

## House Standing Committee on Finance

Wednesday, December 2, 2020



### Proponent Testimony on Substitute House Bill 305

*Craig Burford, Executive Director, Ohio Educational Service Center Association*

#### Introduction

Co-Chairs Oelslager and Callender, Vice Chairman Scherer, Ranking Minority Member Cera and members of the House Finance Committee, thank you for the opportunity to testify before you today as a proponent of Sub. H.B. 305, the Fair School Funding Plan. H.B. 305 is the culmination of years of thorough research and analysis conducted by a working group of practitioners and policymakers.

The funding model for school districts advanced in the bill is reflective of the needs of individual districts and communities and respects the local control nature of Ohio's education system. It is unique among the various school funding models considered in the past in that it is based on Ohio data and seeks to reflect the true costs of educating a child – academically and operationally – based on best practice and successful schools.

OESCA supports the mission to develop a fair, rational and justifiable school funding formula. In supporting this mission, we seek the same goal for Educational Service Center (ESC) funding.

#### Overview

When considering how funding for ESCs should be calculated, it is important to understand 3 critical factors: 1) the role of educational service centers within the state's education system, 2) the purpose of the state operating subsidy for ESCs, and 3) challenges with the current ESC funding system in adequately supporting #1 and #2. Exploring these three factors in detail can assist in developing the appropriate funding model consistent with the process followed for traditional public school districts within HB 305.

1. *The role of ESCs in Ohio's public education system:* Ohio's ESCs are local political subdivisions and school districts under state law and local education agencies (LEAs) under federal law. ESCs provide two important functions. First, as a deployment arm for statewide technical assistance and support on behalf of the Ohio General Assembly, the Ohio Department of Education and other state agencies, and secondly, as a direct service provider to students, schools, and school districts.

As a deployment arm of the state, ESCs are actively engaged in partnering around several initiatives including but not limited to:

- **Deployment** - Delivery of 10.5 million masks for students and teachers in public, charter, STEM, JVS/CTC, and chartered nonpublic schools;

- **Coordination** - Monitoring and reporting on school district instructional delivery models and communicating back to the Ohio Department of Education;
- **Facilitation** – Holding meetings and sharing information and resources between school districts, county agencies and community service organizations on issues related to public health, school safety and more;
- **Technical Assistance and Support** – ongoing professional development and implementation support of statewide initiatives including:
  - **Literacy** - 32 ESCs and 16 SSTs within ESCs partner to promote Ohio’s Plan to Raise Literacy Achievement;
  - **PBIS** - ESC staff were trained to support the implementation of Positive Behavioral Intervention Supports (PBIS) to Ohio’s schools and district.
  - **Prevention Education** – coordination of mental health related prevention education grants in partnership with County Alcohol, Drug Addiction and Mental Health Services (ADAMH) Boards;
  - **SSTs** - 16 ESCs hold contracts to serve as State Support Teams (SSTs).
  - **OIP** - 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.
  - **OTES** - ESCs provided trainings to nearly 1,300 administrators, prototyped an update of OTES in 2018-2019, piloted the new system during the 2019-2020 school year and assisting with OTES 2.0.

At the district and school building level, ESCs provide several direct services to both educators and students. **ESCs provide direct services to over 253,000 students annually** including but not limited to the following:

- 43 ESCs operate 106 general education preschools and 456 integrated special education preschool classrooms;
- 43 operate ED/SBH classrooms;
- 41 operate MD classrooms;
- 37 operate alternative schools;
- 18 operate dropout recovery schools; and
- More.

Likewise, **ESCs hosted 7,954 different professional development activities attended by 273,356 teachers and administrators** last year.

2. *The purpose of the state operating subsidy.* The per pupil state operating subsidy plays a significant role in supporting ESC deployment of the services. ESCs have no legal taxing or bonding authority. As such, they depend on revenues from other sources including fee-for-service contracts with school districts and, importantly, the state per pupil operating subsidy.

The purpose of the state operating subsidy is spelled out in the Ohio Revised Code and is to be used “... for the operation of that service center and any services required under Title XXXIII of the Revised Code to be provided by the service center to a school district...” (3313.843 (G)(1)).

To reiterate: for the operation of the ESC and for any services required under Title XXXIII of the Ohio Revised Code.

The services ESCs are required to provide under the Ohio Revised Code and in temporary law include approval of special education cooperative agreements, operation of Business Advisory Councils (BACs), assisting in the implementation of standards and model curriculum, providing technical assistance related to value added and the report card, and carrying out any other services charged to them by the Ohio General Assembly and the Ohio Department of Education.

