

Senate Education Finance Committee

Karen Davis 271-7875

HB 121-FN, relative to school district financial requirements and district probation processes.

Hearing Date: February 12, 2026

Time Opened: 9:02 am

Time Closed: 9:40 am

Members of the Committee Present: Senators Murphy, Innis, Carson, Ward, Rosenwald and Altschiller

Members of the Committee Absent: None

Bill Analysis: This bill:

I. Revises the audit process for towns, school districts, or village districts, including penalties for failures to comply.

II. Repeals the election of school district auditors.

III. Allows the state board of education to place a public school district on probationary status and to institute a remedial plan.

IV. Requires the department of education to hire an administrator to oversee a public school district that remains on probationary status and provides duties and powers to that role.

Sponsors:

Rep. M. Pearson

Rep. Spillane

Rep. Terry

Sen. Carson

Sen. Gannon

Sen. Ward

Sen. Watters

Who supports the bill: Senator Ruth Ward, Karen Burnett-Kurie, Daniel Richardson, Eric Pauer

Who opposes the bill: Janet Robertson, Linda Burnap, Amy Erickson, Deborah Fexis, Barbara Langworthy, Cassandra Curtis, Debora Hatcher, James Chapman, Marilyn Monsein, Stephen Monsein, Donna Tully, Mary Till, Susan Moore, Ruth O'Neal, Beth Edwards, James Moore, Lois Cote

Who is neutral on the bill: None

Summary of testimony presented in support:

Representative Kristin Noble, Chair, House Education Policy and Administration Committee – Introduced the bill

- Rep. Noble explained that this bill was a non-germane amendment that was introduced in the fall of 2025.
- It was worked on extensively to respond to the budgetary crisis in Claremont.
- The bill requires school districts to complete audits no later than one year after the end of the previous fiscal year. A copy of the audit must be posted on the district's website, and a meeting must be held after the audit's completion.
- If these requirements are not met, the NH Department of Revenue Administration (DRA) may levy a fine of up to \$500 per day.
- The DRA, in consultation with the NH Department of Education (NHED) Commissioner, may require a financial or forensic audit to be done.
- The bill eliminates the current option for districts to elect an auditor. It requires that the auditor comes from an independent firm, or is a public accountant certified by the state.
- The NHED Commissioner may withhold state aid if a district is more than six months late in complying with audit requirements.
- Last year, a law was passed which allowed charter schools to be put on probation. This bill applies the same criteria to public schools under similar circumstances.
- Rep. Noble explained that if a district is placed on probation, the Governor, the Legislature, and the public will be notified.
- NHED and the State Board of Education will work with the school district on a plan to address their budgetary issues.
- School districts who are on probation for longer than six months will be overseen by a NHED administrator for a period of up to one year. This administrator would oversee all corrective actions.
- This bill was worked on with input from DRA and NHED.

Q: Senator Ward asked if there was a definition of competence for a public accountant.

A: Rep. Noble responded that in RSA 309-B, there may be a description of the qualifications for a licensed public accountant.

Q: Senator Carson suggested adding language that the public accountant should be in "good standing" in addition to being licensed by the state.

A: Rep. Noble agreed with this suggested language.

Mark Manganiello – Bureau of School Finance, NH Department of Education (NHED)

- Mr. Manganiello stated that the Claremont crisis started in August, when NHED became aware of it. Since that time, the department has been asking how this crisis happened and how to stop it from happening again.
- He added that there is still an ongoing audit in Claremont.
- NHED sees many positive reforms in the school financial accountability system that is contained in this bill.
- Requiring all school districts to be audited by a licensed independent public accountant is a “step in the right direction.”
- Requiring audits to be posted on the governing body’s website and having a meeting right after the audit is completed is another positive step.
- Authorizing DRA to order a forensic audit would address the requests that NHED receives to do these types of audits.
- DRA should comment on the issuance of fines in this bill.
- The eighteen-month standard for audit compliance seems a reasonable metric and the language that NHED “may withhold” state funds is “the right call.”
- Around 55% of school districts can get an audit done within twelve months and submit to it DRA.
- Mr. Manganiello suggested seeking input from the State Board of Education concerning the probationary period. He expressed concern that it could lead to a lot of school districts being placed on probation. This area of the bill needs to be “fine-tuned.”
- NHED does not collect audits currently. But if NHED started doing so, they will need the resources to hire new employees to receive, analyze, and assess these audits. They would also need additional resources to determine which school districts are at financial risk and to build remedial plans with those districts.
- Mr. Manganiello explained that if the state is going to prioritize increasing accountability and transparency, it should be preventative in nature rather than a crisis response.
- NHED recommends a stronger training program to ensure that a new business administrator understands governmental accounting and how that may differ from private sector accounting.
- He also explained that many business administrators inherit a struggling district and cannot be expected to know how to fix things immediately. NHED would like to provide up-front technical assistance to struggling School Administrative Units (SAUs) who have high staff turnover.

