



October 2011

Good morning Senator Chang Diaz and Representative Peisch and members of the Joint Committee on Education. We are pleased to have the opportunity to speak with you today. For the record, I am Stephen J. Theall, Executive Director of the Massachusetts Organization of Educational Collaboratives (MOEC) and with me is Joanne Haley Sullivan, Executive Director of the North River Educational Collaborative in Rockland and President of the MOEC Board.

MOEC is the professional organization representing the interests of our twenty- seven member educational collaboratives. The members of MOEC across the Commonwealth differ in size and scope and offer a wide range of services to their member districts. More than ninety percent of the school districts in Massachusetts take advantage of the high quality cost effective programs and services we offer through the economies of scale we create and expertise we possess.

We wish to be on record as stating that we do not condone or excuse the seriousness of the issues identified at the Merrimack Special Education Collaborative (MSEC) and Merrimack Education Center (MEC). The MOEC Board in August of this year immediately suspended MSEC from membership in our organization once the initial draft of the Auditors report was released. Our August press release to that effect is included with your materials. We have zero tolerance within our organization for the conduct described in the Auditor's report.

We are pleased that several of your members and invited guests have acknowledged the positive contributions that educational collaboratives make. None of us wish to "throw out the baby with the bath water" Across the Commonwealth, the home school districts and families of over 5,000 significantly disabled youngsters have entrusted collaboratives with providing specialized cost effective education that their home districts could not otherwise provide. Over thirteen thousand educators reap the benefits of cutting-edge professional development and cost-effective licensure programs offered by collaboratives. The state's school districts save tens of thousands of dollars a year by participating in our cooperative purchasing programs that are developed and run by collaboratives. For nearly four decades collaboratives have been nimble entrepreneurial organizations responsive to the needs of our member districts.

We come here today confident of the value we provide our member school districts and proud of the support and encouragement we have received as a result. Our partnership with the Mass Association of School Committees (MASC) and the Mass Association of School Superintendents (MASS) enables us to develop and respond to the needs of each

member school district. Our governing boards comprised of individuals appointed by the local school committee work closely with district superintendents to anticipate needs, and design programs that ensure that high quality cost effective programming is available as needed to district students and staff. We are proud of the many contributions that our members have made to improve the quality of education across the Commonwealth.

We are also cognizant that our presence and testimony here today is the result of the severity of the allegations and findings rendered through various state agencies including the state Auditor and the Inspector General which has prompted this legislative body to conduct hearings and eventually write legislation to resolve the issues that have arisen. To that end we wish to publicly affirm that we welcome the recommendations that Auditor Suzanne Bump shared with the joint committee at its last hearing.

A recently published letter to the editor in the Boston Globe is included among your materials. We had the opportunity to meet with Auditor Bump and her senior staff several weeks ago and be briefed on her recommendations.

While some issues have surfaced in other audit reports released concerning several other MOEC members we perceive them as more procedural missteps due to lack of regulatory clarity or faulty understanding of regulatory requirements. In each case our members have responded quickly with appropriate interventions to conform to the findings that were identified. As you know the Auditor recommended the following:

- Clearly define permissible activities
- Increase DESE financial and programmatic monitoring
- Change collaborative Board representation
- Return excess funds to school districts
- Require financial reporting and audits
- Enact OSA "Follow the Money" bill
- Provide DESE with clear authority to effectively provide guidance and oversight
- Apply state rules for third party transactions

We support those recommendations.

Our members have for several years sought clarity of understanding regarding the rules and regulations under which we are expected to operate. Our members are educators who conduct and lead complex organizations for which our enabling statute Chapter 40 section 4e and the Board of Education 1988 policy regarding educational collaboratives provide little guidance and direction. Months before the issues at MSEC were identified we were working with DESE staff to update their policy regarding educational collaboratives. We are currently partnering with DESE to ensure that educational collaboratives participate in and have the benefit of departmental monitoring programs

such as the Coordinated Program Review (CPR) which we helped pilot last spring, and the Educator Personnel Information Management Systems (EPIMS) which has already been piloted and will be fully implemented this year. We welcome such monitoring and look forward to working with the Department in its implementation.

We also have been an active participant on the Commission on Regionalization and Collaboration which the legislature created and whose report was recently issued. I had the good fortune to work with both Chair Chang Diaz and Chair Peisch and other appointed stakeholders representing a variety of perspectives. As the MOEC designee appointed to that Commission, I had the opportunity to articulate the interests of collaboratives in its deliberations and am pleased that many of my recommendations were included in the final report. We fully support its recommendations to bring greater clarity and regulatory oversight to the operations and policies of educational collaboratives.