Any funding model should take these factors into consideration.

3. *Challenges with the current funding system.* ESCs currently receive \$26 per student. There is no rational basis for the current ESC Funding Methodology in state law. It is not based on actual operating costs nor reflective of the statutorily required services. Rather it is a product of residual budgeting and repeated funding reductions.

In fact, since 2008, the ESC operating subsidy has been reduced \$12 million or 23%. Over that same period, ESCs were directed to work with 34 additional school districts and approximately 175,000 more students. That had the effect of further reducing funding on a per pupil basis. If one includes both the reduction in the subsidy and the loss of the supervisory unit funding (\$23.7 million) previously deducted from district foundation aid the reduction in total mandated funding support dropped by 47%. There is a growing imbalance in State/Local funding sources.

Additionally, many state and federal grants prohibit ESCs from covering indirect or administrative costs. As a result, ESCs must frequently pass operating costs along to client districts through “cost-plus” pricing.

### **Sub. H.B. 305**

Sub. H.B. 305 seeks to address these challenges. The sub. bill includes the following provisions specific to ESCs:

- Prioritizes ESC funding;
- Provides a “placeholder” formula for FY 2022 that includes both a base funding and per pupil funding amount:
  - base funding amount of \$356,250 for each ESC beginning in FY 2022;
  - tiered funding model based on \$36.80 per student in which funding is reduced on a per pupil basis the larger an ESC becomes beginning in FY 2022;
- Fully funds new ESC model in FY 2022; and
- Requires ODE and the AOS to collaborate with the ESC association to conduct a study of ESCs and recommend a new funding model to be implemented in FY 2023.

These provisions are a substantial improvement over the current funding of ESCs. However, they are not fully consistent with the recommendations of the Ohio ESC Association. How do the models differ?

	<b>Sub. H.B. 305</b>	<b>OESCA Recommendations</b>
<b>Base Funding</b>	\$356,250  (Every ESC receives the base funding amount)	\$559,795  (An ESC receives the greater of the base amount or the per pupil amount whichever is greater)
<b>Base Funding Components</b>	\$115,000 – superintendent salary \$88,000 – treasurer salary \$50,000 – central office administrative assistant \$63,250 – benefits for three positions \$40,000 – facility costs	\$111,647 – superintendent salary \$94,049 – treasurer salary \$47,571 – central office administrative assistant \$85,122 – special education supervisor \$130,750 – benefits for four positions \$11,441 – Governing Board Expenses \$20,933 – ITC Connectivity Fees \$58,200 – facility costs (excluding maintenance)
<b>Per Pupil Funding</b>	Based on \$36.80  (Tiered model creates varying per pupil amounts by ESC depending on size)	\$42.67  (Flat per pupil amount. An ESC receives the greater of the base amount or the per pupil amount whichever is greater)
<b>Per Pupil Funding Components</b>	2300 Support Services – Board of Education 2400 Support Services – Administration 2500 Fiscal Services 2700 Operation and Maintenance of Plant Services 5000 Facilities Acquisition and Construction Services 6000 Debt Service	2300 Support Services – Board of Education 2400 Support Services – Administration 2500 Fiscal Services 2600 Support Services – Business (2610, 2620, 2630, 2640, 2690) 2700 Operation and Maintenance of Plant Services 5000 Facilities Acquisition and Construction Services 6000 Debt Service
<b>Study of ESCs</b>	Included.	No Provision.
<b>Working group to develop a uniform, consistent and standardized methodology for ESC funding.</b>	No Provision.	Included. (Based on recommendations included in AOS 3-year operational study of ESCs)
<b>Requirement review and recalibrate funding every 2 years consistent with state budget process.</b>	No Provision.	Included.

In looking to adhere to the mission to produce a funding model that was simple, rational, justifiable and sustainable, OESCA built consensus among ESC superintendents and treasurers on the appropriate function codes to examine and include in the review of ESC expenditure data. This data was collected from a random sampling of 31 of 51 ESCs over a three-year period. The focus was on actual expenditure data specific to the operation of the ESC and any services required under Title XXXIII of the Ohio Revised code and *excluded* any costs that could otherwise be billed back to districts as a service.

