

info@oesca.org • May 4, 2017

## UPDATED MEMBERS ONLY BRIEFING

**Am. Sub. H.B. 49**  
**ESC & Other Education Provisions**

*Thursday, May 4, 2017*

**This OESCA *Members Only Briefing* provides an overview and summary analysis of the proposals contained within Amended Substitute House Bill 49, the FY 2018-2019 biennial state operating budget, as passed by the Ohio House of Representatives.**

### ESC Funding

- Am. Sub. H.B. 49 sets the per pupil state operating subsidy payment amount in each fiscal year to \$25 for high performing ESCs and \$23 for all other ESCs and, if necessary, requires ODE to prorate the payment amounts to fit the earmark for state payment of ESCs.
  - These funding levels are up from those proposed by the Governor (\$20 and \$18 per pupil), but down from the current fiscal year (\$27 and \$25). The House passed version is approximately -6.3% below current funding levels. However, there are other targeted funding sources as outlined below.
- Am. Sub. H.B. 49 maintains the requirement that ESCs demonstrate a minimum 5% cost savings in at least 5 service areas under a “high performing ESC” application process.
- Am. Sub. H.B. 49 funds ESCs first for local, exempted village and smaller city school districts and then the “Big 8” urban districts if funding is available. If the need exceeds the appropriation, the affected ESCs will be funded for the ADM of the “Big 8” urban districts on a prorated basis.
- The substitute bill also established a moratorium on additional school districts joining ESCs during FY 2018-2019. Only 1 district in the state is not currently aligned to an ESC.

**Table 1: ESC Funding**

*Outlined below, by category, are funding levels by earmark or line item specific to educational service centers.*

	<b>FY 2017 (Current)</b>	<b>Governor FY 2018-2019</b>	<b>House FY 2018- 2019 House</b>
<b>ESC Operating Subsidy</b>	<b>\$41.6 million</b>	<b>\$31 million each year</b>	<b>\$39 million each year</b>
<b>Gifted Unit Funding</b>	<b>\$3.8 million</b>	<b>\$3.8 million each year</b>	<b>\$3.8 million each year</b>
<b>School Improvement</b>	<b>\$3.5 million</b>	<b>\$10 million each year</b>	<b>\$8.198 million each year</b>
<b>Regional Literacy Specialists</b>	<b>\$750,000</b>	<b>\$750,000 - FY '18 \$1.25 M - FY '19</b>	<b>\$738,750 - FY '18 \$1.23 M - FY '19</b>

Ultimately, while the per pupil subsidy remains approximately 6.3% less than current funding levels, there are additional funds available to ESCs through the School Improvement earmark and under the 200-427 (standards), 200-566 (literacy), and 200-439 (accountability/report cards) line items, resulting in increased funding on the aggregate for ESCs as compared to the current fiscal year.

**Table 2: ESC Per Pupil Funding**

*Outlined below are the current and proposed per pupil funding levels for comparison purposes:*

	<b>FY 2017 (Current)</b>	<b>FY 2018 -2019 Governor</b>	<b>FY 2018-2019 House</b>
<b>High Performing ESCs</b>	<b>\$27 per student</b>	<b>\$20 per student</b>	<b>\$25 per student</b>
<b>Other ESCs</b>	<b>\$25 per student</b>	<b>\$18 per student</b>	<b>\$23 per student</b>

## **ESC Policy Issues**

### ***Setting funding priorities and guidelines***

- Am. Sub. H.B. 49 removed temporary law language directing the state superintendent to set new priorities and guidelines for the use of the ESC operating subsidy and requires the funds to be spent on reducing client expenditures and school improvement.

### ***Standards and Curriculum***

- Am. Sub. H.B. 49 directs ODE to use ESCs in the development and delivery of professional development on content standards and curricula. This is consistent with legislative intent in 3312 of the Ohio Revised Code.
  - There are also additional funds available to ODE for this purpose (\$3.6 M). It is unknown at this time the availability of funds to ESCs or the method of distribution.

### ***Report Cards and Value Added***

- Modifies an earmark in 200-439, Accountability/Report Cards, and Value Added to require a portion go to ESCs to support training and professional development instead of providing it to a non-profit with expertise in value-added dimensions. This is consistent with legislative intent in 3312 of the Ohio Revised Code.

- There are also additional funds available to ODE for this purpose (\$6.5 M) and ODE is directed to provide a portion of the funding to ESCs. It is unknown at this time the availability of funds to ESCs or the method of distribution.

### ***ESC Community School Sponsors***

- Permits an ESC that sponsors community schools and has a sponsor rating of effective or higher to sponsor (1) an internet- or computer-based school (“e-school”) without any previous experience sponsoring an e-school and (2) a community school regardless of whether or not it is located in the ESC’s territory or a contiguous county.

### ***COG/ESC Fiscal Agent to Administer Health Benefits***

- Allows a regional council of government to contract to administer and coordinate the self-funded health benefits program of a non-profit corporation if the council has an ESC as its fiscal agent.

### ***Study of Special Education Related Services Personnel Shortages***

- Directs the Superintendent of Public Instruction to establish a workgroup on related services personnel shortages, for the purposes of improving coordination of state, school and provider efforts to address the related services needs of students with disabilities.

### **Bottom Line & Next Steps**

Ultimately, the House budget proposal provides additional funding to ESCs on the aggregate including targeted funding for specific priorities related to school improvement and technical assistance around standards and curriculum, and state report cards. This approach provides relative stability for most ESCs, which is important given the tight budget environment and reports that the state continues to miss budget estimates. According to some reports, the Ohio Senate will need to identify up to an additional \$128 million in cuts, new revenue or a combination thereof.

The bill is currently pending in the Ohio Senate. OESCA is slated to testify on May 10 at 2:30 p.m. or following Senate Session.