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FISCAL IMPACT REPORT

ORIGINAL DATE 2/25/2007

SPONSOR Taylor, J.G. LAST UPDATED _____ HB _____

SHORT TITLE Albuquerque School District Audit SB SM 37

ANALYST Aguilar

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Indeterminate				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the State Auditor (OSA)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Memorial 37 requests an audit be conducted of the Albuquerque Public Schools (APS) by the Legislative Finance Committee (LFC) and the Office of Education Accountability (OEA).

FISCAL IMPLICATIONS

It is estimated an audit of a district the size of APS may require additional support. It is unclear at this time what the cost of this support may be.

SIGNIFICANT ISSUES

The purpose of the audit is to determine how the district is allocating federal dollars as well as state dollars generated through the funding formula toward meeting the needs of its large at-risk student population. The memorial cites various demographics of APS and references “anecdotal information” indicating that schools in the Rio Grande High School, Highland High School and Albuquerque High School clusters are not receiving funds generated by their at-risk student populations, which is hampering the district’s ability to provide the intensive services this particular population needs in order to stay in school and graduate.

PED notes that in 1997, the New Mexico Public School Finance Act was amended eliminating the density factor and adding an at-risk factor. The PED determines each district's at-risk factor based on a three year average of the percentage of Title I-eligible students and Limited English Proficient (LEP) students, as well as the district's mobility rate. State statute requires PED to recalculate the at-risk factor each year [§22-8-23.3, NMSA 1978].

In FY06-07, APS had an at-risk index of 0.0630 and generated 402.728 at-risk units, which yielded the district \$1,387,977.89 based on the final unit value of \$3,446.44. APS will receive the dollars generated by the at-risk index as part of the total amount in state equalization guarantee (SEG) it will receive. In FY06-07, APS will receive a total of \$574,990,703.77 in SEG through the funding formula.

State dollars generated through the public school funding formula are non-categorical. Expenditure of state dollars generated through the public school funding formula is at the discretion of the local school board, local school district administration and the local community.

TECHNICAL ISSUES

The Office of the State Auditor (OSA) notes the term "audit" can have several meanings. The scope of the audit mentioned in the memorial fits the definition of a performance audit. The memorial should clearly request a performance audit since "financial" audits of all state agencies are regulated by the State Auditor's Office, but "performance" audits conducted by the LFC are not.

OSA suggests the following for consideration by the legislature:

Regarding the technical issue noted above, we would suggest the following revision to the memorial: On line 12 of page 1 and on line 4 of page 3, insert the word "performance" before "audit" to clarify the type of the audit and to eliminate any conflicts with the requirements of State Auditor's Rule 2.2.2 NMAC.

Also, to adequately plan the audit, the memorial should specify which fiscal year(s) should be audited and by when.

PA/nt