

SB 586-FN - AS AMENDED BY THE SENATE

03/05/2026 0772s

2026 SESSION

26-2110

07/05

SENATE BILL **586-FN**

AN ACT requiring school districts to publish a school administrative unit audit report after the end of the fiscal year.

SPONSORS: Sen. Murphy, Dist 16; Sen. Gannon, Dist 23; Sen. Pearl, Dist 17; Sen. Sullivan, Dist 18; Sen. Innis, Dist 7; Sen. Avard, Dist 12; Sen. Ward, Dist 8; Sen. Birdsell, Dist 19; Sen. Carson, Dist 14

COMMITTEE: Election Law and Municipal Affairs

ANALYSIS

This bill requires school districts to publish a school administrative unit audit report after the end of the fiscal year.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears ~~[in brackets and struckthrough.]~~
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty-Six

AN ACT requiring school districts to publish a school administrative unit audit report after the end of the fiscal year.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Education; District Taxes; Reports Required; Cities and School Districts. RSA 198:4-d, III is
2 repealed and reenacted to read as follows:

3 III. Each city, school district, and chartered public school shall file a report for the preceding
4 fiscal year showing a summary of receipts and expenditures, according to uniform classifications,
5 and a balance sheet showing assets and liabilities at the close of the year. This report shall be either
6 an audit completed and verified by an independent certified public accountant or, if no such audit is
7 completed, a financial audit report filed by the governing body of the city, school district, or
8 chartered public school that includes balance sheets; a breakdown of revenue sources; an itemized
9 list of all employees or staff on payroll and their pay; and an itemized list of the school or district's
10 assets, debts, bonds, lease agreements, and capital improvement investment projects. Upon receipt
11 of the final audit or financial report, the school board shall submit the audit or financial report to the
12 department of education. The audit or financial report for the last completed fiscal year shall be
13 submitted within 6 months of the fiscal year. Each report submitted under this paragraph shall
14 include a certification signed by the chairperson of the school district's governing body or the
15 chairperson of the board of trustees of approved public academies that states: "I certify, under the
16 pains and penalties of perjury, to the best of my knowledge and belief, that all of the information
17 contained in this document is true, accurate, and complete." The commissioner of the department of
18 education shall verify that the report appears complete within 6 months of receipt, comparing it
19 against those submitted in prior years. The department may grant extensions to cities, school
20 districts, chartered public schools, and school boards as needed to address any disputed items.
21 Unless the district is actively working with the department to resolve any financial audit or report
22 deficiencies, in no case shall the deficiencies exceed one year from the date of the submission. The
23 commissioner shall withhold any and all state funding allocated to any non-compliant city, school
24 district, or chartered public school until the audit or financial report is completed and submitted to
25 the department, and any questions are answered to the commissioner's satisfaction.

26 2 Effective Date. This act shall take effect July 1, 2026.

SB 586-FN- FISCAL NOTE
AS AMENDED BY THE SENATE (AMENDMENT #2026-0772s)

AN ACT requiring school districts to publish a school administrative unit audit report after the end of the fiscal year.

FISCAL IMPACT: This bill does not provide funding, nor does it authorize new positions.

Estimated State Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
Revenue	\$0	Indeterminable		
<i>Revenue Fund(s)</i>	Education Trust Fund			
Expenditures*	\$0	<u>Department of Education Staffing/Admin</u> \$534K in FY 27, \$461K in FY 28, and \$484K in FY 29 <u>State Aid Programs</u> Indeterminable		
<i>Funding Source(s)</i>	General Fund and Education Trust Fund			
Appropriations*	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

*Expenditure = Cost of bill

*Appropriation = Authorized funding to cover cost of bill

Estimated Political Subdivision Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
Local Revenue	\$0	Indeterminable		
Local Expenditures	\$0	Indeterminable		

METHODOLOGY:

This bill, effective July 1, 2026, requires district public school and charter public schools to complete a financial audit by January 1st each year and requires the Department of Education to withhold all state funding until completed. Under current law and practice, districts are required to complete an audit 12 months after fiscal year close and charter schools are required to submit after 9 months. For FY 2024, 55% of districts returned an audit within 12 months, and 58% of charter schools returned an audit within 9 months. Only 7 public charter schools and 13 district schools returned an audit by January 1st after the fiscal year end.

To effectively manage the review, tracking, and oversight of 179 school district and 35 charter school audits, the Department states it would need two positions focused on district public

schools and one position for charter schools. Furthermore, a contract amendment to develop a new module within an existing software system would require \$75,000.

	FY 2027	FY 2028	FY 2029
Two (2) District Auditors (SOC 13-09, Starting Step 9)	\$320,000	\$318,000	\$334,000
One (1) Charter School Auditor (SOC 13-09, Starting Step 5)	\$139,000	\$143,000	\$150,000
Contract Expense	\$75,000	\$0	\$0
Total	\$534,000	\$461,000	\$484,000

To adapt to the provisions of this bill, the Department states districts would likely take multiple different approaches, which may include:

- Investing in additional resources to ensure more timely audits through hiring staff or contracting additional accounting service supports.
- Accepting higher audit costs to ensure priority is given to audit firms able to prioritize their entity.
- Obtaining loans to account for the delay in State payments.
- Explore local district revenue, in the form of property taxation, due to districts seeking additional appropriation to raise cash reserves instead of incurring interest expenses through loans.

The Department states that while districts are unable to dissolve and relinquish their responsibility to provide an adequate education, charter schools would likely dissolve due to this bill, since they are heavily reliant on State cash payments. To the extent that charter schools dissolve, the State will likely make less charter school payments. The decrease in State expenditures would depend on the pathway the students elect after their charter school dissolves:

- Students leaving an in-person charter school in FY 2027 to attend district school would result in a savings of \$3,367 (\$10,417 charter aid verse \$7,050 district aid).
- Students leaving an in-person charter school in FY 2027 to enter the EFA program would result in a savings of \$5,407 (\$10,417 charter aid verse \$5,407 EFA aid).
- Students leaving an in-person charter school in FY 2027 to enter a home education, non-public pathway, or a district within an excess Statewide Education Property Tax community would result in a savings of \$10,417.

For informational purposes, using only State cash adequacy grants to districts, the below table represents the changes in the payment distribution schedule based on district submission of

their FY 2024 audits using the FY 2027 adequacy cash payment of \$698 million. This does not include other State aid programs like Special Education Aid, Tuition & Transportation, Building Aid, or charter school aid which would also be withheld. The table concludes based on withholding State adequacy payments only, State revenue in interest due to cash staying with the State Treasury would increase by \$1M. Conversely, this would result in less interest revenue or increased borrowing expenditures for local school districts of approximately \$1M in FY 2027.

District Adequacy Paid Based On Completed Audit			Prorated Interest Revenue For State / Interest Expense or Revenue Loss For Districts (Assumes 3% Interest Revenue)
Total Funding	\$ 698,127,641		
	Paid	Withheld	
September 1st Amount	\$139,625,528	\$0	
Percent Paid Or Withheld	100.0%	0.0%	
November 1st	\$139,625,528	\$0	\$0
Percent Paid Or Withheld	100.0%	0.0%	
January 1st	\$209,438,292	\$0	\$0
Percent Paid Or Withheld	100.0%	0.0%	
April 1st	\$71,773,797	\$137,664,496	\$1,032,484
	34.3%	65.7%	
End of Fiscal Year FY 2027			\$1,032,484

AGENCIES CONTACTED:

Department of Education