

Ohio House of Representatives Education Committee

March 4, 2025



Interested Party Testimony: H.B. 96

Craig Burford, Executive Director, Ohio Educational Service Center Association

Introduction

Chair Fowler-Arthur, Vice Chair Odioso, Ranking Minority Member Robinson, and members of the House Education Committee, thank you for the opportunity to testify before you today on H.B. 96, the FY 2026-2027 biennial state operating budget.

Overview

Educational Service Centers (ESCs) are considered local education agencies (LEAs) and school districts under state and federal law and are the largest component of Ohio'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 consortia-based services provided to schools and districts are in the areas of: 1) curriculum and instruction, 2) school improvement, 3) professional development, 4) special education and related services, 5) early childhood education, 6) facilitation, networking, and coordination (*BACs, CSTAG, Prevention Education, Emergency Services*), 7) cooperative purchasing, and 8) implementation of any statewide initiatives charged to the ESCs by the Ohio General Assembly or Department of Education and Workforce (DEW).

ESCs provide these services in a cost-effective manner. Each year Ohio's ESCs are required under state law to compare the cost of their services to those of third-party providers and/or client districts providing the services themselves. In 2024 ESCs reported more than \$100 Million in savings. Additionally, ESCs identified, pursued and procured over \$317 Million in grants for their client districts. Total leveraged dollars were \$417.388 Million. Meaning that ***for every \$1 in state operating subsidy, ESCs generated \$8.83 cents in cost savings and outside grants in return.***

ESC state funding was at its highest level in FY 2007 at \$52 Million per year, which equaled \$37 per student. That \$37 per student, adjusted for inflation, would be \$58.17 in FY 2025. Since that time, the state required district alignment with ESCs, adding 33 districts and 55,562 students. ***Funding has not kept pace. In FY 2025, ESCs will receive \$47.28 Million or \$32.36 per student on average; this is \$4.64 per student less than FY 2007 in real dollars or \$25.81 per student less than that inflation adjusted number.***

Funding Request

HB 96 as introduced includes years 5 and 6 of a phased-in funding formula for ESCs that was adopted in the FY 2022-2023 state budget. Unfortunately, this now outdated funding model is based on FY 2018-2020 data (3-year average). In the 135th General Assembly, the legislature increased funding for schools and school districts through the Fair School Funding Plan by updating the per pupil base cost inputs to reflect FY 2022 costs. However, ***this update did not include ESC funding.***

ESC Budget Priorities

- Update ESC Funding Model and Cost components
- Continue phasing in the Fair School Funding Plan with FY 2024 Inputs
- Remove language related to RC3312 and address in separate legislation
- Retain funding of ESC gifted units
- Retain Funding for School Improvement through ESCs
- Support transportation safety initiatives and related \$4M training through the ESC/JVS Pre-service Pgm
- Support Executive Proposal for literacy initiatives leveraging ESCs

We are urging the Ohio General Assembly to make the necessary changes to the ESC funding formula to update the base cost and per pupil funding components to reflect the most recent information available about the work of ESCs as outlined in my testimony and the attached resource documents. This includes the addition of a third tier to the funding model.

This approach accounts for economies of scale, based on the size of ESC, to ensure each receives adequate resources to serve their client schools and districts efficiently and effectively.

Key Factors to Consider

As you deliberate the outlined request, I ask that you consider the following key factors related to the increased operational costs of ESCs and how ESCs differ from other public education entities:

1. ESCs have significantly expanded their capacity and services to address state priorities resulting in a 10% increase in personnel from 2020 to 2023 and an increase in indirect costs and operational expenses.
2. ESC services to nonpublic schools have increased by 202% in the past 3 years, from 166 to 501 schools, alongside increased services to other educational options.
3. Unlike traditional public schools, JVSs, or County Boards of DD, ESCs lack taxing authority and are ineligible for Ohio Facilities Construction Commission funding.
4. ESCs face challenges in sustaining expanded services and personnel beyond grant funding periods, particularly for state priorities.

Based on these factors and the increase in operational costs for services, particularly those delivered on behalf of the state, it is important to update the data used to fund ESCs, even if a phase-in of the formula is utilized.

Why is this Funding Support Important?