## **Recommendations**

On behalf of the Ohio ESC Association, its executive committee and membership, we request the following amendments to Sub. H.B. 305 for your consideration:

- Fund ESCs at the greater of \$559,795 or \$42.67 per pupil
- Replace the study of ESCs with the proposed amendment to direct the Ohio Department of Education in partnership with the Auditor of State and the Ohio ESC Association to develop a uniform, consistent and standard methodology for reporting ESC expenditures (AM\_133\_3609).
- Require the Ohio Department of Education in consultation with the Ohio ESC Association to review and recalibrate ESC funding every two years starting in 2024.

## **Why is this funding support important?**

A stable, quality regional system of support is necessary to assist with:

- Operation of the ESC and providing statutorily required services on behalf of the state;
- Coordination of county & regional support services related to public health and safety in schools;
- Implementation of business advisory councils and coordination of education and workforce related initiatives between schools and business & industry; and
- Equitable access to high quality educational opportunities for all students.

Thank you for your time and positive consideration and I would be happy to address any questions at this time.

# Ohio's Educational Service Centers: *Funding Ohio's ESCs*

Sub. H.B. 305 & S.B. 376  
November 2020

Innovate. Educate. Advocate.

**OESC**  
ASSOCIATION



# FUNDING PROBLEM STATEMENT

- ESCs do not have taxing authority.
- Many state and federal grants prohibit ESCs from covering indirect or administrative costs.
- ESCs must frequently pass operating costs along to client districts through “cost-plus” pricing.
- There is no rational basis for the current ESC Funding Methodology in state law.
- There is a growing imbalance in State/Local funding sources.
- Funding model lacks uniformity and consistency in implementation.
- ESCs are required to approve all special education cooperative agreements, operate BACs, assist in the implementation of standards and model curriculum, provide technical assistance related to the value added and the report card, and carry out any other services charged to them by the Ohio General Assembly and the Ohio Department of Education.

# WHY A NEW SYSTEM OF FUNDING?

A stable, quality regional system of support is necessary to assist with:

- Operation of the ESC and providing statutorily required services;
- Coordination of county & regional support services related to public health and safety in schools;
- Implementation of business advisory councils and coordination of education and workforce related initiatives between schools and business & industry;
- The statewide system of support for school improvement;
- Equitable access to high quality educational opportunities for all students;
- Implementation of the statewide education system strategic plan;
- Cost-effective, efficient roll-out and ongoing support in the implementation of direct technical assistance to school districts on state and federal mandates; and
- A proactive system of support to assist districts in meeting the 21<sup>st</sup> century needs of Ohio's students and communities.

# HOW ARE ESCs HELD ACCOUNTABLE?

- **Locally-elected Governing Boards** (*3311.05, 3311.053, 3311.054, 3311.055, 3311.056, 3311.057, 3311.058*)
- **District Choice of ESCs** (*3313.843(B)(1),(B)(2), D(1)*)
- **Termination of service center agreements; abolishment of educational service center governing board** (*3311.0510*)
- **Posting of Services and Service Costs Online** (*3313.843(F)*)
- **Performance Audit of ESCs** (*3311.0510*)
- **Fiscal Agent Performance Agreements** (*3312.09(A)(1)-(7)*)
- **Limits on Fiscal Agent Fees** (7%, Controlling Board Approval above 4%) (*3312.09(7)*)
- **Program Audits** (*Ohio Department of Education*) & **Fiscal Audits** (*Ohio Auditor of State*)
- **Ohio Teacher Evaluation System (OTES)** (*3319.112, 3319.114*)
- **Ohio Principal Evaluation System (OPES)** (*Ohio State Board of Education*)
- **Fiscal Transparency: Reporting and Disposition of unexpended funds under service agreement** (*3313.848*)
- **Step Up to Quality Early Learning Star Ranking**

# WHAT IS THE SIZE AND SCOPE OF THE ESC SECTOR

- ESCs serve 610 public schools, 107 charter schools, and 166 nonpublic schools.
- ESCs employ approximately 14,000 personnel.
  - 2,097 teachers and 2,230 teaching aides among other highly-skilled personnel.
  - 653 staff that provide social emotional, behavioral and mental health supports.
- ESCs provide \$1.47 billion in services to Ohio's schools each year.
- Over 17% of all K-12 expenditures go through ESCs.

# DO ESCs PROVIDE DIRECT STUDENT SERVICES?

ESCs provide DIRECT services to over 253,000 students through various means including:

- 43 ESCs operate 106 general education preschools and 456 integrated special education preschool classrooms;
- 43 ESCs operate emotionally disturbed/severe behavioral handicap classrooms;
- 41 ESCs operate classrooms serving students with multiple disabilities;
- 37 ESCs operate alternative schools (in lieu of suspension or expulsion, court appointed);
- 18 ESCs operate dropout recovery schools;
- 8 ESCs operate residential day programs;
- 13 ESCs run after school programs; and
- 23 ESCs offer summer enrichment programs.

