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Joint Committee on Finance

Paper #513

Cooperative Educational Service Agencies (DPI -- Categorical Aids)

[LFB 2015-17 Budget Summary: Pages 344, #8, and 345, #9]

CURRENT LAW

Cooperative Educational Service Agencies (CESAs) are statutorily-created agencies designed to serve as vehicles for groups of school districts within a geographic area to contract for programs and educational services. The 12 CESAs, known by their numerical designation given by DPI, cover the entire state. Each school district in the state is required to participate in a CESA except for school districts located in the territory of CESA 1. State aid is provided for the administrative cost of the CESAs totaling \$260,600 annually, or \$21,717 per agency. School districts are required to collectively match the state's contribution according to their percentage of average daily membership within the CESA.

GOVERNOR

Delete \$260,600 annually to eliminate base level funding for state aid to CESAs. Delete current law detailing the calculation of state aid to each CESA and prohibiting state aid from exceeding a CESA's total expenses in the prior year.

Provide that beginning in 2015-16, each school board of a district participating in a CESA would pay its proportional share of the cost of the maintenance and operation of the office of the Board of Control and CESA administrator and would match any federal funds received by the CESA for vocational education administration. Require the Board of Control to determine each district's proportional share of the cost of the office's maintenance and operation and federal match amount. Delete current law requiring each school board that participates in a CESA to pay that CESA's Board of Control an amount equal to the amount of state aid paid to the CESA in that year multiplied by the school district's proportion of the average daily pupil membership of the CESA.

Allow any school district to withdraw from a CESA after adopting a resolution to do so and immediately notifying the CESA's Board of Control and the State Superintendent. Provide that a resolution adopted prior to January 15 would be effective on the following July 1, while a resolution adopted after January 15 would be effective on the second following July 1. If a school district adopted a resolution to withdraw from a CESA within 30 days of the effective date of the bill, the resolution would be effective on July 1, 2015. Specify that territory could be outside of a CESA area if the territory were part of a school district that had withdrawn from a CESA. Provide that no cost could be assessed against a school district that had withdrawn from a CESA for expenses incurred while the district was not part of the CESA.

Provide that a school district that withdrew from a CESA could rejoin the CESA by adopting a resolution to do so and immediately notifying the Board of Control and the State Superintendent of the resolution to rejoin.

Allow the school board of a school district that withdrew from a CESA and was not in any other CESA to contract with DPI for programs and services the district would be receiving if it were part of a CESA.

DISCUSSION POINTS

1. CESAs were first established by the Legislature in 1965, and are intended to promote cooperation among member school districts and to serve as a means through which districts can purchase goods and services more economically and efficiently than could be obtained by acting individually. The number of school districts served by each CESA varies from 17 to 76, with each CESA serving an average of 35 districts.

2. CESAs are authorized to provide leadership, coordination, and educational services to school districts, University of Wisconsin System institutions, and technical colleges, and to facilitate communication and cooperation among all public and private schools, agencies, and organizations that provide services to pupils. CESAs may also contract to provide services to private agencies and schools within their geographical boundaries, provided the service was developed for and has been provided to public schools and the service will have no negative effect on the agency's ability to serve public schools.

3. CESAs develop and operate programs that lend themselves to interdistrict and interagency collaboration, and that are in demand among constituent districts. Examples of the services CESAs may provide include: (a) programs for pupils with disabilities; (b) early childhood programs; (c) professional and organizational development; (d) vocational education; (e) alternative education; (f) occupational and physical therapy services; (g) itinerant staff, including school psychologists, nurses, and teachers of the deaf; (h) administrative data processing support; and (i) instructional technology support. Additionally, some CESAs offer statewide services. For example, the Wisconsin Virtual School is operated out of CESA 9, CESA 6 has developed an alternative educator effectiveness model that any district can choose to implement instead of the model developed by DPI, and CESA 2 operates a statewide purchasing program that allows districts to access volume discounts on supplies.

4. Each CESA is governed by a Board of Control composed of school board members from area districts. The Board is elected annually by a vote of one school board member from each of the CESA's member school districts. The Board is responsible for determining CESA policies, establishing fees for services, entering into contracts to provide services to school districts or other educational institutions, developing an accountability plan, establishing salaries for staff, and approving administrative expenditures. Additionally, the Board of Control appoints an individual to serve as the agency administrator.

5. CESAs do not have taxing authority. Their revenues are provided through state and federal aid, through membership fees paid by local school districts, and through service contracts with other school districts or other educational institutions. Under current law, state aid equaling \$21,717 is provided for the administrative cost of each of the 12 CESAs. CESAs are also eligible to receive funds under a number of state categorical aid programs according to the eligibility criteria established for each program. In 2013-14, CESAs received approximately \$11.6 million in state special education and high cost special education aid, in addition to categorical aid for Head Start programs; alcohol and other drug abuse (AODA) grants; gifted and talented grants; and peer review and mentoring grants. CESAs also receive funds under a number of federal programs, including Title I-C Migrant Education, Title II-A Teacher and Principal Training, Title-III A English Language Acquisition, Head Start, and the Individuals with Disabilities Education Act (IDEA).

6. All school districts are required to contribute to the administrative costs of their CESAs. State law dictates that at a minimum, each district must collectively match the state's contribution according to their percentage of average daily membership within the CESA. This administrative fee makes up a component of each district's membership fee. Although each CESA has the authority to establish its own membership fee, most CESAs charge school districts a fee consisting of a fixed amount in addition to a prorated amount based on pupil membership, which includes the amount required under state law. Additionally, school districts enter into individual contracts with the CESA to pay fees for particular services; however, a district is not compelled by law to participate in CESA activities and state law dictates that no charge can be assessed for any service unless a district enters into a contract for that service. In some CESAs, an additional administrative fee is included in the fee for some or all services.

