House Extended Subcommittee on Primary and Secondary Education
Ohio School Boards Association
Buckeye Association of School Administrators
Ohio Association of School Business Officials
July 23, 2012

Good evening, Chairman Amstutz, ranking member Sykes, members of the House Finance Committee. My name is David Varda, and I represent the Ohio Association of School Business Officials. With me today for this testimony is Damon Asbury with the Ohio School Boards Association. Tom Ash who represents the Buckeye Association of School Administrators sends his regrets as he could not be here this evening. Damon and I will each be providing portions of this testimony.

We appreciate the opportunity to speak to you today and thank you for convening this series of public hearings. They are great opportunities for public input and also to help the committee and all the stakeholders with understanding Ohio's school funding system, and for beginning the process of developing a new system for the future. We are here today to present information on the designated topics — "shared services" and we will have some brief information related to "technology."

As you know, our three organizations represent the public school boards of education, superintendents, treasurers, business managers and other business officials from districts across the state. Of course, they are very interested in this process and the new education funding system that will ultimately be adopted. On behalf of our members, we will present information from their perspective, addressing the public policy implications that affect them.

Shared Services
There has been much discussion over the past several months about the need for efficiency in government and for sharing services among local governments. The downturn in the economy has created the need for schools and local government to look for new ways to save money and to operate more efficiently while being effective. State leaders continue to urge them to exercise creativity and innovation to help deal with funding losses due to the major state budget shortfall.

Our organizations have been very engaged in helping districts respond. Even before the downturn in the economy, we have continually looked for opportunities to offer services and programs that save money while ensuring quality. Because the programs we offer for schools are thoroughly vetted by our groups, districts can be assured of their reliability. They can also use our programs as a "benchmark" for comparison with other opportunities. Damon will outline some of the specifics of our programs during his portion of the testimony. We are committed to assisting school districts in making the most of taxpayer dollars while at the same time, offering quality educational services for students.

House Bill (HB) 153, the biennial budget bill, required the Governor's office to conduct a study on shared services for schools and local governments and to offer a report and recommendations to the General Assembly. Our three organizations were very active in assisting the administration with the study, including the distribution of a survey of our members.

In an effort to help the process and to encourage our members to participate in shared services, OASBO convened an ad-hoc shared services committee. It was primarily made up of public school district treasurers and staff from BASA and OASBO, but we invited representatives from other organizations. This ad-hoc group met with representatives from the administration and also heard presentations about examples of shared services already taking place.

One of the first things that came out of our ad-hoc committee process was a white paper that outlined some guidelines for shared services programs. They included a belief statement and principles for adopting shared services. A copy of the white paper is included with this testimony.

Generally, the paper supports shared services when the model is effective in increasing the quality of services to students, parents and communities. Shared services should not be undertaken simply for the sake of saving money if it means quality would suffer. Additionally, shared services may not result in cutting costs. They may free up resources allowing schools to provide services that could not be offered otherwise. Shared services may also provide opportunities for school districts to improve the quality of their educational offerings.

The principles developed by the ad-hoc committee (contained in the white paper) suggest the consideration of the following:
- Outsourcing functions
- Coordination of processes
- The completion of cost/benefit analysis
- Delivery of services not compromised
- Development of standard reporting systems
- Include an evaluation component
- Meet taxpayer/public expectations
- State offered incentives
- Avoid one-size-fits-all

We wanted to share this information with you as a way to let you know how seriously the education community is taking this issue. In fact at the last meeting of the ad-hoc committee at the suggestion of Tom Ash, it was agreed to expand the membership to include members from other organizations in education and local governments. We believe there is a heightened awareness of the need to look for new efficiencies as a result of the HB 153 study and also our work with the ad-hoc committee. The other outcome is the discovery that school districts already participate in numerous shared services programs.

Damon will now discuss those existing programs, Governor Kasich's shared services report and other studies on the issue.

Damon: Thank you, David.