ESCs hosted 7,954 different professional development activities attended by 273,356 teachers and administrators last year.

# HOW DO ESCs SUPPORT REMOTE LEARNING?

## Leading Examples

- Statewide Initiatives
  - RemotEDx Statewide Remote Learning Initiative
  - Remote Learning Alliance
  - Reframing Education Initiative
- ESC Examples
  - Jefferson County ESC *Virtual Learning Academy*
  - East Central Ohio ESC Virtual Math, Chinese and ASL Courses utilizing IVDL tools
  - Darke County ESC's *DarkeNet*
  - Hamilton County ESC Assistive Technology Initiative
  - ESC of Northeast Ohio's *Ohio Online Learning Program*
  - Ohio Valley *Blue Sky Academy*
  - And more

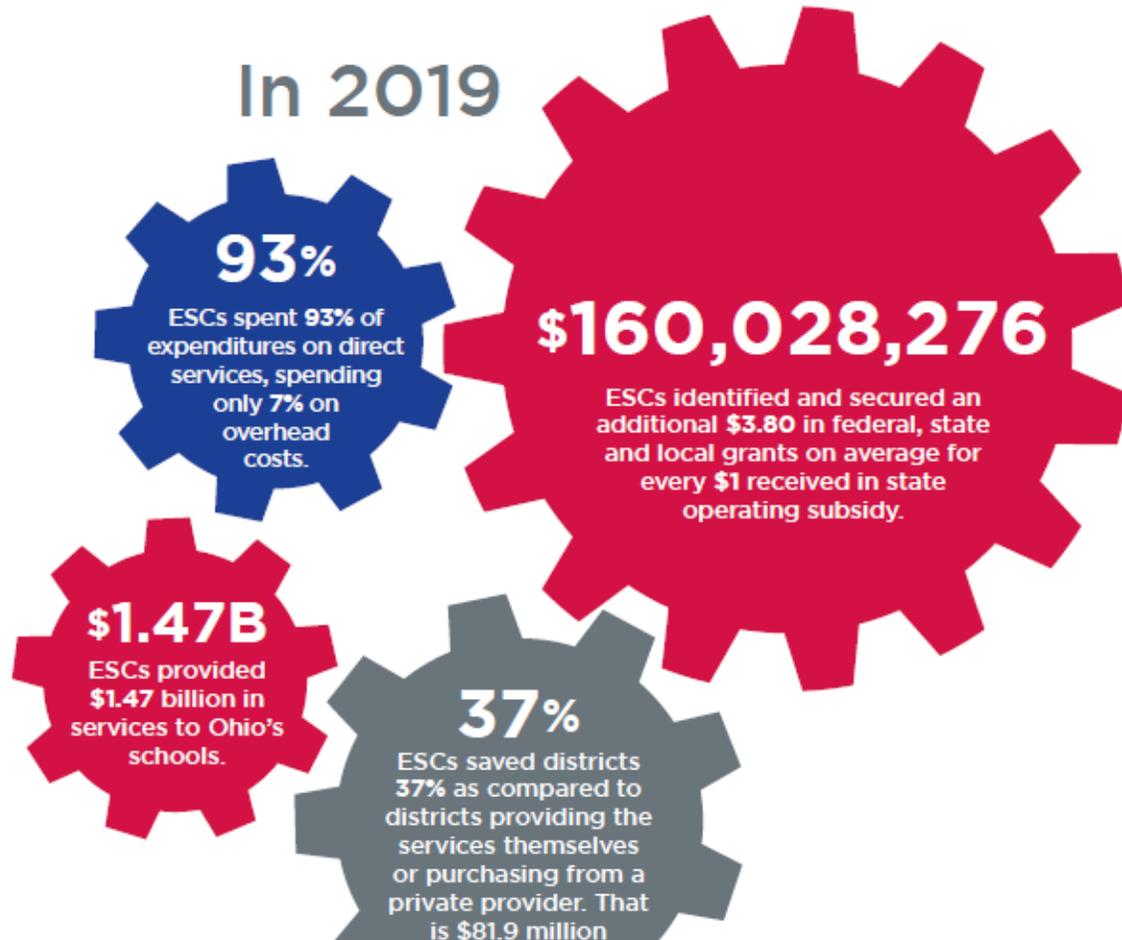


# HOW DO ESCs PARTNER WITH THE STATE OF OHIO?

- ESCs delivered 10.5 million masks for students and teachers in public, charter, STEM, JVS/CTC, and chartered nonpublic schools across Ohio in 2020.
- ESCs currently report weekly to ODE on school district instructional delivery models.
- 16 ESCs hold contracts to serve as State Support Teams (SSTs)
- 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.
- Over 100 ESC personnel have been trained to support implementation of the state standards, Student Growth Measures (SGMs) and Student Learning Objectives (SLOs).
- 185 ESC and SST personnel certified as Ohio Leadership Advisory Council trainers.
- 86 staff from 40 ESCs trained as Regional Data Leads (RDLs) to use student performance data to strengthen professional practice and improve learning for all students.
- 100 staff from 51 ESCs trained to support districts with the new high school graduation requirements and development of graduation seals.
- 32 ESCs and 16 SSTs within ESCs partner to promote Ohio's Plan to Raise Literacy Achievement.

# ESC IMPACT: Return on Investment

In 2019



The percent saved in FY 2020 under the high performing ESC application process was 36.96% for a total of \$81.9 million in savings.

This is a total of \$241.9 million in leveraged funds and costs savings.

For every \$1 in combined state/local funds, ESCs provide \$4.88 in additional resources through combined savings and grants.

# ESC IMPACT: Return on Investment



	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	5-year Annual Average
Avg. % Cost Savings	32.57%	35.14%	33.74%	36.96%	33.74%	34.43%
Total Cost Savings (5 areas only)	\$54,146,789	\$64,907,480	\$63,901,047	\$81,913,080	\$78,940,115	\$68,761,752

**TOTAL 5-YEAR SAVINGS \$343,808,511**

# CURRENT ESC OPERATING SUBSIDY

## Purpose of the ESC Operating Subsidy

**3313.843 (G)(1)**“ ... *for the operation of that service center and any services required under Title XXXIII of the Revised Code to be provided by the service center to a school district...*”

- The ESC Operating Subsidy is \$40 million each year of the biennium.
