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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
54th Legislature, 2nd Session, 2020

Bill Number	<u>SB96/SECS</u>	Sponsor	<u>SEC</u>
Tracking Number	<u>.217292.2</u>	Committee Referrals	<u>SEC/SFC;HAFCS</u>
Short Title	<u>Online School Budget Reporting</u>		
Analyst	<u>Simon</u>	Original Date	<u>2/14/2020</u>
		Last Updated	<u>2/19/2020</u>

BILL SUMMARY

Synopsis of Bill

Senate Education Committee Substitute for Senate Bill 96 (SB96/SECS) would create a new section of the Public School Finance Act to require the Public Education Department (PED) to develop and implement an online financial reporting system. The reporting system would allow comparisons between schools, between local education agencies, and between regional education cooperatives; would allow for the display of administrative costs; report school site budgets for services to at-risk students, bilingual multicultural education, and special education; report actual expenditures by major category, including salary and benefit expenditures at the school site level; and report revenue received by funding source.

FISCAL IMPACT

SB96/SECS appropriates \$3 million from the public education reform fund to PED for expenditure in FY21 through FY23. Any unexpended or unencumbered balance remaining at the end of FY23 will revert to the public education reform fund. The Senate Finance Committee Amendment to House Appropriations and Finance Committee Substitute for House Bills 2 and 3 (HB2/HAFCS/aSFC) includes a duplicate of this appropriation, contingent on the passage of SB96/SECS or similar legislation. If both SB96/SECS and HB2/HAFCS/aSFC pass without further amendment the total available to PED would be \$6 million. The sponsor may wish to consider striking the appropriation from SB96/SECS and allowing the appropriation to move forward as part of the General Appropriation Act of 2020.

SB96/SECS would require the department to develop an online financial reporting system, which could compliment other data reporting changes currently planned by PED. The department is in the process of developing a real-time data management solution to reduce the data reporting burden on school districts and charter schools and increase the efficiency and effectiveness of the data reporting process. HB2/HAFCS/aSFC includes \$1.1 million in FY21 for this project, which was vetted through the Department of Information Technology's compliance and project management process. Additional funding may allow the department to expand the scope of this project.

SUBSTANTIVE ISSUES

State law provides PED significant budget oversight authority to supervise the finances of school districts and charter schools. The Public School Finance Act requires PED to provide the forms for and supervise and control the preparation of all public school budgets in the state; establish rules and procedures for a uniform system of accounting and budgeting; ensure that each program in a school district's or charter school's operating budget meets the requirements of law, and when necessary make corrections, revisions, and amendments to school district or charter school operating budgets. State law also requires PED to compile accurate information concerning public school finance and administration.

Traditionally, PED has compiled school district and charter school financial information on its website; however, there are several limitations to what is provided. As of February 11, 2020, data provided for FY18 is only partially complete. While actual revenue and expenditure are reported for FY18, FY19 actual revenue and expenditure amounts are not yet available, likely due to staffing shortages within PED to compile and post the information. Additionally, PED's current data reporting only provides information by school district and charter school, and not school site, as would be required by SB96/SECS.

Consolidated *Martinez* and *Yazzie* Lawsuit. SB96/SECS may assist PED with meeting its responsibility to effectively oversee school district and charter school finances. The 1st Judicial District Court's ruling in the consolidated *Martinez* and *Yazzie* lawsuit found that PED had failed to exercise its power to monitor or audit school districts' use of funds, that the state had failed to ensure the Indian Education Act and the Bilingual Multicultural Education Act are being implemented, and that the state does not sufficiently monitor program that provide services to English learners. While PED argued the department could not control school district spending or be responsible for the failure of a school district to provide programs that would benefit at-risk students, the court rejected this defense, finding PED has read its authority under state statutes too narrowly.

Following the court's findings in the consolidated *Martinez* and *Yazzie* lawsuit, the Legislature provided the department with additional oversight responsibilities to ensure the state complied with the court's directives. Laws 2019, Chapters 206 and 207 (SB1 and HB5) required PED to collect, beginning in FY21, a narrative explaining the identified services to improve the academic success of at-risk students; a narrative explaining supplemental programs or services offered to ensure the Bilingual Multicultural Education Act, the Indian Education Act, and the Hispanic Education Act are being implemented; and additional information on budgeted expenditures for students with disabilities and other information. While this statute does not require this information to be collected by school site, PED could alter its budget review process to include additional requirements on school site reporting to satisfy both the requirements of the 2019 laws and the requirements of SB96/SECS to report how school districts and charter schools budget funds for at-risk students, bilingual multicultural education, and special education.

Site-Based Reporting. SB96/SECS will require PED to develop new, school site-based reporting requirements, which may help the department improve its budget oversight process. PED's current financial reporting system, the Operating Budget Management System (OBMS) does not report school district or charter school financial information by school site; however, PED may be able to use this existing reporting infrastructure to collect the data required by SB96/SECS. PED may need to update its policies and procedures to require school districts to track additional expenditures by school site, although PED has already issued non-regulatory guidance to school

district and charter schools on tracking school site expenditures for per-pupil reporting requirements recently enacted in federal law. PED analysis was not yet available for this analysis, so it is unclear how significantly PED may need to alter its existing practices to implement SB96/SECS

New requirements from the federal government will increase the availability of school site-based information. Under the federal Every Student Succeeds Act, school districts are required to report per-pupil expenditures of federal and of state and local funding by school site. This information is required to be included on each school's report card, beginning with the FY19 report cards. In New Mexico, these report cards have yet to be released.

OTHER SIGNIFICANT ISSUES

SB96/SECS may assist other stakeholders with oversight responsibility. Analysis from the Public Schools Facility Authority (PSFA) notes Section 22-24-5 NMSA 1978 requires the Public School Capital Outlay Council to determine if a school district has used its capital resources in a prudent manner prior to receiving a grant from the public school capital outlay fund. PSFA states the reporting system required by SB96/SECS may assist the authority and the council in carrying out this function.

Current state law requires school district and charter school financial information be posted online. The Sunshine Portal Transparency Act requires the online publication of the following for each school district and charter schools:

- The annual operating budget, commencing with the FY12 budget;
- Salary schedules and policies;
- A directory of employees positions by school name, title, and salary;
- Monthly expenditures by category;
- Monthly revenue by source; and
- An inventory of all real property.

Although scheduled to be published on a continuing basis since July 1, 2012, the New Mexico Sunshine Portal does not include this information.

SOURCES OF INFORMATION

- LESC Files

JWS/tb/ms/sgs