Q: Senator Carson asked why business administrators who are struggling cannot go to their town’s business administrator to seek assistance instead of creating new positions at the state level.

A: Mr. Manganiello responded that this was a good idea. However, it will depend on the generosity of the town and whether they have a mentorship program. NHED encourages new business administrators to join the NH Association of School Business Officials (ASBO) to make connections with peers in their industry.

Q: Senator Carson asked why districts are hiring business administrators who have no experience in working for schools.

A: Mr. Manganiello responded that these business administrators have the skills, but they don't have the knowledge specific to the industry. He said it can take three years to learn what they need to know. Schools tend to be more complex businesses; the challenges are different. He added that some larger districts have an assistant business administrator who works directly with the head business administrator. This is a great "feeder program" as the assistants can move up to become head administrators in other districts. However, this is not being implemented in smaller SAUs.

Q: Senator Carson asked why the ASBO does not perform training for school business administrators.

A: Mr. Manganiello responded that the business administrators were certified by the state until 2023. They are not licensed CPAs. The ASBO does provide training, however ASBO certification is not required. New business administrators who are struggling need more one-on-one mentorship, guidance and oversight on the front end. Mr. Manganiello said that he can only provide limited guidance because he works with 179 school districts and 35 charter schools.

Q: Senator Carson asked what ramifications should be put in place if a school district does not provide documents requested by auditors in a timely fashion.

A: Mr. Manganiello responded that this bill would do that by implementing the 18-month deadline and withholding of state aid. He is working closely now with auditors to problem solve so that these audits can be completed.

Q: Senator Rosenwald asked for clarification on the certification of the business administrator in Claremont. She was previously told that the person in that role was certified. Were we being given false information?

A: Mr. Manganiello said that the certification process ended in 2023. The business administrator in Claremont had certification prior to that time, but her certification ran out. There is no recertification at this time.

Q: Senator Rosenwald asked if the withholding of state aid would do more harm to students than the benefit gained from correcting mismanaged finances.

A: Mr. Manganiello responded that there are trade-offs. In Fiscal Year 2024, two charter schools closed mid-year because they were in financial crisis. School closure, especially mid-year, is the outcome that NHED doesn't want. Claremont has seen a 10% enrollment decline. By not having their financial house in order, whether it's a school in Claremont or a charter school, students' educational learning environment has been disrupted. That's the problem they want to prevent. But if a school district doesn't respond to NHED's "sticks", it could become problematic for running that school.

Q: Senator Rosenwald asked if NHED has the bandwidth to take on the responsibilities outlined in this legislation.

A: Mr. Manganiello reiterated that NHED would require three new positions if this bill becomes law. Creating these new positions would increase the department's bandwidth for implementing this new school financial accountability program. He would be willing to discuss revising the effective dates to make it easier for the department.

Q: Senator Altschiller asked for the estimated cost of adding the new positions.

A: Mr. Manganiello responded that, according to the NHED memo he submitted, the department projects a \$534,000 expenditure in Fiscal Year 2027.

Q: Senator Altschiller asked if these positions would be full time employees or sub-contractors.

A: Mr. Manganiello replied that these would be full-time NHED employees.

Q: Senator Murphy read a line from the NHED memo: "Approximately 25% of districts are more than 18 months behind on submitting financial audits." Sen. Murphy asked if there are other districts that are operating deficits similar to Claremont.

A: Mr. Manganiello explained that there are currently six districts that will end Fiscal Year 2025 with a deficit. These districts are relatively small compared to Claremont, meaning the total impact will not be as large. "Farmington is currently struggling" as is Pittsfield. Some of their mistakes are common and the districts can manage their way through it. A lot of school districts, their audits are two or three years old. "That is very concerning" and "the problem could be much worse than we know."

Q: Senator Carson asked if it would be helpful to have audits performed at the county level where the professional support would be available to conduct an audit.

A: Mr. Manganiello responded that the consolidation of SAUs could reduce the number of schools in financial danger. Small SAUS struggle to hire a business administrator and a back-up employee to assist the business administrator. These business administrators are making business decisions on their own. If they became part of a large SAU, they would have additional support to double-check their numbers.

Q: Senator Rosenwald voiced concern about sections of the bill that seem to allow NHED to take over decisions that are not related to school finance.

A: Mr. Manganiello responded that the probationary period would be a recommendation of the State Board of Education and that any questions regarding that language should be deferred to them.

Q: Senator Altschiller asked why certification of business administrators ended in FY 2023.

A: Mr. Manganiello deferred the question for the State Board to answer.

Representative Michael Cahill, Newmarket, NH

- Rep. Cahill stated the input of agency professionals such as Mr. Manganiello should be listened to, as they are the ones who know the inner workings and technicalities of their field.
- He also explained that for districts who do not receive sufficient state funding, they may not be able to hire a business administrator.
- The town of Newmarket recently had a change in business administrators.
- The new business administrator took some time to get acclimated to their new role and anyone in a similar situation should receive the full support of the NH Department of Education.

KJD

Date Hearing Report completed: February 16, 2026