



House Finance Committee
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Testimony on House Bill 49, the FY 2018-2019 Biennial State Operating Budget
Craig E. Burford, Executive Director, Ohio Educational Service Center Association

Introduction

Chairman Smith, Vice Chair Ryan, ranking minority member Cera, and members of the House Finance Committee, thank you for the opportunity to testify before you today on HB 49 and the impact of the Executive Budget proposal on Ohio's 52 Educational Service Centers (ESCs) and the districts we serve.

Background: What are ESCs?

Ohio's ESCs employ more than 16,000 education and education support personnel statewide. ESCs are large-scale, regional service providers offering administrative, academic, fiscal and operational support services, often in partnership with the state, to traditional school districts (612), community schools (107), chartered nonpublic schools (166), STEM schools, and a wide range of community based organizations. Under current law, every school district in the state under 16,000 ADM is required to align to an ESC. Of the 8 districts over 16,000 ADM, all but 1 have voluntarily aligned to their respective ESCs.

Chapter 3312 of the Ohio Revised Code, stipulates that *"[i]n addition to implementing state and regional education initiatives and school improvement efforts under the educational regional service system, educational service centers shall implement state or federally funded initiatives assigned to the service centers by the general assembly or the department of education."* ESCs support state and regional education initiatives and efforts to improve school effectiveness and student achievement including the State Support Teams (SSTs), which intervene and provide technical assistance to the lowest-performing schools and districts.

By statute, ESCs are the conduit for the roll-out of statewide education initiatives.

This is an important function ESCs serve on behalf of the state to insure school districts are receiving the supports they need to be successful. The importance of this role is accentuated by the requirement to implement the state's plan under the federal Every Student Succeeds Act (ESSA) in the 2017-2018 school year – a feat that neither the state nor many districts have the capacity to do on their own. ***Now is not the time to diminish the role of ESCs.***

ESCs are local political subdivisions and defined as school districts or LEAs in both state and federal law. However, unlike school districts ESCs do not have taxing authority. The ESC state operating subsidy plays an important part in supporting our organizations and is to be utilized, *“for the operation of (the) service center and any services required under Title XXXIII of the Revised Code”* (ORC 3313.843(G)(1)). It is not, as some suggest, such a minor part of our funding as to be irrelevant. In fact, it provides capacity building for the state system of support and affords ESCs the ability to have a foundation of leadership expertise, instructional expertise, administrative support, to serve as thought leaders with their client districts, and to be readily available when the state needs to advance new education policy priorities.

Why Invest in ESCs?

ESCs are the primary providers of educational support services to school districts. As such, we must continue to identify ways to leverage existing assets and determine how to best support the regional education delivery system. Why is this important? Because school districts continue to need support and assistance in the implementation of education reform initiatives including many of those contained within the Executive budget. For example, ESCs can play a significant role in supporting regional workforce collaboratives connecting education with the business community; ***now is not the time to cut ESCs.***

Additionally, the state of Ohio has a significant shortage of special education related

services personnel that is particularly acute in the rural parts of the state. ESCs hire and share these staff across multiple districts; ***now is not the time to cut ESCs.***

Many districts also have difficulty recruiting and attracting teaching hard to staff subject area professionals in math and science and ESCs can share these staff across multiple districts; ***now is not the time to cut ESCs.***

And, as we are all painfully aware, Ohio is caught in the grips of an unforgiving opiate addiction crisis and we are anticipating a significant increase in preschool students having been born addicted to drugs entering our schools. ESCs are a significant preschool and preschool special education provider; ***now is not the time to cut ESCs.***

Ultimately, ***the state of Ohio and the Ohio Department of Education need a statewide system of support*** to provide universal access to school improvement, special education and other required support services. ***ESCs are uniquely positioned to support these efforts and have been for over 100 years.***

Finally, ESCs provide a tremendous return on investment. In 2016, the state of Ohio provided \$41.6 million in funding to ESCs. In addition to supporting the role out of statewide initiatives and meeting their statutory requirements, ESCs saved districts over \$52 million dollars and identified and secured another \$153.9 million in grants. ***That means for every \$1 received in state subsidy, ESCs generated an additional \$5 for schools in costs savings and addition grant opportunities.***

House Bill 49

House Bill 49, as introduced, would cut ESCs by more than 25% and reduce the ability of publicly-elected ESC board members to make strategic financial decisions about the use of operating funds to serve their client school districts. As introduced, the bill undercuts the legislative intent and design of the ESC network to *“...reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of educational services without reducing the availability of the*

services needed by school districts and schools,” as expressed in Chapter 3312 of the Ohio Revised Code.