In the report of the Commission to the Legislature we recommended the following:

- Direct the Board of Elementary and Secondary Education to update its 1986 policy regarding educational collaboratives
- Direct and empower the Department of Elementary and Secondary Education to monitor and regulate activities of educational collaboratives
- Amend Chapter 40 section 4e to update the language and provisions governing educational collaboratives

We also welcome the opportunity to work with Commissioner Chester and the DESE staff. We participated in the meetings conducted by the Board of Education subcommittee on educational collaboratives. For the most part we endorse the Commissioner's recommendations. We have enclosed with your materials our position with respect to each of his recommendations. As you will note we are largely in agreement regarding his recommendations with respect to accountability and oversight. We believe that his recommendations are appropriate, reasonable and enforceable.

The commissioner presented to you his recommendations, which included the following, related to accountability and oversight:

- BESE regulatory authority
- Collaborative governance
- Financial auditing and reporting
- Educator Licensing
- MCAS Reporting
- Affiliated Organizations
- Adult Services DESE Staffing and Funding

The only area in which we have some difference of opinion is with respect to the collaborative's eligibility to provide services to disabled adults. The Commissioner rightly states that he sees no issue and in fact sees the inherent benefit and educational value in the continuity of services we provide to seriously disabled adults as they age out from K-12 system. He acknowledges that it is probably in the clients' interests that we continue to assist them. What appears to be in contention is whether or not the staff employed by the collaborative and who provide these services are entitled to be eligible for inclusion in the state retirement system. We believe they do and have historically been so entitled. The reality is that several of our members do and have for a number of years provided high quality cost effective programs and services to individuals within the disabled adult community. We are confident that those state agencies responsible for the cost, care and development of these disabled adults would want us to continue such service. To eliminate the pension eligibility for those staff members who provide these services will seriously inhibit our ability to offer cost effective high quality services.

We recommend, at a minimum, that those educational collaboratives, which currently provide services to disabled adults, be allowed to continue.

The Commissioner also recommended his interest in an expanded role for educational collaboratives. We recognize the Commissioner's goal to utilize this current legislative opportunity to fully restructure collaboratives to support state initiatives and to meet unmet needs that exist in the current gap between DESE and local districts. The Commissioner's recommendations call for "redistricting" or consolidating existing collaboratives into larger centers with greater scope of responsibility. We assert that the Commissioner's recommendation to include "redistricting" of collaboratives at the same time as the accountability and regulatory measures will undermine the more urgent priorities before the legislature. The redistricting/consolidation measures do not advance the accountability and monitoring activities; on the contrary, consolidating collaboratives within the short time-frame proposed by the Commissioner will be counterproductive to the accountability and monitoring efforts because it will create an even more complex set of challenges to overcome that will detract from regulatory compliance activities.

We ask the Legislature to separate the accountability recommendations from the redistricting/consolidation recommendations, which require greater research, study and planning.

Such separation will ensure that each collaborative will have the opportunity to fully focus their organizational improvement efforts on compliance with new statutes and regulations and also ensure that services to students, families, districts and communities continue uninterrupted.

In January of 2009, MOEC issued a white paper entitled Building Capacity in Small School Districts. In it we described an enhanced role for educational collaboratives in developing capacity in small school districts. We concur with the Commissioner's assessment that substantially increasing the number of regional school districts is unlikely to happen. We along with our colleagues from MASC and MASC are more interested in investing our resources and energy in working with existing school districts to enhance their individual or collaborative-based cross-district capacity. We believe this goal is achievable and less divisive. We welcome an opportunity to assist the department in supporting our school districts. We agree that the department lacks the resources to meet and sustain its commitments to local school districts.

The Commissioner is correct when he states that Massachusetts lacks the formal connection to its intermediate service agencies that exists in other states. We, however, do not believe that a reduction in the number of collaboratives should necessarily follow. The reduction and/or consolidation of educational collaboratives requires the resolution of a number of complexities ranging from the divestment of property, other investments and retirement liabilities. All concrete reasons that the path ahead is approached thoughtfully. As we described in our white paper we believe there is a potential opportunity to meet the needs of both our incorporating member school districts as well as be of service to the department. What we do not want to lose is local control and the responsiveness and nimbleness that our members provide to the very districts that rely on us for service. That has been our history and the acknowledged value that we provide to our school districts.

Respectfully submitted,

Stephen J. Theall

Executive Director

Mass. Organization of Educational Collaboratives (MOEC)

Joanne Haley Sullivan

Director, North River Collaborative

President, Executive Board of the Mass. Organization of Educational Collaboratives (MOEC)

September 13, 2011

MOEC Reactions to Commissioner Chester Plan

Question 1: Is there a need to clarify the applicability of statutes and regulations governing school districts to educational collaboratives?

