

Education Service Center Funding

Introduction

Legislation in 1914 provided for the establishment of County Boards of Education that were primarily charged with the responsibility to reorganize the then 2,674 school districts in the state (many of which were rural one-room school houses) through consolidation and centralization. They were also charged with the task of providing a minimum course of study, providing in-service training for teachers, assuring that all teachers and administrators were properly certified and providing classroom supervision.

The role of county offices evolved and expanded over the next several decades. In the 1930s, they began assisting districts with fiscal and purchasing services. In the 1960s, their responsibilities expanded again as they began operating special education programs for schools. In the 1970s, County Boards added additional professional development offerings to their catalog of services. Each of these service activities is continued today.

Whereas initially County Boards of Education served local school districts, in 1989, Senate Bill 140 allowed them to contract with city and exempted village school districts for the same line of services as they provided local school districts with additional state funding to support those activities.

In 1995, under HB 117, the County Boards of Education were renamed “Educational Service Centers” (ESC) and went through an initial round of consolidations. This legislation promoted a role change for ESCs from that of imposing standardization on small rural districts to providing large-scale support and special programs to local as well as city and exempted village school districts.

School districts and community schools can contract with ESCs in accordance with different sections of the law. One set of agreements would be under the provisions of ORC Section 3313.843 for which payment to the ESC will be made pursuant to ORC Section 3317.11(B)(C) or (F) which will be explained in detail below. Another set of agreements for services between an ESC and a school district materializes under ORC Section 3313.845 under which an ESC provides the needed services to a school district based on a mutually agreed upon amount. Payment to the ESC for these contracts will be made pursuant to ORC Section 3317.11(D). So, there are two sets of agreements that an ESC can have with school districts; one under ORC Section 3313.843 and another one under ORC Section 3313.845. A comprehensive explanation of these funding streams is provided below in this document.

ESCs currently provide services to more than 95% of Ohio’s 614 traditional public school districts as well as community schools and chartered non-public schools. ESCs are the largest regional service providers with over 11,000 personnel. Since ESCs have no legal taxing or bonding authority, they must depend on revenues from member school districts, from the state as prescribed in law, through contracted services to districts, and from competition for grants and state funding. Funding of ESCs materializes through three sections of the law: pursuant to provisions of ORC Section 3313.843, ORC Section 3313.844 and ORC Section 3313.845.

Before explaining the funding of the ESCs as provided under the aforementioned sections of the law, we will provide an explanation of the FY12/13 funding changes as they are spelled out in Am. Sub. H. B. 153 and H. B. 157 of the 129th General Assembly.

ESC Funding in FY 2012 and FY 2013

Am. Sub. H. B. 153 of the 129th General Assembly introduced changes in the state funding of ESCs and requirements for membership in them. Additionally, H. B. 157 has made some changes to the provisions of Am. Sub. H. B. 153 in an effort to correct some aspects of the legislation and to further clarify the language.

Section 3313.843(B) of the law provides that each city, exempted village and local school district with an average daily student enrollment of 16,000 or less as reported on their most recent Report Card shall enter into an agreement with an ESC for services described above under ORC Section 3313.843. The law of course does not prohibit school districts with enrollments greater than 16,000 from entering into an agreement with an ESC.

An agreement entered into pursuant to this section of the law must be filed with the Ohio Department of Education by July 1 of the school year for which the agreement is in effect. If a school district wishes to terminate its agreement with an ESC, it must notify the ESC by March 1, 2012 (as per H. B. 157) or by the first day of January of odd-numbered years thereafter. Failure of a school district to notify the ESC of its intent to terminate the agreement by March 1st 2012 will result in the automatic renewal of the agreement for the following school year. Thereafter, failure of the school district to notify the ESC of intent to terminate the agreement by the 1st day of January of odd-numbered years will amount to automatic renewal of the existing agreement for the following two school years.

As far as the state funding of ESCs is concerned, Section 267.40.70 of the temporary language in Am. Sub. H. B. 153 provides for a transitional approach in FY 2012 and 2013 in which each ESC receives funding equal to 90% of the total for per-pupil (\$37/\$40.52) amount it received in FY 2011. By the same token, this funding in FY 2013 will equal 85% of the total funding received in FY 2012.

ORC Section 3313.843 Contracts

Under this section of the law an ESC and a school district come into an agreement for service delivery by the ESC for which the ESC is compensated from two sources, state and local. Funding from both of these sources is provided to the ESC on per-pupil or on unit bases. The per-pupil based funding simply involves the application of a per-pupil amount to the number students to whom the ESC provides services. Unit funding on the other hand involves a payment based on the calculation of the cost of operating a unit, which involves paying for the salary of the personnel involved in running the unit plus other associated costs.

The units that operate at an ESC could be classroom units or they could be supervisory units. The parameters on the bases of which unit funding is calculated are identical for both types of units although some of the factors involved in calculations differ depending on whether the unit is a classroom unit or a supervisory one. ORC Sections 3317.11, 3317.13, 3317.052 and 3317.053 establish the following parameters for calculating unit funding:

- 1) A salary allowance for the personnel in charge of the unit derived from where this person falls on the state minimum salary schedule provided in ORC Section 3317.13 plus a 15% fringe benefit allowance.