In June, Governor Kasich released the study that was required of his staff in HB 153 — entitled "*Beyond Boundaries: A Shared Services Action Plan for Ohio Schools and Governments*." The report can be found on a special website created for the report: **http://www.beyondboundaries.ohio.gov/**. *It should be noted that the outreach to stakeholders by Randy Cole, who led the project for the administration was greatly appreciated and that Randy and his colleagues should be commended for the outreach.*

We were pleased that the recommendations in the report do not include specific mandates for schools. It contains ideas and examples of current shared services options along with a discussion about freeing up

regulations that impede efficiencies and coordination of services. It recommends various tools that can be used by school districts and local governments for sharing information and ideas on shared services. Those tools include websites that serve as clearinghouses for existing programs and savings opportunities, and examples of activities being utilized by peer groups. MBR legislation included some of the tools contained in these recommendations.

The "Beyond Boundaries" report also contains several promising examples of shared services already adopted by school districts. They include:
- The sharing of a school treasurer between two districts
- A multi-county fuel purchasing coop
- A shared high school facility (community center)
- Legal counsel services provided by an Educational Service Center for the districts it serves

These are just a few examples of shared services already practiced in the public school districts across Ohio. The results of the survey of existing shared services David mentioned that was conducted by the administration are also included with the "Beyond Boundaries" report. You will see that hundreds of examples of existing shared services programs are noted.

It should be noted that these examples work because the ideas were locally driven based on need and on the local circumstances. They were structured by the local entities involved and are carried out in a way that is unique to their own particular situation. We believe this is the way most shared services programs should be utilized as opposed to mandates from the state.

We are proud that the report also contains information about some of the savings/efficiency programs offered to school districts by our groups including:
- Power4Schools — an electricity purchasing program that saves districts nearly 14 million per year
- Ohio SchoolComp — a pooled workers compensation group-purchasing program that has saved over 200 million since 1991.
- Paperless Board Meetings — a service offered boards of education by OSBA

As you can see, there is already a lot of activity taking place aimed at finding efficiencies for school districts. That is not to say more cannot be done, but we believe it is important to be aware of efforts already taking place at all levels — state and local — to be accountable to taxpayers.

One caution we would raise about the "Beyond Boundaries" report is related to its identification and quotation of other studies and reports that have been touted as credible sources on consolidation, shared services and efficiencies. It should be noted that these reports have not all been vetted properly, and some make claims that examples studied could be replicated statewide in local governments and schools.

However, further analysis indicates the claims in some of these highly publicized studies are not based on properly substantiated data and should not be assumed to easily apply to Ohio's school districts. In fact, the consultants for the Education Tax Policy Institute (ETPI) have refuted a number of these so-called credible reports as defective and incomplete. For information on the ETPI analyses, go to the ETPI website at: **www.etpi-ohio.org**.

In addition to the work already accomplished on shared services for Ohio schools, we wanted to speak to you today to offer our assistance as you consider a future school funding system, and the best way to factor the sharing of services into the model. We hope to work with you over the next several months as you continue to deliberate on this important issue.

Technology
Our organizations routinely look for ways to provide information and training to our members on important topics relevant to the best use of resources for schools. We provide training and professional development opportunities and we communicate with members regularly through various publications. Recently, both OSBA and OASBO published "technology-focused" issues of our respective trade magazines, aimed at shedding light on the various ways technology affects schools — both educationally and operationally. We support efforts that will lead to expanding learning opportunities for children through innovative and effective use of technology for such things as online or blended learning. While we know you will receive copies at your office, we have provided a copy for each of you this evening.

Also, we recently responded to a data request from Senator Oelslager regarding the technology needs in the Stark County area. Reviewing our reply, it became apparent that those needs apply on a statewide basis.

At present, school districts can connect through their ITC to the Ohio K-12 Network. They are eligible to receive funding assistance from the state as well as through federal E-Rate funding. The Ohio K-12 Network connectivity subsidy provides $1,800 per building per year to assist with Internet connectivity. In addition, schools can participate in the federal E-Rate program. This program provides funding discounts that typically range from 40% to 60% for a prescribed set of technology expenses. The discount amount is based on the buildings' overall economic mix.