ESC Operating Subsidy. The ESC earmark in the 200550 line item is reduced by \$10.6 million or 25% in FY 2018. This lowers the ESC appropriation from \$41.6 million to \$31 million. Under this proposal, the per pupil allocation is reduced from \$27 per student to \$20/student in each year. **OESCA opposes this reduction.** Over the past decade, ESCs have seen a **+13% increase in the number of students served**, but **-24% decrease in state support**. Under the executive proposal, the decrease in state funding would jump to -40% (as compared to 2008).

While the Administration states it supports ESCs as shared service providers promoting efficiency in operations, it has advanced a policy goal of de-funding ESCs and providing only targeted funding on a competitive or “as needed” basis.

Unfortunately, this approach is problematic for several fundamental reasons:

- 1) It favors an intervention rather than a prevention model;
- 2) It fails to recognize the work that ESCs do on behalf of the state and the need to have a statewide system of support for school improvement;
- 3) It does not recognize the fact that ESCs have no taxing authority and rely on the subsidy to simply open their doors and to provide “seed” money for the development of innovative, cost-savings programs and services - without state support many ESCs may not be there when ODE needs assistance;
- 4) It demonstrates that while the Administration supports shared services as a tool that local governments can utilize on their own, they do not support shared services as a matter of state policy; and
- 5) Finally, this approach fails to recognize that cooperative agreements for the identification, location, and evaluation of children with disabilities; special education and related services for such children; and for the transition of children with disabilities at age three must be approved by the ESC that serves the school district. This fact alone should require the ESC subsidy to be included in the state’s maintenance of effort (MOE) calculation to the U.S. Department of Education.

As such, we request restoration of the ESC subsidy at \$41.6 million (flat funding).

Unrestricted Aid. Under temporary law in the bill as introduced, the Superintendent of Public Instruction must establish criteria and guidelines regarding the use of the ESC operating subsidy funds to reduce client school district expenditures and support improvement of student achievement at schools and districts identified by the Department. ***OESCA opposes this provision.*** This provision conflicts with permanent law, which indicates the ESC operating funds are for the operation of the ESC and any services required under Title XXXIII of the Revised Code. Additionally, ESCs are already required to demonstrate cost savings under the high performing application process. Last year, average savings across only 5 service areas exceeded 32% and saved districts more than \$54 million. ESCs will still be required to go through the high performing ESC designation process as determined by ODE. In addition to the high performing application process, ESCs are also required to undergo a 3-year operational study by the Auditor of State as required under SB 3 (131st GA). Consistent with the statement above, having met and exceeded the standards set by the state, ***OESCA supports maintaining the ESC subsidy as unrestricted aid and flat funding of \$27/student in FY 2018 and FY 2019.***

ESC Gifted Units. ESC gifted units are flat funded at \$3.8 million per year in each year. It is important to note that at flat funding, these units are only funded at half value. ***OESCA supports continued funding for gifted units within ESCs.*** The State Board of Education recently rolled out new gifted operating standards as well as gifted components of the state report card – districts will undoubtedly need ESC gifted coordinator assistance in understanding and meeting these new standards and measures.

School Improvement. School Improvement funding of \$3.5 million in FY 2017 is increased to \$10 million in each year of the biennium. This is, however, misleading. The executive proposal diverts \$10.6 million from the ESC operating subsidy - \$6.5 million of this goes to school improvement, while \$4.1 million is allocated elsewhere in the budget. The budget language allows ODE to distribute these funds on a

competitive basis. In the current fiscal year, \$3.5 million in GRF funding is appropriated for school improvement to the State Support Teams (SSTs) through 16 ESCs. OESCA supports continued funding for school improvement. However, **OESCA opposes the diversion of ESC operating funds for school improvement.** School improvement funding should not be done on a competitive basis but rather based on need and with the goal of providing a statewide system of support. Therefore, **OESCA supports flat funding of \$3.5 million for school improvement and restoration of \$10.6 million to the ESC operating subsidy. Federal Title 1 and other funding should be leveraged along with state funding for school improvement.**

Regional Literacy. Regional Literacy through ESCs is flat funded at \$750,000 in FY 2018 but increases 67% to \$1.25 million in FY 2019. **OESCA supports funding for regional literacy improvement through ESCs.**

Other Areas of Opportunity. As you continue budget deliberations, we encourage you to explore other opportunities to leverage the regional network to support:

- **Professional development on academic standards and model curriculum;**
- **Training tools and professional development on value added, the state report card, and data-driven decision making;**
- **Special education transition services; and**
- **Educator preparation**

In closing, the executive budget proposals aimed at ESCs appear to be inconsistent with the needs of Ohio's school districts, inconsistent with the needs of the Ohio Department of Education, inconsistent with the recommendations of the state board of education and inconsistent with the requirements that Ohio have a state system of support under both federal and state law. **We encourage you to restore ESC funding, maintain the ESC subsidy, enhance the role of ESCs in partnership with the Ohio Department of Education, and seek to leverage federal education dollars to maximize the impact for students and schools.**

Thank you for the opportunity to testify before you today and I would be happy to answer any questions you might have.