- 2) Non-salary unit allowances of:
 - a. \$8,023 for preschool classroom units,
 - b. \$2,132 for preschool related supervisory services and
 - c. \$2,678 for gifted education classroom units.
- 3) Supplemental unit allowances of:
 - a. \$7,799 for preschool classroom units and
 - b. \$2,966 for preschool related supervisory services.

The following example shows how funding for a unit is generated based on the above parameters. Assume the state is funding a preschool special education classroom unit which involves a teacher with master degree and 11 years of experience. If the state minimum salary for such a teacher is \$30,000, then based on the above parameters the total unit funding will amount to:

Minimum Salary	\$30,000	
Benefit Allowance	\$4,500	(\$30,000 x 0.15)
Unit Allowance	\$8,023	
Supplemental Unit Allowance	\$7,799	
Total Unit Allowance	\$50,322	(\$30,000 + \$4,500 + \$8,023 + \$7,799)

This funding calculation applies to all units whether they are preschool special education or gifted education; whether they are paid for by the state or they are locally funded.

State Funding

State funding is provided to support the ESC basic operations and statutorily mandated services. In the context of regular public school districts and community schools that receive services from ESCs this state funding amounts to about \$90 million per year at the state level which makes up about one third of the total annual ESC funding. It consists of two major funding categories:

1. Unit Funding
2. Per-Pupil Allocation

Unit Funding

ORC Section 3317.11(B) provides for state funding for approved gifted education and preschool special education classroom and supervisory units operating at an ESC. This funding is calculated for each unit according to the above methodology based on their respective unit allowances.

ESC employee data submitted through EMIS and reported on ODE form [J40408](#) are used to calculate these unit allowances. Their sum is reported as “Total Special Education Allowance” and “Total Gifted Allowance” on page 2 of this form and on form [J40404](#) under the heading “Special Education”.

Per-Pupil Allocation

As mentioned earlier, the per-pupil funding in the permanent section of the law does not apply to the FY 2012 and 2013. The budget bill contains a “notwithstanding” provision that overrides the permanent law section. According to the bill’s provision, ESCs receive a percentage of the funding they received in the previous year.

ORC Section 3317.11(F) in the permanent law provides for the state to pay ESCs \$37.00 per pupil for single county ESCs or \$40.52 per pupil for multi-county ESCs to help support their basic operations and provision of services to school districts, community schools, chartered non-public schools and county and state run juvenile detention facilities.

The pupil count used in this calculation for each client (Am. Sub. H. B. 153 of the 129th General Assembly refers to all ESC member districts as ‘client’ districts whether local, city or exempted village) district appears on ODE form [J40404](#) under the column heading “\$37/\$40.52”. The ADM used in this calculation is the K-12 count of client districts minus the E-school ADM and minus the ADM of community schools that are sponsored by another ESC plus the ADM of community schools that are sponsored by the ESC in question plus the handicapped preschool ADM.

Pursuant to Section 41.25 of Am. Sub. HB 95 of the 125th General Assembly, the per-pupil amount calculation utilizes the total ADM of the school district which includes the community school counts. If the ESCs’ appropriation is exceeded by including all of the ADM, the per-pupil amount will be distributed to the ESCs on a priority basis. The locals will be funded first at 100%. If the locals have to be reduced to stay within the appropriations, no other ADM will be funded. If there is money remaining after the locals are funded, the cities and exempted villages will be funded next. If funding the cities and exempted villages at 100% causes the appropriation to be exceeded, the funding for cities and exempted villages will be reduced accordingly and the community school ADM will not be included in the ADM base. If, however, the cities and exempted villages can be funded and there is money remaining, the community schools will be funded at the percentage that allows the appropriation amount to be met, but not exceeded.

Local Funding

In the context of regular public school districts and community schools about 2/3 of ESC funding comes from the client districts they serve through deductions or transfers that ODE makes out of the districts’ foundation calculation to the ESCs. In FY 2012 these deductions appear on line “R” of the Bridge Form in the section labeled “Transfers and Adjustments”, as “Educational Service Center Deduction”. In FY 2012 this deduction amounts to over \$200 million statewide. This deduction is comprised of a number of calculations as follows:

1. Special Education Extended Service
2. Supervisory Allowance
3. The \$6.50 Per-Pupil Calculation

Special Education Extended Service

School districts have to pay for extended service which is paid at the daily rate on the minimum salary schedule, plus a 15% fringe allowance up to a maximum of 60 days above the 180 day school year. Continuing with the earlier example, assume that the special education preschool teacher in the example works an additional 60 days beyond the regular school year. The payment involved is calculated according to the following parameters:

Daily Rate	\$166.67	(\$30,000 / 180)
Extended Service Salary	\$10,000	(\$166.67 x 60)
Fringe Allowance	\$1,500	(\$10,000 x 0.15)
Total Extended Service	\$11,500	(\$10,000 + \$1,500)

This special education/gifted education extended service is shown on ODE form [J40408](#) and on ODE form [J40404](#) as “Special Education Extended Service”.

