

House Standing Committee on Finance

Thursday, March 4, 2021



Proponent Testimony: House Bills 1 & 110

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Introduction

Chairman Oelslager, Vice Chairman Plummer, Ranking Minority Member Crawley, and members of the House Finance Committee, thank you for the opportunity to testify before you today on both H.B. 1 and H.B. 110.

Overview

ESCs are the largest component of the state's Educational Regional Service System (ERSS), which has the statutory mandate to support state and regional education initiatives and efforts to improve school effectiveness and student achievement. The primary ESC service areas are centered around: 1) curriculum and instruction, 2) school improvement, 3) professional development, 4) special education and related services, 5) preschool, 6) facilitation, networking, and coordination, and 7) implementation of statewide initiatives charged to the ESCs by the Ohio General Assembly or department of education.

ESC Response to COVID-19

For over 100 years ESCs have played a critical role as convener, facilitator, broker and provider of education and educational support services. This experience was on full display over the past year as ESCs supported schools and districts, in partnership with the state, in the following ways:

Coordinator, Convener, & Facilitator. Building on existing relationships, professional networks, and meetings, ESCs have convened and facilitated meetings between schools, county departments of health and other local and regional agencies to ensure coordinated communication, technical assistance, and support in responding to the COVID-19 pandemic and related issues.

Instructional Delivery Models. ESCs currently report weekly to the department of education and Administration on school district instructional delivery models to assist policy makers in understanding where and how Ohio's students are being educated.

Mask Distribution. ESCs delivered nearly 12 million masks on behalf of the State of Ohio, to students and teachers in public, charter, STEM, JVS/CTC, and chartered nonpublic schools.

Vaccination Coordination. ESCs worked with the state of Ohio and providers to coordinated vaccinations for approximately 300,000 educators and essential employees in traditional public schools, community schools, STEM schools, career technical centers and JVSD, and chartered nonpublic schools.

Reframing Education Initiative. Nearly 100 curriculum and instruction and school improvement staff, content area specialists and other personnel from ESCs collaborated around a Reframing Education Initiative and workgroup support districts to make plans to reset, restart and recover high-quality educational opportunities for all students and schools. This effort leveraged the statewide network of ESCs to create three key deliverables: the Reframing Education Decision Making Framework (May 2020), Remote Learning Plan Template (June 2020), and Extended Learning Plan Template (February 2021).

Remote Learning Alliance. Other innovative ESC networks include the Remote Learning Alliance (RLA), which is a group of educational organizations committed to the collective impact of helping districts make a smooth and impactful transition to remote learning and continued support for personalized learning. To learn more about the remote learning alliance, visit: <https://www.escco.org/RemoteLearningAlliance.aspx>.

RemoteEDx. The expertise and capacity of ESCs is further leveraged throughout a new statewide remote learning initiative, RemotEDx, that leverages existing ESC experts to provide high-quality job-embedded professional development for remote, hybrid and blended education approaches.

Family and Community Partnership Liaisons. In partnership with ODE, 51 ESC Family and Community Partnership Liaisons will manage a regional process to 1) identify gaps in services and connect schools, families, and youth to community resources and local systems of care, and 2) provide professional development to boost local school district capacity to deliver effective family engagement.

Challenges with the current funding system.

ESCs currently receive \$26 per student. The per pupil subsidy 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. 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%.

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.

H.B. 1

H.B. 1 seeks to address these challenges through the following ESC-specific provisions:

- Prioritizes ESC funding;
- Provides a “placeholder” formula for FY 2022;
- 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.

Recommendations

The Ohio ESC Association requests the following amendments to H.B. 1 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:

- Equitable access to high quality educational opportunities for all students;
- 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
- Operation of the ESC and providing statutorily required services on behalf of the state.

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

Supporting Materials

- Comparison of H.B. 1 (As Introduced to OESCA Proposal)
- Overview of Ohio's ESCs

	H.B. 1	OESCA Recommendations
Base Funding	\$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)
Base Funding Components	\$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)
Per Pupil Funding	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)
Per Pupil Funding Components	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
Study of ESCs	Included.	No Provision.
Working group to develop a uniform, consistent and standardized methodology for ESC funding.	No Provision.	Included. (Based on recommendations included in AOS 3-year operational study of ESCs)
Require review and recalibrate funding every 2 years consistent with state budget process.	No Provision.	Included.