The obvious answer to this question yes. However, it is not a simple answer in that most of the difficulty we have encountered in the audits have stemmed from no clear delineation of what the rules are. Chapter 40 section 4E is vague and the DESE policy on Educational Collaboratives dates back to 1986 and is obsolete.

Question 2: How can we improve the oversight provided by the collaboratives' own governing boards? Should governing boards include directors in addition to those designated by the member districts?

It is our recommendation that Collaborative Boards meet at a minimum quarterly. Current practice ranges from twice a year to monthly. We believe that a formal training program should be instituted and designed by MASC, MASS, and MOEC. Components should include: duty of care, duty of loyalty, fiduciary responsibility, skills in being able to read financial documents, revenue and expense reporting, ethics and conflict of interest policies, board policy development, budget development and appropriate use of public money. We are concerned about the time required to serve on collaborative boards and whether people have the time to do so effectively. Training should also include recognition of the entrepreneurial nature of collaboratives and the importance of being nimble institutions that can respond to the needs of the member school districts. The cost and implementation of such a program remains unanswered but such training could be offered electronically and at the convenience of the collaborative board member. We discussed whether or not the vote of the school committee appointment to the Board

should be taken annually. The practice varies considerably. We also wondered whether or not the practice of appointing someone other than a school committee or superintendent is prudent.

We have no formal position regarding the appointment of others to the Collaborative Boards. Apparently in the past it was standard practice that the Commissioner's designee was a voting member.

Question 3: How can we strengthen the financial auditing and reporting requirements for collaboratives?

We believe that every collaborative should have a formal independent audit every year and submit it to board and other appropriate parties. The current practice varies with some collaboratives audited annually and others every two or three years.

Question 4: What additional oversight activities could DESE undertake, and what are the resource requirements for those activities.

We are unclear as to DESE thinking in regard to this question.

Question 5: Do the licensing requirements for educators at collaboratives need additional clarification? Is additional monitoring and oversight of the licensure waiver process needed?

Perhaps, although we believe that if individuals employed in roles for which the DESE has developed a license, then that individual should be so licensed. Individuals who provide other services, such as professional development or cooperative purchasing activities, need not be licensed. Collaboratives will need to do a better job in developing job descriptions and the qualifications necessary for an individual to be successful.

Question 6: Should there be statutory limits on collaborative cash surpluses? Should collaboratives be permitted to have affiliated non-profit organizations? If so, what additional guidelines or controls need to be in place?

We need to better educate the public concerning the reasonableness of revenue balances at the end of the fiscal year. We support placing a cap on revenue balances

not to exceed 3 to 6 months of operating expenses. Many of our members do not have significant operating reserves. We also believe separate stabilization funds for capital purposes are reasonable.

Better understanding of how tuitions and fees are set is necessary. There is not an appreciation of and understanding that in many situations the cost of a very expensive program (e.g. multi-handicapped students) is offset by a more cost beneficial program. The auditors have indicated that we may only charge for the actual cost of each program. Such a practice will have adverse effect on the cost of those programs that are very expensive.

With respect to affiliated corporations, we have several members who have such corporations and we believe that their existence is reasonable. There is much greater need for transparency than has been expected in the past. We do believe they should have separate governing boards and the opportunity for conflict of interest, whether actual or perceived, should be carefully guarded against.

Question 7: Should collaboratives be permitted to serve adult populations?

Yes, we provide a valuable service. We've been serving disabled adults for a long time and do it well. Many of the clients we serve are those who were educated by collaboratives as children. We recognize the public policy implications and pension costs associated with our programs, but believe the benefit to our clients outweighs these considerations.

Question 8: Should we consider expanding the role of collaboratives to become regional service delivery centers for school and district technical assistance and support?

We are not opposed to participating on some sort of commission that would study ways in which the collaboratives could be better organized and remain responsive to the needs of our member districts and at the same time be a resource to the DESE. We have issued a white paper describing our beliefs regarding an expanded role for collaboratives. We think that this paper should be the starting point for any consideration about a different role for collaboratives in the Commonwealth.

AUDITOR'S REPORT and COMMISSION'S CHART:

In general we support the Auditor's recommendations and have so stated publicly. We do not see the need to change the membership of our Boards but are not unalterably opposed to the concept. We do not have a formal position related to the "follow the money" bill at this time.

With respect to the Commissioner's plan, we have no issue with his thoughts regarding governance. We want to know more about his thinking regarding review of the collaborative agreements. If it was not burdensome and could be done every 5 to 10 years we will have no issue.

With respect to role and function, he describes some services and omits others that we provide. So long as it is understood that a collaborative board can offer other programs and services as it chooses, we have no issue with his list, which we believe is intended to describe the kinds of services we could assist the department in delivering.

