



House Primary & Secondary Education Subcommittee of Finance
Thursday, March 16, 2017

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 Cupp, ranking minority member Miller, and members of the House Primary and Secondary Education Subcommittee of Finance, 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."* **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 fact that ODE currently operates with approximately 20% fewer staff than allowed under OBM guidelines and approximately 16% fewer than in 2007. ***Now is not the time to diminish the role of ESCs.*** This is especially true given the requirement to implement the state's plan under the federal Every Student Succeeds Act (ESSA) in the 2017-2018 school year.

ESCs are the central component of Ohio's Statewide System of Support for School Improvement. Under Chapter 3312 of the Ohio Revised Code, the educational regional service system was established to support state and regional education initiatives and efforts to improve school effectiveness and student achievement. Sixteen ESCs hold the contracts for the State Support Teams (SSTs), which intervene and provide technical assistance to the lowest-performing schools and districts.

ESCs are defined and grounded in both state and federal law:

- ESCs are local political subdivisions.
- ESCs are school districts under state law (Ohio Revised Code sections 3311.05 and 3311.055).
- ESCs are local education agencies (LEAs) under federal law (20 USCS §7801(17) (ESEA, IDEA, HEA, Perkins)).

However, it is important to note that unlike school districts ESCs do not have taxing authority. Since ESCs have no legal taxing or bonding authority, they must depend on revenues from other sources. ESCs are funded through a combination of revenue sources with most funding coming from direct fee-for-service contracts with client school districts. Nevertheless, 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. My testimony addresses the issues of concern related to the executive budget proposal and its impact on ESCs, as well as recommendations on how to better utilize the statewide network of ESCs 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. This is down from \$37/student and \$40.52 in 2008. ***OESCA opposes this reduction.*** Over the past decade, ESCs have seen a ***+6% increase in the number of districts served*** and a ***+13% increase in the number of students served***, but ***-24% decrease in state support***. Under the executive proposal, the decrease in state funding jumps to -40% (as compared to 2008).

While the Administration states it supports ESCs as shared service providers promoting efficiency in operations, it continues to propose reduced per-pupil subsidy funding with the goal of de-funding ESCs and providing only targeted funding often on a competitive basis 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 that ESCs 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 turns to them to seek their 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, the Superintendent of Public Instruction must establish criteria and guidelines regarding the use of the ESC operating subsidy funds. The language states, funds shall be used to reduce client school district expenditures and support improvement of student achievement at schools and districts identified by the Department. ***OESCA opposes this provision.*** The ESC operating subsidy is the equivalent of district foundation funding and is considered unrestricted aid. This provision conflicts with permanent law, which indicates the ESC operating funds are for the operation of the ESC and any service 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. However, under the budget as introduced, those ESCs deemed high performing under the application process will maintain the reduced \$20/student. Those that fail to meet the high performing ESC designation will have the per pupil subsidy reduced to \$18/student. 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.*** ESC gifted coordinators play an important role in the coordination of talented and gifted services across multiple districts particularly in smaller rural communities. 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 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 budget language stipulates these funds are for School Improvement Initiatives through ESCs and for the provision of technical assistance to schools and districts. The language also 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. These funds are allocated 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.*** The executive proposal diverts \$10.6 million from the ESC operating subsidy - \$6.5 million goes to school improvement, while \$4.1 million is allocated elsewhere in the budget. 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 \$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. Per the budget language, the funds support early literacy activities to align state, local, and federal efforts in order to bolster all students' reading success and must be distributed to educational service centers to establish and support regional literacy professional development teams.

OESCA supports funding for regional literacy improvement through ESCs. The language also allows a portion of the funds to be used by the Department for program administration, monitoring, technical assistance, support, research, and evaluation. ESCs are geographically located – any direct technical assistance and support related to early literacy should be provide by and through ESCs with a focus on replication and scalability to provide enhanced access.