- Funding approximates \$26 per student for high performing ESCs and \$24 per student for all other ESCs. Funding is prorated to fit within the appropriation.
- A moratorium is placed on additional districts joining ESCs since FY 2018.
- The ESC Operating Subsidy (\$40 million) is 0.503% of the foundation aid funding, or 0.356% of all funds education spending.

# HB305 / SB 376

Sub HB 305 and SB 376 contain the following provisions related to ESC funding:

- Provides a base funding amount of \$356,250 for each ESC beginning in FY 2022.
- Creates a tiered funding model in which funding is reduced on a per pupil basis the larger an ESC becomes beginning in FY 2022.
- Requires ODE and the AOS to collaborate with ESC association to conduct a study of ESCs and recommend a new funding model to be implemented in FY 2023.
- Prioritizes ESC funding

# UPDATED ESC OPERATING SUBSIDY: ESC Association Plan

## Recommended Revised ESC Funding Model

- ESCs would receive the greater of \$559,795 or \$42.67 per pupil.
  - This assures that Ohio's smaller ESCs receive at least the minimum amount of funding required to meet their statutory obligations.
  - Used 3 years of operational expenditure data.

## Other Funding Policy Recommendations

- Review and recalibrate every four years.
- Develop uniform, consistent and standard methodology for report expenditures.
- Provide targeted funding support for state priorities with a focus on equity.
- Study the role of ESCs as federal pass-through entities or subrecipients and how to best leverage federal education dollars to drive improvement.
- Ensure ESCs are eligible for facilities funding with a focus on capital improvements to ESC facilities that provide direct student services.

# UPDATED ESC OPERATING SUBSIDY: ESC Association Plan

## How the Model was created:

- Uses an approach consistent with the development of the base cost funding model for districts contained within HB 305/SB 376 by looking at statewide average salary and benefits for key personnel and other expenses related to meeting statutory mandates.
- Data collected over 3 years from 31 ESCs from 6 different typologies.

## Benefits of new model:

- Provides a base amount to ensure all ESCs have the basic level of funding necessary to operate and provide statutorily required services to address equity concerns.
- Provides a rational, uniform per pupil funding amount for each ESC based on actual expenditure data.
- Improves upon current SB 376 and HB 305 proposal that is based on limited data, does not include all costs, and treats students within client districts differently.

# FOR MORE INFORMATION CONTACT:

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