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FISCAL IMPACT REPORT

SPONSOR: Begaye DATE TYPED: 03/16/01 HB 323/aHEC/aSFI #1
 SHORT TITLE: Schools to Report Federal Fund Expenditures SB _____
 ANALYST: Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		Indeterminate			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
 State Department of Education (SDE)

SUMMARY

Synopsis of SFL#1 Amendment

Senate Floor Amendment #1 to House Bill 323 amends subpart B as shown below:

B. Annually, by November 1, the state superintendent shall submit to the legislative education study committee, the legislative finance committee and the library of the legislative council service a detailed report of all federal funds distributed to the state department of public education in the ~~previous~~ ending September 30, one year prior to the date of the report, with". federal fiscal year - a description of the purpose for which the state received the money and a detailed accounting of how the funds were expended."

A literal reading of this amendment reflects a technical drafting error that should be corrected prior to passing this bill.

Synopsis of HEC Amendment

The House Education Committee amendment to House Bill 323 changes the date that the Superintendent of Public Instruction must report on federal funds expenditures from June 1 to November 1 of each year. No other changes were made to the bill.

Synopsis of Original Bill

House Bill 323 amends Section 22-1-6 NMSA 1978 (the Public School Code) to require New Mexico school districts and the Superintendent of Public Instruction to annually report on federal funds expenditures.

Significant Issues

This bill would require the reporting of all federal funds distributed directly to school districts or received by districts from the State Department of Education (SDE). Reports must state the purpose(s) for which the money was received and include a detailed accounting of the purpose(s) for which the funds were expended. Each school district would be required to submit a copy of its annual accountability report to the Legislative Finance Committee, the Legislative Education Study Committee and the library of the Legislative Council Service. This bill also requires the State Superintendent of Instruction to prepare a detailed report of all federal funds distributed to the SDE and submit such report to the Legislative Education Study Committee, the Legislative Finance Committee and the library of the Legislative Council Service.

FISCAL IMPLICATIONS

No appropriation is included in House Bill 323. According to the SDE, producing a report at a line item level of detail in the annual accountability report would be a tremendous burden on the school districts and the SDE. The financial resources needed for restructuring and/or reprogramming current reporting systems, in addition to the cost of supplies and personnel, may require additional FTE and appropriations.

ADMINISTRATIVE IMPLICATIONS

This bill would necessitate school district and SDE financial reporting systems to be modified and additional resources would be allocated to the reporting process. According to the SDE, inclusion of detailed federal revenue and expenditure information in the Annual Accountability Report would be a duplication of effort by school districts and the SDE.

Additionally, due to the substantial amount of federal funds received by school districts, the annual accountability report would be larger and more costly to reproduce.

OTHER SUBSTANTIVE ISSUES

According to the SDE, financial data regarding federal expenditures are already reported in the annual New Mexico Public School Finance Statistics publication. School districts currently report revenue and expenditures for all federal direct and flow-through funds. In addition to federal reporting requirements, school districts are not permitted to spend any federal funds without prior budget approval from the SDE.

Federal funds are monitored by auditors at the federal level. These auditors ensure that the school districts and the SDE are accountable for the spending of these funds. In addition, the State Auditor's Office requires an audit report of federal funds by all school districts and the SDE. The audit report

for all school districts and the SDE include financial statements with the purpose of each federal program and an accounting of the expenditure of federal funds.

LG/njw:ar