



House Bill 459 ESC Performance Audits

Interested Party Testimony of Craig Burford, Executive Director Ohio Educational Service Center Association

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Introduction

Chairman Brenner, Vice Chair Derickson, Ranking Minority Member Fedor and members of the House Education Committee, thank you for the opportunity to testify before you today as an *Interested Party* on House Bill 459 relative to performance audits of Educational Service Centers (ESCs).

Overview

ESCs are large-scale service providers offering administrative, academic, fiscal and operational support services to Ohio's school districts, chartered nonpublic schools, community schools, and STEM schools. ESCs are consortia by definition and do not exist if not for their client school districts.

Under section 3311.0510. (A) of the Ohio Revised Code, if all of the client school districts of an ESC terminate their agreements (as they have the ability to do every 2 years) the governing board is abolished and the ESC is dissolved by order of the superintendent of public instruction. ESCs have the ultimate accountability through customer choice.

Ohio's Educational Service Centers are local political subdivisions. They are school districts under state law (3311.055 Ohio Revised Code), and local education agencies or LEAs under federal law (20 USCS §7801(17) (ESEA, IDEA, HEA, Perkins)).

Under current law, like any other local political subdivision, the Auditor of State may conduct a performance audit of any ESC if they are declared to be in fiscal caution. Additionally, any ESC can request a performance audit by the Auditor of State.

Since County Boards of Education became ESCs in 1995, there have only been 2 performance audits conducted of ESCs. In 2002, the Darke County ESC was declared to be in Fiscal Caution by the Ohio Department of Education and underwent a performance audit. And, in 2011, the Greene County ESC voluntarily requested a performance audit to ascertain the impact of state funding cuts on their ESC and client school districts and the ability of that ESC to sustain its operations and generate revenue through the sale of services to client school districts.

House Bill 459

HB 459, as introduced, would expand the authority of the Auditor of State and grant that office the express authority to conduct a performance audit of any ESC for any purpose at any time.

Additionally, the bill requires the Auditor of State to conduct a comprehensive performance audit of all 52 ESCs in the state within three years of the bill's passage date. Under the proposal, the cost of the comprehensive performance audits is to be paid by each of the educational service centers in proportion to each ESC's student count.

Finally, the bill permits the State Board of Education to use the results of these comprehensive performance audits to determine the definition of a "high performing ESC" for funding purposes under current law. This is an important linkage between the bill as proposed and current law.

Issues for Consideration

There are many unanswered questions related to HB 459 that should be addressed prior to the bill's passage

- First, it is unclear if every ESC will in fact receive a comprehensive performance audit and its own, organization-specific set of actionable recommendations. As presented, it appears to be a 3-year longitudinal study of ESCs as a statewide system of service providers rather than a traditional performance audit.
- Additionally, it is unclear what the cost of the performance audits will be and, as such, it is difficult to understand the clear fiscal impact on each ESC and the statewide system of ESCs.

The Ohio ESC Association does not oppose performance audits. The Ohio ESC Association does not oppose this bill.

As a matter of fact, we look forward to another opportunity to demonstrate what has already been reported through the *Beyond Boundaries Shared Services* report and other state-level reports, commissions and task forces – that *ESCs are high quality, efficient and effective organizations with lean operations delivering impactful results.*

Our membership does, however, have concerns with the methodology of payment being a proportional share based on ESC client district enrollment, and we do want to make sure that if the ESCs are paying for performance audits that they, in fact, are receiving comprehensive, actionable performance audits and recommendations for each of their organizations. The discomfort with paying for the audits or the methodology for how those payments are calculated comes from the cuts ESCs have taken in state aid over the past decade.

As the Auditor of State's office shared in its testimony, we have been in discussions relative to a new methodology of payment. However, that language is not part of the bill before you today. Additionally, this study of ESCs may provide an opportunity to identify other functions of education governance and service delivery from the state that could be more effectively deployed and supported through ESCs. We would welcome the addition of that focus to this bill.

We look forward to working with the Auditor of State, the bill sponsor, and this committee to address these issues moving forward.

Thank you for the opportunity to testify before you today. I would be happy to address any questions you may have.