Supervisory Allowance

One of the major services ESCs have provided since their inception is supervisory services for local school districts. Each city and exempted village school district that enters into an agreement under ORC Section 3313.843 also receives supervisory services from the ESC. Except under certain circumstances prescribed in law, the supervisory services shall not exceed one supervisory teacher for the first fifty classroom teachers required to be employed in the districts and one for each additional one hundred required classroom teachers as calculated under ORC Section 3317.023. Supervisory units are financed annually through supervisory units the cost of which is determined by a formula in statute (ORC Section 3317.11). This formula is similar to the unit based calculation described above with the cost of each supervisory unit being the sum of the following:

1. The salary on the minimum salary schedule in ORC Section 3317.13 corresponding to the supervisor’s education and years of experience.
2. Fringe benefit allowance of 15% of the salary determined in #1 above.
3. An allowance for necessary travel expenses, limited to the lesser of \$223.16 per month or \$2,678 per year (one month is considered to be 20 days).

The required teachers and supervisory units for each client district upon which this calculation is based and the total supervisory allowance including the unit and extended service allowance are found on ODE form [J40404](#). The employee positions for each unit are listed on ODE form [J40408](#). The unit allowance appears as “Total Supervisory Allowance” and the extended service as “Total Supervisory Extended Service Paid by Locals”. The travel allowance is listed under “Supervisory Allowance Unit Support” on this same [J40408](#) report. The extended service deduction is calculated just like that for special education described above and limited to 60 days.

If a majority of the client school districts receiving services from an ESC agree to receive additional supervisory services beyond the number of units required by law, the cost of these additional units will be apportioned among all of the service center’s client districts. The cost that is attributed to each district is based on the percent of the total K-12 ADM that each district has. The percentage calculated for each district is multiplied by the total “Supervisory and Special Education Extended Services Cost” from the [J40404](#) report to arrive at the share of each client district of the supervisory and extended service costs.

The \$6.50 Per-Pupil Calculation

The Ohio Department of Education annually calculates a funding based on a per-pupil amount of \$6.50 or another agreed upon per-pupil amount, times the client district’s total student count. The result of this calculation is then deducted from the district’s foundation payment to be paid to the ESC pursuant to provisions of ORC Section 3317.023(E). As mentioned above, the board of education or the

superintendent acting on behalf of the board of any client school district may agree to pay a per-pupil amount in excess of \$6.50. If a majority of the boards of education or superintendents acting on behalf of the boards of the client school districts within a service center's territory approve a per-pupil amount in excess of \$6.50, the department shall deduct the approved amount from all client school districts within the service center's territory. ESCs must notify ODE with a signed resolution of agreement of any such per-pupil amount so proper deductions can be made.

The product of the per-pupil amount times the student count (shown in column labeled "ADM K-12" column) of each client district for each ESC is shown on form [J40404](#) under the column labeled "\$6.50 Per Pupil".

ORC Section 3313.844 Contracts

This section of the law provides for community schools to enter into agreements with ESCs for services. Services provided under such agreements and the amount to be paid to the ESC and the manner of payment must all be specified in the service agreement between a community school and the ESC.

ORC Section 3313.845 Contracts

In addition to service contracts under provisions of ORC Section 3313.843 the funding for which was explained above, districts may set up service contracts with ESCs for various services based on agreed upon fees beyond those covered by the above described funding sources pursuant to ORC Section 3313.843. Funds for these contractual services can be deducted from contracting school districts' foundation calculation and sent to the appropriate ESCs. To receive payment for these contracts an ESC must furnish the Ohio Department of Education with a copy of the contract or a written statement clearly indicating the amount of the contract for each contracting school district. Deductions for these contracts are also included in the foundation calculation form along with deductions pursuant to ORC Section 3313.843. ESCs also have the option of billing school districts directly for these contracts instead of having the state deduct the contract amounts from their foundation funding.

The contract amounts under this section of the law can be found on ODE webpage by navigating the following path: ODE Homepage → Finance → State Funding for Schools → Funding for Educational Service Centers → ESC/District Contract Reports.

Conclusion

Education Service Centers provide a wide variety of services to the majority of the state's school districts, community schools, chartered non-public schools and state run juvenile detention facilities ranging from supervisory services, curriculum development and in-service training to special education, speech language and hearing services, cooperative purchasing consortia and sponsorship of community schools to name just a few. Over \$250 million is spent to provide these services annually with about one third coming from the state and two thirds being paid by client districts.

This literature is intended to provide information on the funding of these entities. We welcome any comments or suggestions that would result in its improvement. The information provided here is to some large extent based on information and assistance provided in this area by Craig Burford, the

Executive Director of the Ohio Educational Service Center Association as well as past and present members of the Ohio Department of Education including Susan Tavakolian, Janet Smalley, Kevin Casterline, Antoinette Mitchell, Sandra Lowry and Jim Payton. We appreciate their efforts.

Please direct your questions to Daria Shams or Eric Bode of the Ohio Department of Education respectively at: Daria.Shams@ode.state.oh.us or Eric.Bode@ode.state.oh.us.