ESC state funding supports a regional deployment infrastructure. Why is this important? It provides ongoing support as well as rapid response to critical needs. Recent examples include but are not limited to the following:

- Threat assessment training (CSTAG) was set up and rolled out within 60 days (3,930 personnel in 1,164 schools across 422 districts received training in 8 months).
- A student readiness benchmark credential was designed and deployed in 90 days using ESCs across the statewide network.
- Deployment of over 50 million units of PPE and more than 225,000 test kits from 2020 – 2021.

Direct state funding of ESCs provides stability, continuity, and equal access to necessary support services that help all educators and students in their client districts succeed.

Other Priorities

- **Funding for Updated School Bus Safety Training.** OESCA supports increased funding for the preservice training program to support enhanced professional development for school bus drivers.
- **ESC eligibility for school bus safety grants.** OESCA supports Governor DeWine's proposal to provide funding for school bus safety enhancements. We are requesting an amendment to add ESCs to the list of eligible applicants to receive funding under the grant program.

- ***Educational Regional Service System (ERSS)***. The bill, as introduced, proposes major changes to Ohio's regional support system. These changes will have a direct impact on student services throughout the state. A shift of this magnitude requires careful consideration and deliberation. We request that these changes be removed from the bill and that standalone legislation be introduced to properly consider the proposal and its impact on students.

Closing

In closing, ESCs are implementers that can launch high-quality initiatives rapidly upon request but need the requisite operational support. This includes ensuring ESCs are positioned to carry out work in support of literacy initiatives and other key state level priorities including, importantly, those priorities identified in the 2-year budget. ***Thank you for your time and positive consideration and I would be happy to address any questions at this time.***

Attachments:

Current FY25 State Funding

47,281,867.84

Current Funding Model: HB96 As Introduced

FY26: Phase-in year 5

49,152,479.55

Difference from Current FY25

1,870,611.71

FY27: Phase-in year 6

51,023,465.46

Difference from FY26 in This Model

1,870,985.91

New Funding Model Using FY22 Inputs

FY26

66,465,055.30

Difference from Current FY25

19,183,187.46

FY27

71,798,556.24

Difference from FY26 in This Model

5,333,500.94

New Funding Model Using FY24 Inputs

FY26

72,924,665.86

Difference from Current FY25

25,642,798.02

FY27

79,550,088.99

Difference from FY26 in This Model

6,625,423.13

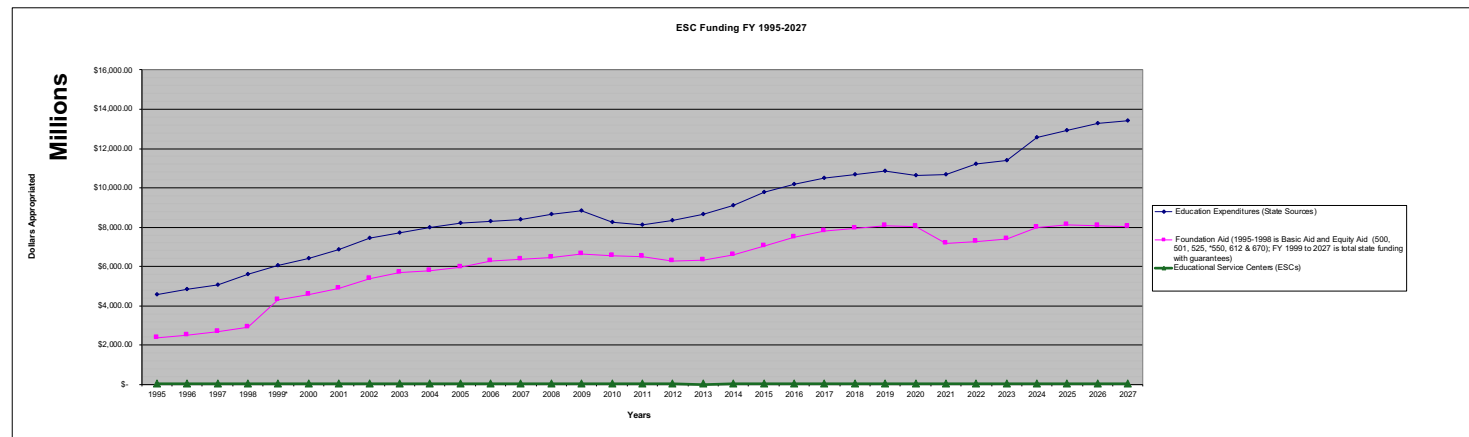
	HB 96 As Introduced <i>(Based on Am. Sub. H.B. 110 (134th GA) As Enacted)</i>	2024 OESCA Proposal
Basis Year	FY 2020 (calculated using 3-year average)	FY 2024
Base Funding	\$356,250 (3-year average)	\$540,675 (Based on FY 2024 data)
Base Funding Components	<p>\$115,000 – superintendent salary \$88,000 – treasurer salary \$50,000 – central office administrative assistant \$63,250 – benefits for three positions \$40,000 – facility costs</p> <p>Phased in over 6 years.</p>	*Same as current law plus OESCA proposal for Governing Board. Support policy tying ESC base cost to district Foundation aid.
Per Pupil Funding	<p>Based on \$36.80</p> <p>FY 2020 data (3-year average)</p> <p>(2-Tiered model creates varying per pupil amounts by ESC depending on size)</p> <p>Phased in over 6 years.</p> <p>5,000 – 35,000: \$24.72 >35,000: \$30.90</p>	<p>\$75.28</p> <p>FY 2024 data</p> <p>The per pupil funding mechanism consists of modified 3 tiers, beginning with the 5001st student in an ESC’s membership:</p> <p>*5001 thru 30,000, \$48.93/pupil *30,001 thru 50,000, \$41.41/pupil *>50,001 and beyond, \$33.88/pupil</p> <p>These amounts represent, respectively 65%, 55%, and 45% of the median cost per pupil during FY 2024.</p>
Per Pupil Funding Components	<p>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</p>	<p>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</p>
Full Funding of ESCs	Phased-in Over 6 Years at 16.6667% per year.	<p>Continue phase-in over FY 2026-2027 using new data and model.</p> <p>Fund up to the appropriated amount of funding in each year not limited by the phase-in.</p> <p>(Due to declining enrollment, the full appropriation amount approved by the General Assembly will not be utilized in each year. The phase-in can be accelerated by funding up to the appropriation amount rather than limiting it to a particular phase-in %.)</p>