Attachments

- 1) ESC Return on Investment
- 2) ESCs and Student Achievement
- 3) ESCs and Work with the State of Ohio
- 4) ESC Funding Changes

EFFICIENT. EFFECTIVE. ESCs.

The Ohio General Assembly provides for and supports a statewide network of Educational Service Centers or ESCs. So what are ESCs and what does the state get for its investment?

ESCs are student-focused, customer-driven educational service providers that maximize federal, state and local dollars. ESCs provide innovative educational and operational support services that improve teaching and learning for all kids of all abilities regardless of where they live and attend school.

In 2016

96%

ESCs spent 96% of expenditures on direct services, spending only 4% on overhead costs.

\$153,920,000

ESCs identified and secured an additional \$3.70 in federal and state grants on average for every \$1 received in state operating subsidy.

\$1.37B

ESCs provided \$1.37 billion in services to Ohio's schools.

32.57%

ESCs saved districts 32.57% as compared to districts providing the services themselves or purchasing from a private provider.

So what is the state's return on investment? **Significant.** Ohio ESC services impacted more than **1.75 million students** while saving districts money and leveraging other resources to drive improvement.

**A Sound Return
On Investment.**





ESCs and Student Achievement

SPECIAL EDUCATION PROGRAMS: ESCs contract with school districts to offer programs to students with special needs. Students are provided direct instruction by a multi-district ESC teacher supported by ESC classroom aides and related service personnel. These ESC staff implement and monitor the progress of individual education program (IEP) goals for each student.

Direct Responsibility for Student Achievement:

- Direct instruction provided
- IEP development, implementation, and monitoring
- Parent engagement

Direct Accountability for Student Achievement

- Ohio Alternate Assessments for Students with Disabilities results
- Highly Qualified Teacher status (reported through EMIS)
- Ohio Teacher Evaluation System (OTES) rating (reported through eTPES)

ALTERNATIVE EDUCATION PROGRAMS: ESCs provide a structured opportunity for students who are unable to adjust to programs in regular classrooms. The goal is to provide each student with a safe learning environment that enhances self-esteem and strengthens academic and social skills.

Direct Responsibility for Student Achievement:

- Direct instruction provided
- Assisting students earn credits toward a high school diploma or GED
- Parent engagement
- Social and behavioral intervention provided

Direct Accountability for Student Achievement:

- Students are included in resident district local report card data
 - Ohio Achievement Assessments
 - Ohio Graduation Test/End-of-Course Exams
 - Achievement Gap Measures (AYP/AMOs)
 - Value-added Scores
 - Graduation and Dropout Rates
 - Attendance Rates

OTHER ESC PROGRAMS WITH DIRECT RESPONSIBILITY AND ACCOUNTABILITY FOR STUDENT ACHIEVEMENT:

- Specialized Contracted and Related Services
- Attendance Services
- Substitute Staffing Services

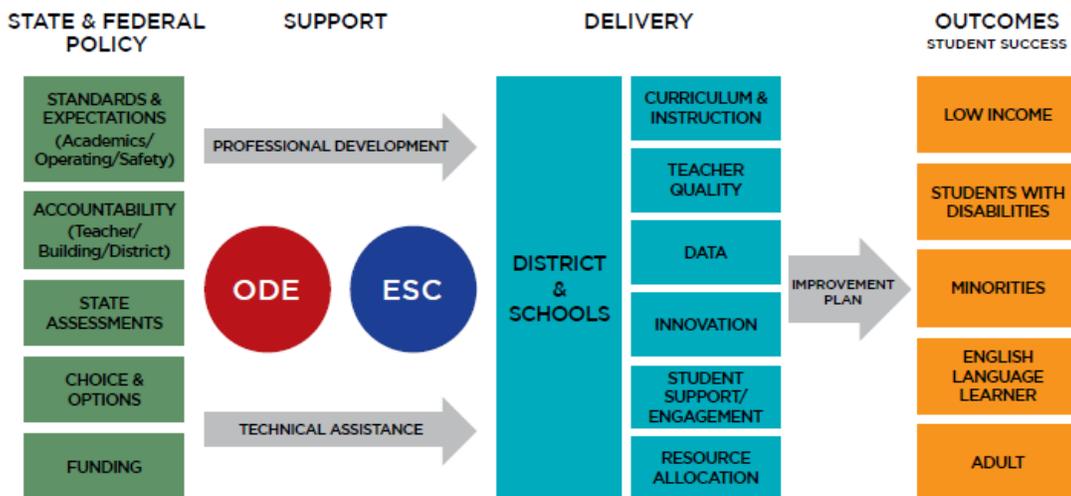


ESCs & the State of Ohio: *Supporting Education Reform Efforts*

On behalf of, and in partnership with, the state of Ohio, ESCs have been instrumental in deploying initiatives from the state and federal levels, communicating the most recent data and information regarding the need for change, and providing the **professional development**, **technical assistance** and **support** to bring about the necessary changes.

