

## **EDUCATIONAL SERVICE CENTER FUNDING – AN EXPLANATION**

### **Introduction**

County Boards of Education were established through legislation in 1914. One of their main responsibilities was to reorganize the 2,674 school districts in the state (many of which were rural one-room school houses) through consolidation and centralization. They also were charged with 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 the county offices evolved and expanded over the next several decades. In the 1930's, they began assisting districts with fiscal and purchasing services; later, in the 1960's, their responsibilities expanded again as they began operating special education programs for schools. In the 1970's, County Boards added additional professional development offerings to their catalog of services. Each of these service activities is continued today.

In 1989, Senate Bill 140 allowed County Boards of Education to contract with city school districts to provide services (and receive state funding to support that activity), and in 1995, under HB 117, the county districts were renamed Educational Service Centers (ESCs) and went through an initial round of consolidations. This legislation promoted a role change for the 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. Section 206.09.69 of Am. Sub. HB 66 of the 126<sup>th</sup> General Assembly specifies that contracts under ORC 3313.843 with city and exempted village districts must have been in place by January 1, 1997 in order to generate state per pupil funding for the ESC. Agreements under 3313.843 allow city and exempted village districts to be treated like local districts in terms of services and funding specified in the law. Districts with agreements under 3313.843 are called "client districts". ESCs also may contract with any district in the state to provide needed services. ESCs currently provide services to more than 95% of Ohio's 613 traditional public school districts as well as community schools and chartered non-public schools. ESCs are the largest regional service providers with over 8,000 personnel (average of 138 staff per ESC).

Since ESCs have no legal taxing authority or bonding authority they must depend on revenues from member districts, from the state as prescribed in law, through contracted services to districts, and from competition for grants and state funding. The following is a description of the funding from the state and from the member districts. This funding is summarized on a series of forms generated twice each month by ODE which are designated as forms J40403, J40404 and J40408. These forms show the factors used in making the funding calculations and the results of these calculations for each ESC. They can be accessed from the ODE website through the path: Home> Finance and Grants>

State Funding for Schools> Funding for Education Service Centers. These forms will be referenced throughout this discussion.

## **State Funding**

State funding to ESCs is provided to support basic operations and statutorily mandated services. This state funding of about \$91 million per year makes up about one third of the total funding received by ESCs. It consists of two major categories – unit funding for gifted and preschool handicapped units and a per pupil allocation.

**Unit Funding:** Funding for an approved unit is based on:

- 1) a salary allowance for the teacher, psychologist, etc. in charge of the unit, derived from where this person would fall on the state minimum salary schedule provided in ORC 3317.13 with a base amount of \$17,000 plus a 15% fringe benefit allowance.
- 2) A non-salary unit allowance of \$8,023 for preschool classroom units, \$2,132 for related services, and \$2,678 for a gifted unit allowance.
- 3) A supplemental unit allowance of \$7,799 for class room units, \$2,966 for other pre-school special education units and \$5,251 for gifted units.

The following is an example:

Assume: Preschool Special Ed. Teacher

Degree = MA

Years of experience = 11

State minimum salary for MA with 11 years experience = \$ 27,591

Benefit Allowance (.15 X 27,591) = 4,139

Unit Allowance = 8,023

Supplemental Unit Allowance = 7,799

TOTAL UNIT ALLOWANCE = \$ 47,552

ESC employee data submitted through EMIS and reported on the 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 form J40408, County Board Employee Allowance Report and on the form J40404, County Board Budget Calculation under the heading “Special Education”.

**Per Pupil Base Funding:** ORC 3317.11(F) provides for the state to pay ESCs \$37 per pupil 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 member and eligible client district appears on the form J40404, County Board Budget Calculation under the column heading “\$37/40.52”. This ADM is calculated as the K-12 ADM of member districts minus the E-school ADM 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 125<sup>th</sup> General Assembly, the per pupil amount is based on the total \$37.00/\$40.52 ADM (this includes the community school ADM). If the appropriation will be exceeded by including all ADM for an ESC, the \$37.00 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 appropriation, 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. 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**

About 2/3 of the funding for ESCs comes from the member districts they serve through deductions or transfers that ODE makes out of the districts' SF-3s to the ESCs. These deductions appear on Line 23A, ESC Deduction on the districts' SF-3s. For FY07, these deductions total about \$165 million statewide. A number of calculations comprise this deduction and will be described below.