	HB 96 As Introduced <i>(Based on Am. Sub. H.B. 110 (134th GA) As Enacted)</i>	2024 OESCA Proposal
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 released in March 2020)
Require review and recalibrate funding every 2 years consistent with state budget process.	No Provision.	Included. This could be completed as part of a uniform, standard and regular review and update of overall school funding.
Funding in FY 2022-2023	Phased in at 16.6667% each year. (Due to declining enrollment, the full appropriation will not be spent in either year of the phase-in.)	Phase-in at new levels over FY 2026-2027
Total Funding Amount when fully phased in over 6 years	\$52,818,243 Funded at 50% in FY 2024 and 66% in FY 2026 \$45.6 – FY 2024 \$47.6 – FY 2025	\$79,550,089

Table 1

ESC Funding: Historic Trendlines FY 2005-2027												
Source: ODE/DEW Legacy Reports	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
# client districts served	577	577	577	577	577	577	577	577	608	611	611	611
# students	1,410,478	1,409,816.91	1,405,423	1,401,181	1,396,575	1,392,192	1,385,765	1,380,088	1,500,105	1,437,408	1,491,082	1,543,819
State Operating Subsidy Funding	\$ 52,000,000.00	\$ 52,000,000.00	\$ 52,000,000.00	\$ 47,000,000.00	\$ 46,999,999.00	\$ 46,400,000.00	\$ 46,400,000.00	\$ 41,760,000.00	\$ 35,496,000.00	\$ 43,499,999.00	\$ 39,999,999.00	\$ 41,600,000.00
Average Per Student Funding	\$ 36.87	\$ 36.88	\$ 37.00	\$ 33.54	\$ 33.65	\$ 33.33	\$ 33.48	\$ 30.26	\$ 23.66	\$ 30.26	\$ 26.83	\$ 26.95
Inflation adjusted* (u.s.d.s)	\$ 38.29	\$ 39.20	\$ 41.18	\$ 40.38	\$ 40.87	\$ 41.81	\$ 42.47	\$ 43.29	\$ 44.29	\$ 44.17	\$ 44.24	\$ 44.68
Gap	\$ (1.41)	\$ (2.20)	\$ (7.64)	\$ (6.73)	\$ (7.54)	\$ (8.33)	\$ (12.21)	\$ (19.63)	\$ (13.91)	\$ (17.41)	\$ (17.73)	
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Proposed	Proposed
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	
	611	611	610	610	610	610	610	610	610	610	610	610
	1,599,092	1,537,579	1,535,839	1,530,675	1,525,219	1,469,902.00	1,477,294.00	1,474,046.00	1,460,985.00	1,460,985.00	1,460,985.00	
	\$ 41,576,382.00	\$ 39,977,054.00	\$ 39,931,814.00	\$ 39,797,550.00	\$ 39,655,694.00	\$ 41,710,854.95	\$ 43,695,473.64	\$ 45,586,087.71	\$ 47,281,867.84	\$ 49,153,000.00	\$ 51,023,000.00	
	\$ 26.00	\$ 26.00	\$ 26.00	\$ 26.00	\$ 26.00	\$ 28.38	\$ 29.58	\$ 30.93	\$ 32.36	\$ 33.64	\$ 34.92	
	\$ 45.48	\$ 46.82	\$ 47.59	\$ 47.82	\$ 50.14	\$ 54.42	\$ 56.04	\$ 57.60	\$ 58.17	TBD	TBD	
	\$ (19.48)	\$ (20.82)	\$ (21.99)	\$ (21.82)	\$ (24.14)	\$ (26.04)	\$ (26.46)	\$ (26.67)	\$ (25.81)	TBD	TBD	

