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FISCAL IMPACT REPORT

ORIGINAL DATE 2/22/15
 LAST UPDATED 3/10/15 HB 449

SPONSOR Martinez, K

SHORT TITLE Charter School Fiscal Performance Reports SB _____

ANALYST Chavez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Unknown			Recurring	Charter School Operating Budgets

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Senate Bill 429
 Relates to House Bill 19, Senate Bill 8, Senate Bill 236, Senate Bill 418

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the State Auditor (OSA)
 Public Education Department (PED) – for duplicate bill

SUMMARY

Synopsis of Bill

House Bill 449 enacts a new section of the Charter Schools Act to require annual fiscal performance reports to the Public Education Department (PED) and the chartering authority.

FISCAL IMPLICATIONS

This bill does not contain an appropriation. There may be additional costs to charter school operating budgets to meet the fiscal reporting requirements outlined in the bill.

SIGNIFICANT ISSUES

Under the bill, charter schools are required to submit an annual fiscal performance report prior to August 1 of each year to be made publicly available. The report should contain the following information:

- Revenues received from all sources;

- Salaries, exclusive of benefits, reported by activity;
- Employee benefits;
- Other expenses for specific activities;
- Debt service, meaning any expenditure for principal and interest on long-term and short-term obligations issued by or on behalf of the charter school;
- School lunch money;
- Capital outlay expenditures related to construction projects associated with the charter school;
- A statement of any and all tax credits used by the charter school;
- The value of any in-kind services and supports from a school district or other public agency to the charter school;
- Salaries and other expenses for specific activities, reported by administrative and management services provided by other persons on behalf of the charter school, instructional supervision, all other instruction, student services, services for students with disabilities, marketing and recruiting activities, student transportation services, community services, and operation and maintenance.

The report should also include a copy of the charter school’s lease, rental agreement or deed.

PED is required to develop a template for the annual fiscal performance report.

The Office of the State Auditor notes concerns that the timing of the report deadline is inconsistent with the deadlines for charter schools’ audits. Consequently, charter schools may be required to submit duplicative reports. Moreover, OSA notes the information submitted for the report required by this bill may be less accurate due being submitted before the audit deadline, and therefore more inconsistent than the information produced by the audit process. OSA notes that the annual financial statements submitted pursuant to the Audit Act are more likely to be accurate than the interim report that the bill requires because they will have been reviewed by an independent public accountant.

PED notes that the reporting requirements contained in the bill appear to be unnecessary, as 14 of the 15 prescribed elements of the annual fiscal performance reports are already required by the PED. PED notes that the only information required in the bill that is not currently required by the department is “a statement of any and all tax credits of which a charter availed itself”. Additionally, PED notes the bill adds requirements to already existing reports on salary expenses, including marketing and recruiting activities and community services. However, PED does not note whether the reports required of charter schools meet other requirements of the bill, including a uniform template for all charter schools and whether all information required in the fiscal performance report is currently publicly available.

PED also notes the requirement that the fiscal performance report include a copy of the charter school’s lease, rental agreement or deed is not required of charter schools for any annual reporting requirement to the PED or their chartering authority but are easily accessible from each charter school if desired, and that some school districts also lease land or buildings and receive lease reimbursements from PSCOC but are not required to produce the same information as would be required of charter schools.

Finally, OSA notes that charter schools already struggle with timely and accurate financial

reporting and express concern that adding another report to their workload may decrease the quality of all financial reporting. PED echoes this concern, noting that while these reports are largely already submitted to PED, the new requirements and the compilation into one report could place a burden on charter school administrations that have little capacity to perform additional administrative requirements.

DUPLICATION, RELATIONSHIP

HB 19 and SB 8 both address allowing charter schools to be included in lease-purchase arrangements for the purchase of education technology notes through Education Technology Notes (ETNs).

SB 236 requires charter schools to utilize a uniform lease agreement as developed by the Public School Capital Outlay Council (PSCOC).

SB 418 amends the Charter School Act to provide for the election of governing body members of charter schools.

SB 429 is a duplicate.

TECHNICAL ISSUES

Page 2, Subsection 9 (lines 14-17) and page 3, Subsection 15 (lines 5-20) both address reporting requirements for “specific activities,” but does not differentiate the specific activities for Subsection 9 that are not included in Subsection 15. This could be considered either duplicative or requiring additional clarification.

ALTERNATIVES

OSA notes they have the authority to request additional disclosures and testing as part of the annual audit and suggest that the annual audit may be a different route to achieving the same level of charter school transparency as required by the bill.

KC/bb