

BILL ANALYSIS

C.S.S.B. 929
By: Shapiro
Public Education
Committee Report (Substituted)

BACKGROUND 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. 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.

C.S.S.B. 929 sends all funds currently distributed to ESCs directly to the districts and allows the districts to decide with whom to contract for services. C.S.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 and with recommendations for ESCs to be at least 80 percent funded by fee-for-service contracts with school districts.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, institution, or agency.

ANALYSIS

C.S.S.B. 929 amends the Education Code by providing 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). The bill provides that for purposes of that chapter, the center is considered a state agency and each center employee is considered a state employee.

The bill 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.

The bill requires the comptroller, after consulting with the presiding officers of the senate and house of representatives public education committees or designated staff, 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. The bill requires the comptroller to provide the presiding officers of the senate and house of representatives public education committees written notice of each meeting concerning the contract or audit

and provides that each presiding officer or appropriate staff member is entitled to participate in the meetings.

The bill requires costs of the audit 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. The bill requires the comptroller to submit a report concerning the audit not later than December 1, 2004. The bill requires that the report include recommendations for a regional education service center funding mechanism under which at least 80 percent of center funds are derived from fee-for-service contracts with school districts.

The bill repeals, effective September 1, 2005, Chapter 8, Education Code.

EFFECTIVE DATE

Except as otherwise provided, September 1, 2003.

COMPARISON OF ORIGINAL TO ENGROSSED

C.S.S.B. 929 modifies the engrossed version by repealing Chapter 8, Education Code on September 1, 2005 and adding provisions relating to the comptroller's audit of regional education service centers.