Table 2



ESC Funding

FY 2026-2027 Proposal &
Background Information

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ESC FUNDING SOURCES: Historical Context

ESC Funding Sources

ESC Funding Sources

		1990-1991	1996-1997	2012-2013	2014-Present
Federal Funding	Medicaid in Schools (Formerly CAFS or Community Alternative Budget Support)	X	X		
	State Per Pupil Subsidy	X	X	X	X
State Funding	Preschool Special Education Units	X	X	X	
	Categorical Units				
	vocational education	X	X		
	special education	X	X		
	gifted education	X	X	X	X+
	child study	X	X		
	occupation or physical therapy	X	X		
	speech and hearing	X	X		
	adaptive physical development	X	X		
	special education supervisors and coordinators	X	X		
	Excess Cost Reimbursement	X	X	X	
	Special Education Transportation	X	X	X	X
	Small County Guarantee	X	X		
	\$6.50 Local Deduct	X	X	X	X
	Supervisory Units	X	X	X	
Local Funding	Extended Service (Paid for by Districts)	X	X	X	
	Fee-For-Service Contracts	X	X	X	X
	Facilities Support & Facilities Maintenance (Provided by Boards of County Commissioners)	X	X		
Other Funding					

NOTES

*State funded gifted units were reduced by 50% for FY 2014 and FY 2015; Funding restored in FY 2024-2025

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FUNDING PROBLEM STATEMENT

- ESCs do not have local taxing authority.
- Over the years, additional districts and students have been added to ESCs with required alignment but funding has not kept pace.
- Because of arbitrary caps (due to phase in) the current funding levels do not match the rational basis for the current ESC Funding Methodology
- There is a growing imbalance in State/Local funding sources
- ESCs are required to have business advisory councils, approve all special education cooperative agreements, 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. ***To meet these statutory requirements, ESCs need predictable, stable funding.***

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FY 2024-2025 FUNDING PROBLEM STATEMENT

- Under the executive budget proposal, the DeWine Administration recommended the continued phased-in funding of years 5 and 6 of the model adopted in the 134th General Assembly consistent with the recommendation for traditional school districts.
- In the current budget (135th GA), unlike funding for traditional public school districts and other educational entities, ESCs did not see an adjustment to funding levels based on costs through FY 2022. ESCs still funded on FY 2018-2020 Costs.