Other Areas of Opportunity. As you continue budget deliberations, we encourage you to explore other opportunities to leverage the regional network including, but not limited to the following:

- ***Academic Standards (GRF 200427)*** - OESCA supports funding for the development, communication, and training on academic content standards and curriculum models. Professional development and technical assistance should be funded and delivered through the regional network of ESCs. In any given year, ESCs host over 8,500 different professional development activities attended by nearly 184,000 total attendees.
- ***Value Added Training (GRF 200439)*** - Consistent with previous budgets, a portion of appropriation item 200439 may be used to train district and regional specialists and district educators in the use of the value-added progress dimension and in the use of data as it relates to improving student achievement. This training should utilize the ESC network. ESCs have had personnel trained as value-added specialists and are uniquely positioned and qualified to assist in this effort.
- ***Transition Services (GRF 200540)*** - The Special Education Enhancement line

item provides up to \$2,000,000 in each year to build capacity to deliver a regional system of training, support, coordination, and direct service for secondary transition services for students with disabilities beginning at fourteen years of age. OESCA supports enhanced secondary transition services for students with disabilities. ESCs should be eligible to coordinate and receive funding to support provision of transition services. Using ESCs to support secondary transition services is aligned to ESC statutory responsibilities - Under 3317.15 of the Ohio Revised Code, “(C) *Each city, exempted village, local, and joint vocational school district shall consult with the educational service center serving the county in which the school district is located and, if it elects to participate...the county board of developmental disabilities of that county, in providing services that serve the best interests of children with disabilities.*”

- **Educator Preparation (GRF 200448)** – The budget as introduced allocates approximately \$984,146 each year for the purpose of supporting implementation of teacher and principal evaluation systems, including incorporation of student growth as a metric in those systems, and teacher value-added reports. OESCA supports professional development and technical assistance around the teacher and principal evaluation systems. The ESC network should be utilized for this purpose consistent with best practice and requirements under ESSA for job-embedded, sustained, research-based professional development.

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.**

 **ESC**
ASSOCIATION



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

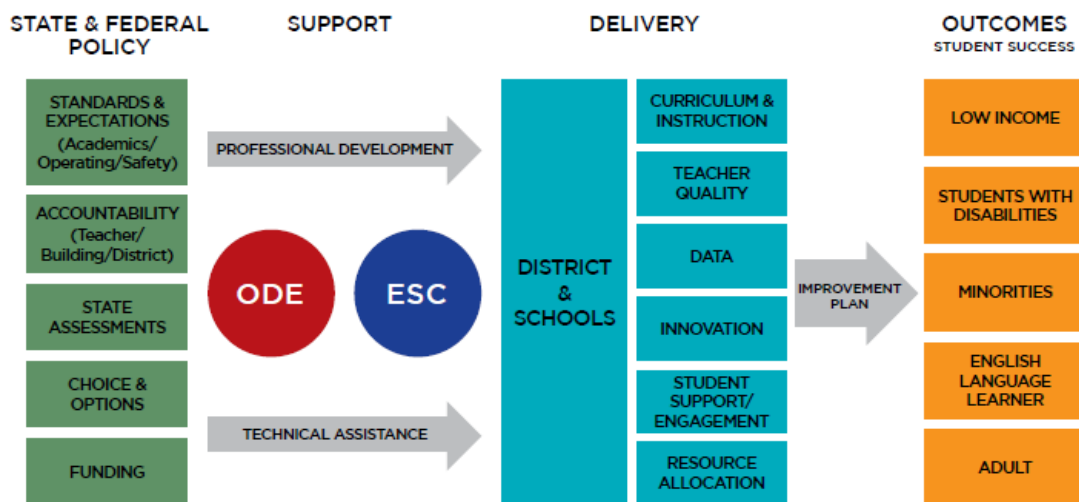


ESC's & the State of Ohio: *Supporting Education Reform Efforts*

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.



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



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.												