

## **BILL ANALYSIS**

Senate Research Center  
78R12423 KKA-D

C.S.S.B. 929  
By: Shapiro  
Education  
4-30-2003  
Committee Report (Substituted)

### **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.

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**

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, 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.

SECTION 2. Amends Section 8.051(a), Education Code, to delete text referring to funds distributed under Section 8.121 (Funding for Core Services and Services to Improve Performance).

SECTION 3. 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 4. Amends Section 8.121, Education Code, as follows:

Sec. 8.121. New heading: STATE FUNDING. (a) Deletes text referring to state financial support for regional education service centers' provision of services from money appropriated for the Foundation School Program, and the distribution of that support. Prohibits the commissioner from using money appropriated to provide regional education service centers with financial support for services under Section 8.051 (Core Services and Services to Improve Performance).

(b) Requires that any money appropriated by the legislature for services described by Section 8.051 and provided by regional education service centers or other providers, to be distributed directly to school districts for their use in obtaining services, except as provided by Subsection (c). Requires the commissioner to determine the method of distribution.

(c) Authorizes a school district to authorize, and rescind authorization at any time, the commissioner distribute the amount that would come directly to the district under Subsection (b), to a regional education service center. Requires resumption of fund distribution directly to a district if the district rescinds the authorization. Makes a conforming change.

SECTION 5. (a) Requires the 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. 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.

SECTION 6. Effective date: September 1, 2003.