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FISCAL IMPACT REPORT

SPONSOR <u>SEC</u>	LAST UPDATED _____ ORIGINAL DATE <u>2/22/23</u>
SHORT TITLE <u>School Reporting On Use of Federal Funds</u>	BILL NUMBER <u>CS/Senate Bill 24/SECS</u>
	ANALYST <u>Helms</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$657.0	\$657.0	\$657.0	\$1,971.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

No Response Received
 Public Education Department (PED)

SUMMARY

Synopsis of SEC Substitute for Senate Bill 24

The Senate Education Committee Substitute for Senate Bill 24 (CS/SB24/SEC) amends the Public School Finance Act to establish yearly reporting requirements for school districts and state-chartered charter schools for FY24 through FY26 for federal elementary and secondary school relief funds, and to establish responsibilities for the Public Education Department (PED) to create a reporting form and to publish the LEA reports online within 30 days of receiving the reports. SB24 defines “elementary and secondary school emergency relief (ESSER) funding” as funds disbursed to districts and schools via the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act, also known as ESSER I), the federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA, or ESSER II), and the federal American Rescue Plan Act (ARPA, or ESSER III).

The report’s requirements are to include total funding and funds remaining, impacts on student achievement, relevant data on program goal progress, and an analysis concerning if use of federal funds met desired outcomes.

The effective date of this bill is July 1, 2023 for school districts and state-chartered charter schools to submit their first report on any unspent ESSER I, II, and III federal funds from any

prior fiscal year. If federal ESSER funds continue to remain unspent, Senate Bill 24 requires schools to submit additional reports by July 1, 2024 and by July 1, 2025.

FISCAL IMPLICATIONS

PED analysis from a September 2022 report on reporting requirements in schools indicates every 2,090 hours of administrative work represents approximately 1 FTE (full time equivalent employee) of workload at an average of \$80 thousand in annual salary costs per FTE.

Based on PED's report and LFC analysis, the federal funds report required in CS/SB24/SEC could take a school administrator up to three weeks to complete, which would cost each Local Education Agency (LEA) roughly \$4,500 per year, approximately \$657 thousand across all 146 school districts and state-chartered charter schools, which is roughly \$1.97 million over three years.

CS/SB24/SEC would require schools to submit reports to PED on roughly \$1 billion in remaining ESSER I, II and III funds. Out of CARES Act, or ESSER I, funding received by LEAs, \$97.51 million out of \$97.72 million, or 99.8 percent, has been spent, with roughly \$210 thousand remaining. Out of CRRSA, or ESSER II, funding received by LEAs, \$237.40 million out of \$401.56 million, or roughly 59 percent, has been spent, with roughly \$164.16 million remaining. Out of ARPA, or ESSER III, funding received by LEAs, \$29.6 million out of \$880 million, or 3 percent, has been spent, with roughly \$850 million remaining.

CARES funds had to be obligated by September 30, 2022, CRRSA funds must be obligated by September 30, 2023, and ARPA funds must be obligated by September 30, 2024. Unobligated and unspent funds will return to the US Department of Education.

SIGNIFICANT ISSUES

CS/SB24/SEC requires districts and charters to report on federal ESSER funding received and remaining, and an overall analysis of goals and impact of funding, including data showing progress towards goals. LEAs must also submit follow-up reports on unspent funds in addition to a plan to revise programmatic uses, in cases where targeted outcomes are unmet. The bill does not include any specific required outcomes from federal ESSER funds, any specific data that must be included in the federal fund reports, or requirements in length. While a lack of specificity in these aspects of the bill could allow for flexibility in reporting at the individual district and charter level, this could also allow variability in quality across LEAs in the scope of applicable data, goal-setting detail, rigor of reported outcomes, or rigor of overall analysis on use of federal funds.

PED currently has an online dashboard drawing from federally required performance reports on ESSER funds showing each of the 146 school district's and state-chartered charter schools' ESSER I (CARES) and ESSER II (CRRSA) spending across 20 categories, including educational technology, indoor air quality, activities for low-income children, career technical education, and outdoor education support. The dashboard shows spending and funds remaining across LEAs but does not tie spending to desired student outcomes as proposed in CS/SB24/SEC. While not available on a PED dashboard, there is published data on New Mexico's ESSER III (ARPA) funds via Georgetown's economics lab (Edunomics) showing

spending across nine categories including administrative spending, instruction, maintenance, and transportation. Prior PED analysis on federal fund reporting requirements notes some requirements in CS/SB24/SEC would duplicate already existing reporting requirements for recipients of federal ESSER funds, though any reporting on student outcomes or revised programmatic uses are not available on the PED website as required in CS/SB24/SEC.

Executive Order 2022-058, signed on May 23, 2022, remains in effect and required PED to decrease administrative burden to teachers and school administrators by 25 percent and superseded any previous policies that were in conflict. Executive Order 2022-058 states PED's authority to ensure its teacher and administrators spend as much time as possible focusing on educating students. As of September 2022, PED reported district and charter administrative workloads were reduced by 34 percent and teacher paperwork was reduced by 41 percent in response to the executive order. PED estimated this saved the equivalent workload of 1.7 FTE per LEA, redirecting approximately \$136 thousand to other work within the schools and districts. PED reports note administrative requirements often create disproportionate burdens on smaller districts and charters with fewer administrative FTE.

TECHNICAL ISSUES

The federal fund reporting requirements in the bill do not clarify if the revision explanations as defined in Section 1D are included within a report to PED or when the revision explanation would be required to be submitted.

OTHER SUBSTANTIVE ISSUES

CS/SB24/SEC does not provide an alternative mechanism for interested parties or the general public to access the district and charter school federal fund reports in the event they do not have access to a computer or the internet.

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