

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HB 522a

51st Legislature, 1st Session, 2013

Tracking Number: .192885.1

Short Title: Charter Schools Federal Grant Requirements

Sponsor: Representative Mimi Stewart and Others

Analyst: David Craig

Date: March 7, 2013

AS AMENDED

The House Floor Amendment fixed a typographical error.

Bill Summary:

HB 522 amends a section of the *Charter Schools Act* to require a locally chartered charter school to verify to its chartering authority that it has met federal grant compliance requirements.

Fiscal Impact:

HB 522 does not contain an appropriation.

Substantive Issues:

Independent audits consider charter schools to be component units of their authorizers according to criteria set forth in the Government Accounting Standards Board's (GASB) statements.

When classified as component units, charter schools function as part of the chartering authority's financial operations, whether local school boards in the case of a locally chartered charter school or the Public Education Commission (PEC) in the case of a state-chartered charter school. Because the PEC is administratively attached to the Public Education Department (PED), the state-chartered charter schools have been considered component units of PED's financial operations.

Auditors of chartering authorities present component units separately in the government-wide financial statements to emphasize that they are legally separate from the government. However, given the component unit relationship, a charter school's noncompliance with federal grant requirements could affect the chartering authority's federal grant award.

Aside from the independent auditor's single audit of federal funds under the provisions of OMB Circular A-133¹, there are few state legal requirements for charter schools to report on the use or compliance of federal grant awards to the chartering authority.

¹ The federal OMB Circular A-133 is titled "Audits of States, Local Governments, and Non-Profit Organizations" and sets forth standards for obtaining consistency and uniformity for the audit of States, local governments, and nonprofit organizations expending Federal awards. Among other requirements, non-federal entities that expend

Technical Issues:

On page 2, line 4, there is an apparent typographical error: the word “is” instead of the word “it.”

Background:

According to information on the Public Education Department (PED) website, in school year 2012-2013, there are 95 charter schools operating in 24 districts throughout New Mexico. Of those 95 schools, 44 are locally chartered and 51 are state-chartered charter schools.

Provisions in current law allow for locally chartered charter schools to:

- access those portions of federal funds to which their students are eligible; and
- indicate that other public schools are not entitled to the portion of money generated by a school program.

Provisions in current law allow for state-chartered charter schools to apply for all federal funds for which they are eligible.

Committee Referrals:

HEC/SEC

Related Bills:

HB 166a *Charter School Audit Finding Reporting*

HB 453a *School Chartering Authority to State*

more than \$300,000 are required to have a single audit. All entities expending federal funds must keep records available for audit.