

SUBJECT: Auditing and sunseting regional education service centers

COMMITTEE: Public Education — committee substitute recommended

VOTE: 8 ayes — Grusendorf, Oliveira, Branch, Dawson, Dutton, Eissler, Griggs, Hochberg
0 nays
1 absent — Madden

SENATE VOTE: On final passage, May 7 — voice vote

WITNESSES: For — Martin Pena, South Texas Association of Schools
Against — None
On — Betty Ressel, Comptroller's Office

BACKGROUND: Texas is divided into 20 education regions, each served by a regional education service center (ESC) as authorized under Education Code, ch. 8. ESCs act as brokers or fiscal agents in providing support services to school districts, including data processing and reporting, bulk buying of Internet services, and training administrators and teachers to comply with state and federal mandates.

Education Code, ch. 41, subch. E sets forth provisions for wealth sharing by property-wealthy districts through the education of nonresident students. The commissioner can approve special financial arrangements between districts that serve the best educational interests of the state. As service brokers, ESCs can retain a portion of a school district's equalized wealth level under Chapter 41 to develop programs that benefit all districts in the region.

DIGEST: CSSB 929 would repeal statutory authority for ESCs effective September 1, 2005. In the meantime, the comptroller would have to contract with a consultant to perform a comprehensive audit of regional ESCs. The audit would have to include:

- a detailed analysis of all services provided by each ESC;
- an evaluation of whether those services could be provided at a lower cost elsewhere;
- an analysis of ESC governance structures;
- a review of ESC financial condition and current funding sources;
- a review of the number and geographic distribution of ESCs;
- a review of ESC institutional structures and whether Texas Education Agency (TEA) field offices could take over any of their functions; and
- an evaluation of whether ESC support functions could be reduced through business processes or application redesigns.

The comptroller would have to provide written notice of the contract to the chairs of the public education committees in both houses of the Legislature, and would have to submit a report with the results of the audit no later than December 1, 2004. The report would have to include recommendations for an ESC funding mechanism that would provide 80 percent of ESC funds from fee-for-service contracts with school districts. Costs of the audit would be paid out of ESC appropriations for fiscal 2004-05, in an amount not to exceed \$750,000.

CSSB 929 would limit the amount of compensation that a regional ESC could receive when acting as a fiscal agent or broker for agreements between school districts that allow ESCs to retain a portion of a district's equalized wealth level. An ESC could charge only the actual administrative cost of providing the service, or another amount agreed to in writing by the district receiving transferred funds under the agreement.

The bill also would make regional ESCs subject to provisions in the Open Government Act that prohibit state agencies or other public entities and their employees from engaging in certain political activities or using state funds to hire lobbyists.

The bill would take effect September 1, 2003.

**SUPPORTERS
SAY:**

CSSB 929 would subject regional ESCs to a comprehensive audit and a sunset process to restore accountability to the ESC system. Some ESCs have used state and local funds to build and maintain regional facilities that require significant capital expenditures. This bill would take the profit margin out of

ESC contracts and would allow school districts to approve contracts in advance that would designate Chapter 41 funds directly to ESCs.

At least 13 percent of the contracts brokered by ESCs provide services to districts outside the service center's regional boundaries, thus taking regional money away from districts that should be benefitting from the funds. CSSB 929 would restore competition to the provision of core ESC services, thus ensuring that local school districts were getting the best deal possible for their limited dollars. The 79th Legislature in 2005 could choose to continue statutory authority for ESCs if the audit proved that they were providing the best service at the best price.

**OPPONENTS
SAY:**

Regional ESCs provide valuable technology and training services to school districts that they otherwise could not afford. Many small and rural schools no longer could make ends meet if their regional service center was abolished, because outsourcing ESC services to private contractors has proved too expensive.

NOTES:

The major difference between the Senate engrossed version of SB 929 and the committee substitute is the substitute's repeal of ESC statutory authority as of September 1, 2005.