

Ohio House of Representatives Finance Committee

March 12, 2025



Interested Party Testimony: H.B. 96

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Introduction

Chair Stewart, Vice Chair Dovilla, Ranking Minority Member Sweeney, and members of the House Finance 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.

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

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.***

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
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Current Funding Model: HB96 As Introduced

FY26: Phase-in year 5	49,152,479.55
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<i>Difference from Current FY25</i>	1,870,611.71
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FY27: Phase-in year 6	51,023,465.46
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<i>Difference from FY26 in This Model</i>	1,870,985.91
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New Funding Model Using FY22 Inputs

FY26	66,465,055.30
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<i>Difference from Current FY25</i>	19,183,187.46
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FY27	71,798,556.24
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<i>Difference from FY26 in This Model</i>	5,333,500.94
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New Funding Model Using FY24 Inputs

FY26	72,924,665.86
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<i>Difference from Current FY25</i>	25,642,798.02
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FY27	79,550,088.99
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<i>Difference from FY26 in This Model</i>	6,625,423.13
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	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	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
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	\$ 44.17	\$ 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	
	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)	\$ (21.59)	\$ (21.82)	\$ (24.14)	\$ (26.04)	\$ (26.46)	\$ (26.67)	\$ (25.81)	TBD	TBD	

Table 2