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

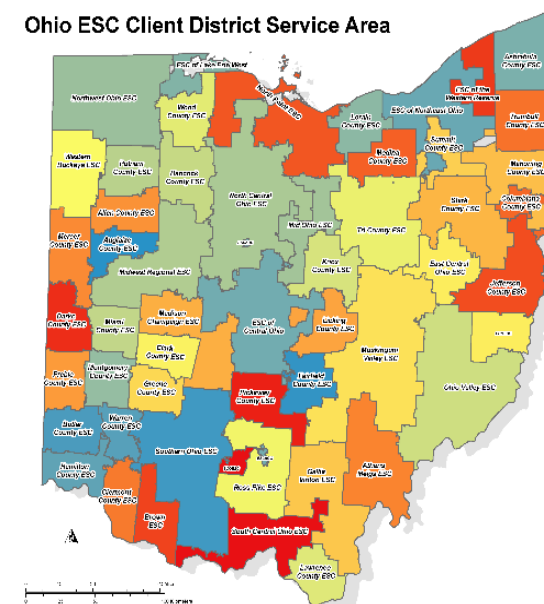
H.B. 1 & H.B. 110
March 2021

Innovate. Educate. Advocate.

OESC
ASSOCIATION

ESCs DEFINED

- Educational Service Agencies (ESAs) – known as Educational Service Centers (ESCs) in Ohio – are considered local education agencies or LEAs under federal law.
- ESCs are local political subdivisions and school districts under state law.
- Ohio law includes a provision that states that “school district” should be construed to include ESCs unless otherwise noted. Likewise, Ohio law states, “An educational service center shall be considered a school district for the purposes of eligibility in applying for any state or federal grant.” Ohio does not otherwise define “local education agency.” OH ST § 3311.055, § 3312.01(D)
- All public school districts under 16,000 ADM are required to align to an ESC as a “client” school district. All public school districts over 16,000 ADM may opt into aligning to an ESC. OH ST § 3313.843(A)(B)



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:

- 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;
- 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;
- A proactive system of support to assist districts in meeting the 21st century needs of Ohio's students and communities; and
- Operation of the ESC and providing statutorily required services

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.

WHAT IS THE ESC RESPONSE TO COVID-19?

- Coordinator, Convener, & Facilitator.
- Reporting on Instructional Delivery Models.
- Mask Distribution
- Vaccination Coordination
- Reframing Education Initiative:
 - Reframing Education Decision Making Framework (May 2020),
 - Remote Learning Plan Template (June 2020), and
 - Extended Learning Plan Template (February 2021)
- Remote Learning Alliance.
- RemoteEDx
- Family and Community Partnership Liaisons

HOW DO ESCs PARTNER WITH THE STATE OF OHIO?

- ESCs delivered 11.6 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.

HOW DO ESCs PARTNER WITH THE STATE OF OHIO?

- 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.

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 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 (ODE) & Fiscal Audits (Ohio AOS)**
- **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**

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.

HB 1 (134th GA)

H.B. 1 (as introduced) contains 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 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 1 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 HB 1 proposal that is based on limited data, does not include all costs, and treats students within client districts differently.

ACCESSING ESC SERVICES

- For more information about Ohio's ESCs go to: <https://www.oesca.org>
- To locate an ESC, go to: <https://www.oesca.org/vnews/display.v/SEC/ESCs>
- For information on ESC services during the COVID-19 related school closures go to: <https://www.oesca.org/vnews/display.v/SEC/ESC%20Services%20%26%20School%20Closure>.
- To learn more about the Remote Learning Alliance, visit: <https://www.escco.org/RemoteLearningAlliance.aspx>.
- To participate in the Reframing Education Initiative, go to: <http://reframingeducation.org/>
- Access RemotEDx Support Squad information here: <https://remotedx.infohio.org/professional-learning/support-squad>

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