ESCs provide support in a number of different ways in partnership with the state including, but not limited to the following:

- **510 ESC personnel have been trained in the Ohio Improvement Process (OIP)** to provide a network of school improvement services for school districts and charter schools.
- **16 ESCs hold contracts to serve as State Support Teams (SSTs)** and intervene with the lowest performing school districts and charter schools and ensure universal access to special education-related support services. The 16 ESC-led SSTs serve 223 districts and 84 Community Schools in Differentiated Accountability and 548 Improvement Schools, 46 Alert Schools, 232 Focus Schools & 157 Priority Schools under Ohio’s ESEA Waiver.
- **Over 100 ESC personnel** have been trained to support all school districts and community schools in implementation of the standards, Student Growth Measures (SGMs) and Student Learning Objectives (SLOs).
- More than **185 ESC and SST personnel have been certified as Ohio Leadership Advisory Council (OLAC) trainers**.
- ESCs have support state work through contracts with the Department of Education around the Resident Educator program, Student Growth Measures and Student Learning Objectives, OTES, OPES, eTPES, TeachOhio, Standards and Instruction, and Race-to-the-Top among other initiatives.



ESCs have evolved from County Boards of Education and monitoring state mandated requirements in local school districts to providing professional development, technical assistance and in-depth support for statewide initiatives to all districts and specific district requested services to enable them to be more effective, efficient and accountable to students, parents, communities and taxpayers.



ESC Funding Trends

ESCs serve more districts today than ever before

ESC Funding and Service Trends: 2008-2018												
	FY 2008	FY 2013	% change '08-'13	FY 2015	% change '13-'15	FY 2017	% change '15-'17	FY 2018 Proposed	17-'18	change '17-'18	% change 2008-2018	Change 2008-2018
# client districts served	577	608	5%	611	0.50%	611	0.00%	611	0.00%	-	5.9%	34
# students	1,368,749	1,493,353	9%	1,506,463	1%	1,543,819	2.48%	1,543,819	0.00%	-	12.8%	175,070.00
State Operating Subsidy Funding	\$52,000,000	\$41,760,000	-20%	\$40,000,000	-4%	\$41,600,000	4.00%	\$31,000,000	-25.48%	\$ (10,600,000.00)	-40.4%	\$ (21,000,000.00)
# of High Performing ESCs						52						
Avg. % Cost Savings						32.57%						
Total Cost Savings (5 areas only)						\$54,146,788.61						
Notes												
In 2017, the current year, ESCs serve 1.543 million students from 611 school districts. ESCs are supported through an appropriation of \$41.6 million												
In 2017, the first year of high performing ESC status, all 52 ESCs were deemed high performing with an average cost savings to districts of 32.57% and \$54.146 million across 5 service areas. If this percentage of savings were multiplied against the \$1.3 billion in services ESCs provided to school districts last year the annual costs savings would exceed \$400 million.												
Since 2008, ESCs serve 34 (5.9%) more school districts with 175,070 (12.8%) more students but receive \$21 million less per year in state funding.												
The FY 2018 estimates are based on the executive budget proposal.												



Evolution of ESC Finances

ESC Funding Sources

		1990-1991	1996-1997	2012-2013	2016-2017
Federal Funding	Medicaid in Schools (Formerly CAFS or Community Alternative Funding Support)	X	X		
	State Funding				
	State Per Pupil Subsidy	X	X	X	X
	Preschool Special Education Units	X	X	X	
	Categorical Units				
	<i>vocational education</i>	X	X		
	<i>special education</i>	X	X		
	<i>gifted education</i>	X	X	X	X*
	<i>child study</i>	X	X		
	<i>occupation or physical therapy</i>	X	X		
	<i>speech and hearing</i>	X	X		
	<i>adaptive physical development</i>	X	X		
	<i>special education supervisors and coordinators</i>	X	X		
	Excess Cost Reimbursement	X	X	X	
	Small County Guarantee	X	X		
Local Funding	\$6.50 Local Deduct	X	X	X	X
	Supervisory Units	X	X	X	
	Extended Service (Paid for by Districts)	X	X	X	
	Fee-For-Service Contracts	X	X	X	X
	Other Funding				
	Facilities Support & Facilities Maintenance (Provided by Boards of County Commissioners)	X	X		

NOTES

*State funded gifted units were reduced by 50% for FY 2014 and FY 2015