SB 586-FN - AS AMENDED BY THE HOUSE

03/05/2026 0772s
23Apr2026... 1500h

2026 SESSION

26-2110
07/05

SENATE BILL ***586-FN***

AN ACT requiring chartered public schools, school administrative units, and cities or school districts not audited under RSA 671:5 to be audited by an independent public accountant after the end of the fiscal year and requiring the results of such audits to be made available to the public.

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

AMENDED ANALYSIS

This bill requires chartered public schools, school administrative units, and cities or school districts not audited under RSA 671:5 to be audited by an independent public accountant after the end of the fiscal year and for the results of such audits to be made available to the public.

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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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 chartered public schools, school administrative units, and cities or school districts not audited under RSA 671:5 to be audited by an independent public accountant after the end of the fiscal year and requiring the results of such audits to be made available to the public.

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

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 RSA 198:4-d is repealed and reenacted to read as follows:

198:4-d Reports Required; Cities, School Districts, and School Administrative Units. The governing body of each city, school district, chartered public school, and school administrative unit shall submit to the commissioner of the department of education in a searchable electronic format the following reports pursuant to rules adopted under RSA 541-A by the commissioner of revenue administration which establish the form and content of such reports:

I. A report filed by the governing body of each city, school district, and chartered public school shall certify the appropriations voted by the meeting of the appropriate legislative body, whether city council, mayor and council, or mayor and board of aldermen, or by each annual or special school district meeting, along with estimated revenues. This report shall be filed within 20 days of the close of the meeting.

II. A report filed by the governing body of each city, school district, and chartered public school shall revise all the estimated revenues for the year. This report shall be filed by September 1 of each year. The revised estimates by school districts for the adequate education grants calculated under RSA 198:41 shall be considered the most accurate within 5 percent of the amount estimated pursuant to RSA 198:40-a.

III. A financial report for each city, school district, and chartered public school shall be filed showing the summary of receipts and expenditures, according to uniform classifications, during the preceding fiscal year, and a balance sheet showing assets and liabilities at the close of the year. This report shall be submitted on or before September 1 of each year. Each statistical report submitted under this section shall include a certification signed by the chairperson of the school district's governing body or the chairperson of the board of trustees of approved public academies that states: "I certify, under the pains and penalties of perjury, to the best of my knowledge and belief, that all of the information contained in this document is true, accurate and complete."

IV. The department of education and the department of revenue administration together shall develop and maintain school accounting standards which shall be used by districts, chartered public schools, and school administrative units for financial reporting purposes.

V. The budget committee in school districts operating under the municipal budget law shall file the budget within 20 days of the close of the annual or special meeting.

VI. Chartered public schools, school administrative units, and cities or school districts not audited under RSA 671:5, shall be audited by an independent public accountant in accordance with RSA 21-J:19, II.

VII. If a city or school district is audited under RSA 671:5, the procedures in RSA 41:31-a through 41:31-d shall be followed.

VIII. Audit reports created under paragraphs VI and VII shall include balance sheets; a breakdown of revenue sources; an itemized list of all employees or staff on payroll and their pay, benefits, other post-employment benefits and pension liabilities; an itemized list of assets, debts, bonds, lease agreements, and capital improvement investment projects. The audit report for the last completed fiscal year shall be submitted to the department within 9 months of the end of the fiscal year. The commissioner of the department of education shall verify that the report appears complete within 3 months of receipt, comparing it against those submitted in prior years. The department may grant extensions as needed to address any disputed items. Deficiencies shall be corrected no later than 12 months from the date of the submission. The commissioner shall withhold state grant funding, not including RSA 198:40-a funding, allocated to any non-compliant city, school district, chartered public school, or school administrative unit until the audit or financial report is completed and submitted to the department, and any questions are answered to the commissioner's satisfaction.

IX. The department of education and reporting entities shall make reports filed under this section available to the public on their websites in a searchable electronic format.

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

LBA
26-2110
3/16/26

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		
Revenue Fund(s)	Education Trust Fund			
Expenditures*	$0	Department of Education Staffing/Admin $534K in FY 27, $461K in FY 28, and $484K in FY 29 State Aid Programs Indeterminable		
Funding Source(s)	General Fund and Education Trust Fund			
Appropriations*	$0	$0	$0	$0
Funding Source(s)	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 results 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