**Special Education Extended Service:** Since the State stopped paying for extended service it has become a local responsibility. It 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 the earlier example, assume the special education preschool teacher works an additional 60 days beyond the regular school year.

$$\begin{aligned} \text{Daily rate} &= \$ 27,591/180 = \$ 153.28 \\ \text{Extended service salary} &= 60 \times \$ 153.28 = \$ 9,197 \\ \text{Fringe allowance} &= .15 \times \$ 9,197 = \$ 1,380 \\ \text{Total extended service} &= \$ 9,197 + \$ 1,380 = \$ 10,577 \end{aligned}$$

This special education/gifted education extended service is shown on page 2 of the J40408 County Board Employee Allowance Report and on the J 40404 County Board Budget Calculation as "Spec. Ed. Ext. Svc".

**Supervisory Allowance:** One of the major services provided by ESCs since their inception has been supervisory services for local districts. Each city or exempted village school district that enters into an agreement for services from an ESC under Section 3313.843 [3313.84.3] of the Revised Code also is considered to be provided supervisory services by 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 3317.023. Supervisory services are financed annually through supervisory units the cost of which is determined by a formula in statute (O.R.C. 3317.11). This formula is similar to the unit based calculation described above with the cost of each supervisory unit being the sum of:

- a) the salary on the minimum salary schedule in ORC 3317.13 with a base amount of \$20,000 corresponding to the supervisor's education and experience levels.
- b) fringe benefit allowance of 15% of the salary calculated in "a" above
- c) an allowance for necessary travel expenses, limited to the lessor 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 member district upon which this calculation is based and the total supervisory allowance including the unit and extended service allowance are found on the form J40404 County Board Budget Calculation. The employee positions for each unit are listed on form J40408 County Board Employee Allowance Reports. The unit allowance appears as figure 1 and the extended service as figure 3. 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 local and 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 local and client districts. The cost that is attributed to each district is based on the percent of the total ADM K-12 that each district has. The percent that is calculated for each district is multiplied by the total 'Supv & Sp Ed Ext Svc Cost' from the J40404 report to arrive at their share of the supervisory and extended service costs.

**The \$6.50 Per Pupil Deduction:** The Ohio Department of Education annually deducts from each local and client school district of each ESC, pursuant to Division (E) of Section 3317.023 [3317.02.3] of the Revised Code, and pays to the service center an amount equal to six dollars and fifty cents (\$6.50) times the school district's total student count. The board of education, or the superintendent acting on behalf of the board, of any local or client school district may agree to pay an amount in excess of six dollars and fifty cents per student in total student count. If a majority of the boards of education, or superintendents acting on behalf of the boards, of the local school districts within a service center's territory approve an amount in excess of six dollars and fifty cents per student in total student count, the department shall deduct the approved excess per student amount from all of the local school districts within the service center's territory and pay the excess amount to the service center. ESCs must notify ODE with a signed resolution of agreement of any per pupil amounts in excess of \$6.50 so proper deductions can be made.

This amount for each district is shown on form J40404 County Board Budget Calculation under the “\$6.50 Per Pupil” column and is arrived at by multiplying the pupil count in the “ADMK-12” column by the per pupil amount for each district.

**Service Contracts:** Districts may set up service contracts with ESCs to pay for services above and beyond those covered by the above described funding sources. To receive payment pursuant to such contracts, or agreements, an ESC must furnish to the state department a copy of the contract or a written statement that clearly indicates the payments owed and is signed by the superintendent or treasurer of the responsible school district. These deductions are included in the ESC deduction, Line 23A of the foundation payment form SF-3 along with the \$6.50 per pupil deduction. Instead of having contract amounts deducted by the state, ESCs may bill the districts directly. The contract amounts for each district can be found on the ESC/District Contract Reports web page by following the path Home> Finance and Grants> State Funding for Schools> Funding for Education Service Centers> ESC/District Contract Reports. ESCs can also enter into agreements under ORC 3313.844 to provide services to community schools. The agreement with the community school specifies the mutually agreed upon services and the amount and manner of the payment for those services.

## **Conclusion**

Education Service Centers provide a wide variety of services to most 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 a few. Over \$250 million are spent to provide these services annually with about one third coming from the state and two thirds being paid by member districts.

Appreciation is extended to Craig Burford, the Executive Director of the Ohio Educational Service Center Association along with Susan Tavakolian, Janet Smalley, Kevin Casterline, Antoinette Mitchell and Sandra Lowry of ODE for their assistance in putting together this explanation of ESC funding. If you have any questions or comments regarding the above information, please contact Jim Payton in the ODE, Center for School Finance at [jim.payton@ode.state.oh.us](mailto:jim.payton@ode.state.oh.us) or call (614) 466-9044.