7. Under the bill, state administrative aid to CESAs would be eliminated. Staff from CESAs across the state indicate that a reduction in state aid would result in an increase in costs to school districts or a reduction in staff time available for non-revenue generating activities. In particular, staff from several CESAs express concern that the loss of state aid would affect regional programs currently offered to school districts at no cost, such as regional spelling bees or other academic competitions, requiring either that a fee would be assessed to districts for these programs or that the programs would be discontinued. Additionally, some CESAs indicate that the loss of revenue could affect staff ability to attend statewide advisory or policy meetings at which the CESAs represent member districts and gather information about education-related policy initiatives to bring back to member districts.

8. The 1985-87 biennial budget (1985 Act 29) created a provision allowing school districts in CESA 1, representing the southeastern portion of the state including the Milwaukee area,

to adopt a resolution to withdraw from the agency using the same withdrawal procedure that would be expanded under the bill to include all school districts. CESA 1 staff indicate that no districts have withdrawn from the agency since that time, and all 45 districts that are contained in the agency's geographic area are currently members of the CESA.

9. In some cases, federal aid passes through CESAs before being distributed to school districts. For example, districts receiving limited funds from the Carl Perkins Career and Technical Education Act, Title III, and some other federal programs are required to be part of a consortium to receive their allocated funds, and CESAs have typically served as the fiscal agent for these consortia. Because CESAs provide special education services to districts, CESAs also receive federal IDEA flow-through grants. Additionally, some CESAs apply for federal grants on behalf of consortiums of member districts. In addition to distributing federal grants to member districts, CESAs provide guidance to districts regarding allowable uses of grant funds, assist with grant-related recordkeeping, and monitor compliance with federal grant requirements. It may be a concern that it could become more difficult for districts that withdrew from a CESA to access federal funds through these programs.

10. CESAs serve as regional liaisons from DPI to local school districts, including providing regional support related to implementing national or statewide policies. In some cases, DPI provides funding to allow the CESA to provide services to all districts without charge, while in other cases individual districts pay fees for additional training or services that the district determines it needs to implement a program. For example, CESAs have provided local districts with access to Title I support through the statewide Title I network, assistance with implementing the new educator effectiveness system, support for improving outcomes for special education pupils through the Regional Services Network, and training related to new statewide assessments and accountability reports. It could be argued that a decrease in the number of districts participating in a CESA could slow progress towards implementing certain policies.

11. The bill specifies that a school district that withdrew from a CESA could contract with DPI for programs and services that the school district would be receiving if it were in a CESA. However, in some cases, the services provided by a CESA require proximity to the school district. For example, CESAs provide itinerant special education services for districts that may not require a full-time staff member to meet the specialized needs of a small number of pupils, which requires a staff member employed by a CESA to travel to multiple school districts to provide part-time services to each. In other cases, even if the nature of the service being provided does not require proximity, the regional support provided through CESAs may be preferable for districts that are a significant distance from Madison. Additionally, DPI would be required to meet additional needs without an increase in staffing or funding, which may limit DPI's ability to provide services previously provided by CESAs.

12. The Governor's Budget in Brief document indicates that the intent of the proposal is to allow rural districts to opt out of CESA membership if they determine that other cost or service sharing arrangements would be more efficient. In support of this policy, one can argue that it may be preferable to allow districts that benefit from CESA membership to continue to participate, while also giving flexibility for any district that did not experience a benefit from CESA membership to

withdraw.

13. On the other hand, given the significant distance between many school districts and DPI staff, one can argue that it is beneficial to maintain an established regional system for the delivery of services and support that DPI cannot provide to every district. Additionally, requiring that every school district contributes a membership fee for CESA administrative support ensures that administrative costs are shared among all districts in the CESA's geographic area, and are therefore minimized for each district. A decrease in the number of districts participating in a CESA would increase membership fees for the remaining districts, and as a result, it could become more difficult to maintain the CESA in future years.

14. The bill contains a provision requiring each CESA's Board of Control to determine each member district's proportional share of the cost of the maintenance and operation of the office of the Board of Control and CESA administrator. Under current law, membership or service fees are established by each CESA's Board of Control, and CESAs have the authority to include some administrative costs in the amount charged for service fees if they choose to do so. This policy has the effect of ensuring that all institutions that use CESA services contribute to CESA administrative support, including public schools as well as private schools, University of Wisconsin System institutions, or technical college districts, and that a greater amount of administrative support is provided by those using a greater number of CESA services. Some have expressed concern that the approach under the bill would establish requirements for CESA fees that may affect the ability of each CESA to determine its own fees for membership and services, and therefore could interfere with local control over the fee structure. It may be preferable, therefore, to remove language from the bill describing the costs that CESAs would be required to assess against school districts.

ALTERNATIVES

1. Approve the Governor's recommendation to delete \$260,600 annually to eliminate base level funding for state aid to CESAs and to provide that any school districts can withdraw from a CESA.

2. Modify the Governor's recommendation with one or more of the following:

a. Delete statutory language providing that any school district can withdraw from a CESA after the school board adopts a resolution to do so.

b. Increase funding by \$260,600 annually to restore base level funding for state aid to CESAs.

ALT 2b	Change to Bill
GPR	\$521,200

c. Delete statutory language requiring each CESA's Board of Control to determine each school district's proportional share of the cost of the maintenance and operation of the office of the

Board of Control and CESA administrator and to match any federal funds received by the agency for vocational education administration.

3. Delete provision.

ALT 3	Change to Bill
GPR	\$521,200

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