerstner and James Ball

Date: February 17, 2011(revised)

Bill Summary:

HB 252 creates two new sections of the *Public School Finance Act* to require:

- school district superintendents and fiscal managers of charter schools to provide quarterly reports on the financial position of their district or charter school, as applicable, to the local school board or governing body of the charter school;
- the Public Education Department (PED) to develop standardized reporting forms for this purpose to include, at a minimum:
 - a report on the budget status of the district or charter school;
 - a statement of any budget adjustment requests;
 - cash reports;
 - voucher reports, including a list of warrants and checks;
 - procurement reports, including travel and credit card expenses; and
 - investment reports;
- school districts and charter schools to post the quarterly reports on their websites; and
- PED to promulgate rules governing the use of credit cards for procurement, travel, and gas, including placing limits on the amount and types of such purchases and outlining procedures to monitor, control, and report expenditures.

Fiscal Impact:

HB 252 does not contain an appropriation.

Substantive Issues:

The PED analysis of HB 252 states that:

- PED currently requires quarterly, and in some cases monthly, financial reports by school districts and charter schools through the Operating Budget Management System (OBMS);

- the reports generated through OBMS generally meet the definition of reports required in HB 252, although a few additional ones would be required;
- of the 89 school districts, 73 use the Visions accounting system, which is capable of generating the reports required in parts of HB 252;
- of the 81 charter schools, 79 use an accounting system that is capable of generating the reports required in parts of HB 252; and
- Mosquero Municipal Schools is the only school district that does not have a website capable of publishing the reports outlined in HB 252.

Background:

During the 2010 legislative session, the Legislative Education Study Committee (LESC) endorsed SJM 24, *Study School District Finances & Operations*, requesting that the Office of Education Accountability, in collaboration with PED and in consultation with the Office of the State Auditor, form a work group to examine public school finance issues.

Although the joint memorial did not pass, in keeping with the LESG’s focus on public school finances during the 2010 interim, the LESG requested that an LESG work group be formed to “evaluate the adequacy and effectiveness of New Mexico’s laws and regulations relating to public school finance, including the financial capacity and controls of school districts and charter schools statewide.” The LESG requested updates on the progress of the work group at each interim meeting, with a final report to the LESG in December 2010.

Activities of the LESG School Finance Work Group

The activities of the work group included:

- reviewing laws, rules, and policies governing school finance, including the implementation of two provisions effective in 2010 that:
 - require local school boards and charter school governing bodies to create finance subcommittees and audit committees; and
 - allow PED to impose sanctions for failure of school districts or charter schools to submit timely audits to the State Auditor, including withholding up to 7.0 percent of a school district’s or charter school’s State Equalization Guarantee distribution and suspending the board of finance, effective July 1, 2010;
- investigating whether the tiered audit process for local public bodies, effective July 1, 2010 or a similar tiered audit process may be appropriate for public schools;
- reviewing current licensing and training requirements for school business officials and current training offered for boards of finance;
- investigating the availability of qualified school business officials and independent auditors with a focus on the needs of small, rural school districts;

- examining the internal financial controls within school districts and charter schools, including segregation of duties and the bank reconciliation process; and
- examining the supply and demand of school business officials, including the capacity of institutions of higher education to train future school business officials.

The topics addressed in HB 252 were among the topics heard by the work group during the interim.

Related Bills (revised):

HB 98 *Charter School Audit Monitoring*

HB 113 *Charter School Expenditure Reports*

HB 436 *Public School Info on Sunshine Portal*

SB 141a *No Education Dept. Auditor Approval*

SB 327 *Certain Public School Info on Sunshine Portal*

SB 423 *Auditor to Perform School District Audits*