Summary of Recommendations

Special Commission on School District Collaboration and Regionalization

Report to the Legislature

In August, 2011 a Special Commission on School District Collaboration and Regionalization released a report calling for improved oversight, structure, governance, and accountability of educational collaboratives. This report included the below recommendations.

Direct the Board of Elementary and Secondary Education to update its 1988 policy regarding educational collaboratives.

- The Board's Policy on education collaboratives requires the Policy be reviewed and updated at least every five years, but was last updated in 1988.
- Many of the requirements and statutory references in the 1988 Policy are obsolete, resulting in ineffective oversight. The Board should update its policy to make it consistent with laws governing collaboratives and provide proper oversight.

Direct and Empower the Department of Elementary and Secondary Education (ESE) to monitor and regulate activities of Educational Collaboratives.

- Additional statutory language is needed to ensure that ESE had authority to provide greater oversight.
- Once authority is established, ESE should be directed to: develop and implement accountability standards, including appropriate fiscal controls and fund accounting procedures; develop performance standards for collaborative programs and/or services; create standardized reporting procedures for financial and performance data; and establish guidelines for performing annual audits.

Amend MGL Chapter 40, Section 4E to update the language and provisions governing educational collaboratives.

- Clarify which state laws apply to collaboratives, clarify financial structure and funding source, and describe the range and scope of services collaboratives can offer.
- Define the governance structure of collaboratives, including operation, management and oversight roles of member school committees, the Board of Directors and the Executive Director.
- Establish requirements for reporting data to the Board of Directors, member school committees, and the Department of Elementary and Secondary Education.
- Require an annual evaluation of programs and services.



PRESS RELEASE

From the Massachusetts Organization of Educational Collaboratives (MOEC)

August 2011

The allegations related to the misappropriation of funds by the Merrimack Special Educational Collaborative are extremely serious and will be fully investigated by the relevant authorities.

In the meantime, the Board of the Massachusetts Organization of Educational Collaboratives has voted to suspend from its membership the Merrimack Special Educational Collaborative pending the release of the Auditor's final report.

Our members are committed to an open and transparent process and will make all financial records available for review. Establishing best practices is critical to our work, and, working closely with the State Legislature's Joint Committee on Education, we have played an integral role in developing recommendations that will help all collaboratives operate most effectively.

We are hopeful that the allegations related to the Merrimack Special Education Collaborative will not detract from the critical work educational collaboratives are performing every day. Educational collaboratives are a vital part of the fabric of public education in Massachusetts. More than 75 percent of Massachusetts's school districts rely on educational collaboratives to provide quality educations to their most vulnerable students and high quality professional development services to their teachers and administrators. Our highly skilled and dedicated staffs remain committed to our core mission to provide expertise in those programs and services our member districts require. Collectively, educational collaboratives save taxpayers millions of dollars each year by pooling resources to provide high quality, cost effective critical special education programming and other desired services.

Collaborative students often require specialized education services that exceed the expertise or resources of many of the state's school districts. Without educational collaboratives, districts and families who seek specialized special education programs will have fewer options in their region and community, resulting in increased reliance on private schools, increased commutes for students and increased special education costs.

Stephen Theall, executive director, Massachusetts Organization of Educational Collaboratives

Letter to Editor of The Boston Globe

From: Steve Theall <sjtheall@moeenet.org>
Date: Wed, 07 Sep 2011 09:06:44 -0400
To: <letter@globe.com>
Subject: Letter to Editor

To the Editor:

The Boston Globe raises some important points about the need for greater oversight of organizations that receive state funds in light of abuses uncovered at the Merrimack Special Education Collaborative ("Watchdogs need more power to probe state subcontractors," September 6, 2011).

The Massachusetts Organization of Educational Collaboratives agrees. Our board of directors voted to suspend the Merrimack Collaborative. We support the State Auditor's recommendations for improving oversight of educational collaboratives, and support giving the Department of Elementary and Secondary Education greater oversight authority and requiring financial reporting.

We believe that through increased oversight, we can strengthen the ability of educational collaboratives to continue providing the critical services that they currently bring to our state's most vulnerable students.

Educational collaboratives fill an essential role in our state, bringing quality education to special needs students in 75 percent of Massachusetts school districts. By pooling resources, school districts can bring special needs students a level of education that many districts alone could not afford. This approach not only improves special needs education, but it saves taxpayers millions of dollars a year.

Without educational collaboratives, school districts and families who seek specialized special education programs would have fewer options in their communities, resulting in increased reliance on private schools, increased commutes for students and increased special education costs.

Expanding oversight is a necessary step for strengthening education collaboratives, but the vital services these collaboratives provide should not be forgotten.

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