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FISCAL IMPACT REPORT

ORIGINAL DATE 01/30/11

SPONSOR Miera LAST UPDATED _____ HB 95

SHORT TITLE School Budget Division of Education Dept. SB _____

ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		See Fiscal Implications				

(Parenthesis () Indicate Expenditure Decreases)

House Bill 95 is for the Legislative Education Study Committee.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration, DFA

Public Education Department, PED

SUMMARY

Synopsis of Bill

House Bill 95 creates the School Budget and Finance Division in the Public Education Department.

FISCAL IMPLICATIONS

The department currently operates with a School Budget and Finance Bureau with a chief that is being paid commensurate with what is likely to be paid to a division director, based on the current range of division director salaries in the department. While the current Bureau has a high

vacancy rate, it is in part self-imposed in order to meet the salary requirements of numerous exempt positions.

It is likely that creation of the Division will have a minimal fiscal impact on the department. The School Budget and Finance Bureau is not created in statute, and per the Public Education Department's analysis, would become the School Budget and Finance Division. The bureau is currently authorized to operate with 16 permanent employees.

SIGNIFICANT ISSUES

Divisions of the Public Education Department outlined in statute are: the Administrative Services Division; the Assessment and Accountability Division; the Charter Schools Division; the Educator Quality Division; the Indian Education Division; the Information Technology Division; the Instructional Support and Vocational Education Division; the Program Support and Student Transportation Division; the Quality Assurance and Systems Integration Division; the Rural Education Division; and the Vocational Rehabilitation Division. Per statute, the secretary is authorized organize the department and divisions of the department and may transfer or merge functions between divisions and bureaus in the interest of efficiency and economy.

The department currently operates a School Budget and Finance Bureau, headed by a "chief," who is employed by the secretary and who is covered by, and subject to, provisions of the Personnel Act. The acting "chief" is currently being paid commensurate with other division directors.

This bill would create a new School Budget and Finance Division. Divisions, by statute, are headed by a "director" appointed by the secretary with the approval of the governor and who shall serve at the secretary's pleasure. Creating a new division will increase the number of governor exempt positions in the department from 17 authorized to 18. The department currently operates with a total of 19 exempt positions, two are unauthorized.

OTHER SUBSTANTIVE ISSUES

The department's role of providing financial oversight of school districts and charter schools has been of particular concern to the LFC. The department continues to experience problems with a number of financial operations and with providing timely reimbursements to school districts. Districts continue to complain about the extra time needed for the department to process and pay reimbursements. Since FY09, \$271 million in federal funds have been awarded to districts to assist with reduced general fund availability. As of September 2010, \$181.7 million remains unexpended. With decreased general fund allocations, distribution of these federal funds in an accurate and timely manner is more critical than ever.

The LFC suggested the department develop a two-program structure consisting of a program and policy division and a financial operations division during the 2010 interim in order to allocate sufficient resources into financial operations. The department needs to invest substantially more resources into direct oversight, financial compliance, and more efficient distribution of flow-through funds to districts. The LFC recommendation includes language to appropriate funding specifically for financial operations functions and once again encourages the department to work with LFC and Department of Finance and Administration staff to develop two programs during

the 2011 interim.

ALTERNATIVES

Develop a two-program structure consisting of a program and policy division and a financial operations division.

RSG/bym