

## **BILL ANALYSIS**

Senate Research Center

S.B. 929  
By: Shapiro  
Education  
6-13-2003  
Enrolled

### **DIGEST AND PURPOSE**

Regional education service centers (ESC) were developed to provide school districts with a broker for contracts with service providers and to take advantage of economies-of-scale buying power. Currently ESCs are neither a direct state agency nor a direct instruction provider. ESCs have utilized state and local funds to build regional facilities that require significant capital expenditures for construction and maintenance. Funds designated for district use are often directed to ESCs for program development to serve the districts; if the programs developed do not meet a district's need there is not an alternative to which the district can look for appropriate services. ESCs, as brokers, retain a portion of the Chapter 41 (Equalized Wealth Level) funds designated for Chapter 42 (Foundation School Program) districts to develop programs that benefit all districts in the region. However, at least 13 percent of the contracts reviewed by the Legislative Budget Board were with Chapter 42 districts outside of the ESCs' individual regions and therefore not served by the programs.

S.B. 929 establishes the applicability of laws regarding political activities and conflict of interests to ESCs. S.B. 929 provides a mechanism for a district to decide to have its funds distributed directly to an ESC. This bill also prohibits an ESC from retaining any fees for brokering beyond the administrative cost of brokering a transfer of funds. This bill requires the comptroller to audit all ESCs and report to the legislature on the results thereof.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter A, Chapter 8, Education Code, by adding Section 8.008, 8.009, and 8.010, as follows:

Sec. 8.008. **APPLICABILITY OF CERTAIN LAWS RELATING TO POLITICAL ACTIVITIES.** Provides that a regional education service center and each center employee is subject to Chapter 556, Government Code (Political Activities by Certain Public Entities and Individuals). Provides that for purposes of that chapter, the center is considered a state agency and each center employee is considered a state employee.

Sec. 8.009. **APPLICABILITY OF CERTAIN LAWS RELATING TO CONFLICT OF INTEREST.** (a) Provides that a member of the board of directors and the executive director of a regional education service center are each considered to be a local public official for purposes of Chapter 171 (Regulation of Conflicts of Interest of Officers of Municipalities, Counties, and Certain Other Local Governments), Local Government Code. Provides that, for the purposes of this chapter, a member of the board of directors and the executive director of a regional education service center are each considered to have a substantial interest in a business entity if a person related to the member or the executive director in the third degree by consanguinity or affinity, as determined under Chapter 573 (Degrees of Relationship, Nepotism Prohibitions) Government Code, has a substantial interest in the business entity under Section 171.002 (Substantial Interest in Business Entity), Local Government Code.

(b) Provides that a regional education service center is considered to be a political

subdivision for purposes of Section 131.903 (Conflict of Interest), Local Government Code.

(c) Provides that, to the extent consistent with this section, if a law described by this section applies to a school district or the board of trustees of a school district, the law applies to a regional education service center and the board of directors and executive director of a regional education service center.

Sec. 8.010. SUNSET PROVISION. (a) Provides that, notwithstanding any other law, regional education service centers are subject to Chapter 325 (Sunset Law), Government Code (Texas Sunset Act). Provides that unless continued in existence as provided by that chapter, the regional education service centers are abolished and this chapter expires September 1, 2005. Requires review of regional education service centers under this section to be conducted in conjunction with review of the agency under Section 7.004 (Sunset Provision).

(b) Requires the comptroller, to assist the Sunset Advisory Commission (Sunset) in its review, to conduct a review of the regional education service centers and report the results of the review to Sunset not later than June 1, 2004. Requires the comptroller to consult with Sunset regarding the scope of the review and to transmit the report to certain elected officials.

SECTION 2. Amends Subchapter B, Chapter 8, Education Code, by adding Section 8.056, as follows:

Sec. 8.056. LIMITATION ON COMPENSATION FOR CERTAIN SERVICES. Prohibits a regional education service center that acts as a fiscal agent or broker in connection with an agreement between two school districts under Chapter 41E (Education of Nonresident Students) from being compensated by the districts over and above the administrative cost of providing the service or otherwise retaining funds from the transfer between districts for center use, unless authorized in writing by the district receiving transferred funds.

SECTION 3. (a) Requires the comptroller of public accounts (comptroller) to contract with a consultant for a comprehensive audit of regional education service centers in the state and sets forth the required content of the audit.

(b) Requires costs of the audit required by Subsection (a) of this section to be paid using amounts appropriated for the fiscal biennium ending August 31, 2005, to regional education service centers or to the Texas Education Agency for the costs of services provided by regional education service centers, not to exceed a total amount of \$750,000.

(c) Requires the comptroller to submit a report concerning the audit required in Subsection (a) not later than December 1, 2004.

SECTION 4. Effective date: September 1, 2003.