Sub. H.B. 33: School Funding Increases

	FY 2024	FY 2025	
	\$ Increase over Exec (as Introduced)	\$ Increase over Exec (as Introduced)	Total Increase
Traditional Public School Districts	\$497,100,000	\$607,300,000	\$1,104,400,000
JVSD	\$34,500,000	\$46,000,000	\$80,500,000
Community and STEM Schools	\$53,000,000	\$74,800,000	\$127,800,000
Creation of New Independent STEM Schools	\$10,000,000	\$10,000,000	\$20,000,000
County Boards of DD	\$6,000,000	\$6,000,000	\$12,000,000
Income Based EdChoice Scholarship	\$49,000,000	\$49,000,000	\$98,000,000
Educational Service Centers	\$0	\$0	\$0

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FY 2026-2027 FUNDING PROPOSAL

Current FY25 State Funding	47,281,867.84
Current Funding Model	
FY26	49,152,479.55
Difference from Current FY25	1,870,611.71
FY27	51,023,465.46
Difference from FY26 in This Model	1,870,985.91
New Funding Model Using FY22 Inputs	
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Difference from Current FY25	25,642,798.02
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Current Law & Exec Budget Proposal

Updated Model with FY 2022 Inputs

Updated Model with FY 2024 Inputs

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WHY FULL FUNDING OF UPDATE COST MODEL FOR ESCs?

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

Having quality ESC staff in place for quick, efficient and effective roll-out and implementation of state initiatives;

Implementing PD and Technical Assistance on behalf of the state for priorities enacted in FY 2024-2025 and future budgets and General Assemblies;

Sustaining and supporting literacy and math coaches and other statewide priorities as determined by the General Assembly and/or DEW;

Continued support of services under EANS to nonpublic schools including ongoing inventory control and related issues;

Continue and expand support of workforce development and career connection through BACs;

Support preventive services and MTSS in schools;

Maintain learning recovery and acceleration and related support services

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WHY FULL FUNDING OF UPDATE COST MODEL FOR ESCs?

Coordination of county & regional support services related to academics, public health and safety in schools, non-academic barriers to learning;

Implementation of business advisory councils and coordination of education and workforce related initiatives between schools and business & industry;

A proactive statewide system of support that includes: school improvement, literacy supports, learning recovery, family and community engagement liaisons, regional data leads, high intensity tutoring and more;

Equitable access to high quality educational opportunities for all students;

Every Student Succeeds Act (ESSA) Implementation;

Cost-effective, efficient roll-out and ongoing support in the implementation of direct technical assistance to school districts on state and federal mandates;

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ESC IMPACT: Return on Investment



Each year Ohio's ESCs are required to compare the cost of their services to those of third-party providers and/or client districts providing the services themselves. Initially, to retain the \$26 per pupil state operating subsidy, ESCs were required to demonstrate a minimum of 5% cost savings across 5 service areas. This is only 5 out of the more than 85 identified service areas ESCs provide. Today, the high-performing ESC designation provides information about the efficacy of the ESC system and is one of 3 conditions required for ESC services to be exempt from competitive selection under state/federal procurement laws.

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	9-year Average	Total Savings
# of High Performing ESCs	52	52	52	52	51*	51	51	51	51		
Avg. % Cost Savings	32.57%	35.14%	33.74%	36.96%	33.74%	37.79%	37.20%	40.49%	39.32%	35.95%	
Total Cost Savings (5 areas only)	\$54,146,789	\$64,907,480	\$63,901,047	\$81,913,080	\$78,940,115	\$75,345,360	\$77,678,411	\$90,763,269	\$100,039,905	\$76,403,940	\$687,635,457

In 2024 ESCs reported \$100.039 Million in savings. Additionally, ESCs identified, pursued and procured \$317.34 Million in grants for their client districts. Total leverage dollars were \$417.388 Million. Meaning that **for every \$1 in state operating subsidy, ESCs generated \$8.83 cents in cost savings and outside grants in return.**

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ESC IMPACT: Return on Investment

How do ESCs achieve these cost savings? The ESC shared services model drives higher value at lower cost primarily through the following key strategies:

- 1) Lower capital costs;
- 2) Reduced redundancies;
- 3) Pooled resources;
- 4) Deployment of itinerant, shared staff; and
- 5) Economies of scale.

ESCs also provide other “intangibles” that are more difficult to measure including:

- 1) Coordination and facilitation of meetings;
- 2) Reviewing and vetting;
- 3) Reducing administrative burden and more.

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FOR MORE INFORMATION CONTACT:



Ohio Educational Service Center Association

8050 North High Street, Suite 150

Columbus, OH 43235

Office: (614)846-3855

Cell: (614) 561-6818

Email: info@oesca.org

Web: www.oesca.org

Social Media: www.twitter.com/oesca

<https://www.facebook.com/OhioESCAssociation>

<https://www.instagram.com/ohioescassociation/>

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