

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** HJM 11a

**50th Legislature, 1st Session, 2011**

**Tracking Number:** .184094.1

**Short Title:** Small School District Service Consolidation

**Sponsor(s):** Representatives Jimmie C. Hall, Rick Miera, Shirley A. Tyler, and Mimi Stewart

**Analyst:** Eilani Gerstner

**Date:** February 3, 2011

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**FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE**

**AS AMENDED**

**The House Education Committee amendment adds:**

- **“public schools” to the entities that offer programmatic and other services to small rural school districts; and**
- **the “determination of cost” for the activities listed in the memorial.**

**Original Bill Summary:**

HJM 11 requests that the Public Education Department (PED), Office of Education Accountability (OEA), the Office of the State Auditor (OSA), regional education cooperatives (RECs), Cooperative Educational Services (CES), and other stakeholders examine:

- consolidating certain business services for small school districts;
- providing support services to small school districts through a regional system;
- operating one or more pilot projects to determine the effectiveness of such proposals; and
- report findings and recommendations to the Legislative Education Study Committee (LESC) by October 31, 2011.

**Fiscal Impact (revised):**

Legislative memorials do not contain an appropriation.

**Substantive Issues (revised):**

During the 2010 legislative session, the LESLSC endorsed SJM 24, *Study School District Finances & Operations*, requesting that OEA, in collaboration with PED and in consultation with the OSA, form a work group to examine public school finance issues.

Although the joint memorial did not pass, in keeping with the LESLSC’s focus on public school finances during the 2010 interim, the LESLSC requested that an LESLSC 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 LESC requested updates on the progress of the work group at each interim meeting, with a final report to the LESC in December 2010.

The Attachment to this bill analysis includes the membership of the work group.

### ***Activities of the LESC 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.

As a result of presentations and discussions during the 2010 interim, the work group agreed that further study was needed on how small, rural school districts could be supported through consolidated services such as business and financial services and support services from PED.

### ***Recommendations of the LESC School Finance Work Group***

HJM 11 is one of the recommendations of the LESC School Finance Work Group.

The other recommendations of the work group endorsed by the LESC during the 2011 legislative session are:

1. Amend the *Audit Act* to remove the requirement that the Public Education Department (PED) approve the selection of an independent auditor by a school district. **(Provisions in SB 141, *No Education Dept. Auditor Approval*)**
2. Amend the *School Personnel Act* **(provisions in SB 203, *School Business Official Licensure*)** to require PED to:
  - provide by rule for licensure of school business officials (SBOs), including initial and continuing licensure, competencies, ethics and reporting requirements, and a savings clause;
  - track the denial, suspension, or revocation of SBO licenses and determine if these actions occur in a timely manner;
  - assess the quality of and enforcement of training requirements for SBO licensure; and
  - require mandatory training for superintendents on the evaluation of SBOs, including training in the assessment of SBO competencies.
3. Amend the *School Personnel Act* to add “financial malfeasance or misfeasance” to the definition of “ethical misconduct” in current law. **(Provisions in SB 143, *School Personnel “Ethical Misconduct” Definition*)**
4. Include language in the *General Appropriation Act* to transfer the positions (six) in the Office of Inspector General at PED to the Office of the State Auditor for education-related reviews. **(Letter sent to the House Appropriations and Finance Committee)**

**Related Bills:**

SB 141 *No Education Dept. Auditor Approval*

SB 143 *School Personnel “Ethical Misconduct” Definition*

SB 203 *School Business Official Licensure*

**APPROVED MEMBERSHIP  
OF THE  
LESC SCHOOL FINANCE WORK GROUP**

- **Office of the State Auditor:**
  - Steve Archibeque, Senior Audit Manager
  - Antonio Corrales, Chief of Staff
- **Legislature:**
  - Senator Cynthia Nava
  - Representative Jimmie C. Hall
  - Representative Rhonda S. King
- **NM School Boards Association:**
  - Ramon Montañó, President
  - Joe Guillen, Executive Director
- **School Board Members:**
  - Randy Manning, Central Consolidated Schools
  - David Robbins, Albuquerque Public Schools
- **NM Coalition of School Administrators:**
  - Tom Sullivan, Executive Director
- **Superintendents:**
  - Stan Rounds, Las Cruces Public Schools
  - Adan Delgado, Pojoaque Valley Public Schools
- **School District Business Officials:**
  - Don Moya, Chief Financial Officer, Albuquerque Public Schools
  - Steve Suggs, Chief Financial Officer, Gadsden Independent Schools
  - Sandra Heinsohn, Business Manager, Quemado Independent Schools
- **NM Coalition for Charter Schools:**
  - Michael Vigil, Chief Financial Officer
  - Rick Rios, Chief Performance Officer
- **Charter School Business Officials:**
  - Stan Albright, The Montessori Elementary School
  - Randy Freeman, Turquoise Trail Charter School
- **Independent auditor:**
  - Juan J. (J.J.) Griego, Griego Professional Services, LLC
- **Finance/fraud experts from universities and colleges:**
  - Richard Brody, Professor, Anderson School of Management, University of New Mexico
  - Norman Colter, Lecturer, Anderson School of Management, University of New Mexico

- **NM Association of School Business Officials:**
  - James Murdock, Associate Superintendent of Finance, Silver Consolidated Schools
- **Regional Education Cooperatives (RECs):**
  - Cathy Jones, REC IX
- **Public Education Department:**
  - Steve Burrell, Interim Deputy Secretary for Finance & Operations
  - Phil Baca, Program Manager, Professional Licensure Bureau
- **Governor's Office:**
  - Peter Winograd, Education Policy Advisor
- **Department of Finance & Administration:**
  - Scott Hughes, Director, Office of Education Accountability
  - Michael Marcelli, Executive Analyst, State Budget Division
- **Legislative Finance Committee staff:**
  - Rachel Gudgel, Public Education Analyst
- **Legislative Education Study Committee staff:**
  - Eilani Gerstner, Fiscal Analyst and work group coordinator
  - Craig J. Johnson, Fiscal Analyst