Over the past 10 years, Ohio's schools have benefited from approximately $100M in federal E-Rate funding. However, the amount of federal funding is not guaranteed, and only a small set of the very poorest districts (typically large urban districts) are eligible to receive discounts on equipment. The vast majority of schools can take advantage of E-rate discounts on services such as connectivity to their ITC. Also note that the availability of state or local funding is vital to the overall success of this opportunity because the district must agree to make the purchase with local funding – the E-Rate program does not provide "cash up front".

There are compelling reasons to upgrade technology infrastructure, but there is currently no direct requirement to do so. The current connectivity requirements have not changed significantly since originally developed in 2000-2001. The stated minimum remains at a "T1" circuit (1.5Mb) for each building – a level achieved by nearly every public school building in Ohio.

However, there will be a new requirement for online assessment of all students, starting in 2014. This is an administrative requirement and has not yet been followed by updated technical standards. We are not aware of any study attempting to identify the cost of upgrading technology in conjunction with the online assessment program, but we do anticipate this number to be significant.

— A new standard of 100Mb for building connectivity has been suggested but has not been enacted.
— State programs subsidizing connectivity cover approximately 5-10% of the annual cost of 100Mb connectivity (exclusive of E-Rate discounts)
--- Approximately 80% of public school buildings currently have the capability to connect at 100Mb – estimates to achieve 100% are discussed later in this response
—It is estimated that fewer than 20% of public school buildings have sufficient wireless capacity to fully comply with the online assessment requirement

The coming requirement for online assessment capability provides a compelling argument for upgrading capacity within buildings and between buildings and the regional ITC. In the opinion of most districts, the online testing requirement implies a mandate to upgrade existing technology infrastructure in order to comply.

Information regarding the technical infrastructure needed to support online testing is urgently needed. Clear recommendations regarding the type of student hardware (i.e. laptop, iPad/tablet, cell phone, etc.), the number of stations, the level of simultaneous connectivity which will need to be supported, or the overall bandwidth that will be needed by the testing application has not yet been addressed. These details must be known before any rational estimate of the cost to upgrade can be developed and funded.

As noted earlier, districts are eligible to receive $1,800 per building to support connectivity. The amount was originally set at $3,600 per building during the 2000-2001 school year. At that point in time the building connectivity program received $26M in total funding through the state budget. Since that time funding to support this program has been gradually reduced in the state budget. The funding for FY 13 for the building connectivity program stands at $10.7M. The gradual reduction in funding has required a corresponding drop in the amount allocated per building to the current level of $1,800. During this same time span the bandwidth needs of districts have increased exponentially. The capacity of a T1 telephone circuit (1.5Mb) is no longer sufficient to meet the demands of current or anticipated future applications.

Approximately 80% of Ohio schools currently meet the proposed 100Mb connectivity standard. In understanding the overall picture it is critical to note that the regional fiber-optic infrastructure – typically provided by cable and telecommunications utilities such as Time Warner Cable and AT&T – does not exist in all areas of the state. A significant number of schools in the remaining 20% lack this level of connectivity because the required infrastructure is simply *not available or is not affordable*.

In addition, we have a major concern regarding the capacity *internal to* each building. The technical direction of educational technology is clearly moving — if not already here — to a wireless environment. A solid wireless environment will be required to meet the demands of online learning, one-to-one computing, "BYOD" (bring your own device), and new state assessment requirements.

This is an aspect of school technology infrastructure costs that have not been addressed by state programs since the original SchoolNet wiring initiative back in 1995-2000. The investment necessary to implement a wireless network in a typical school building (250 students, 15 classrooms) is estimated to range from $15K to $50K per building depending on the level of existing infrastructure and the floor plan of the building. It is estimated that fewer than 20% of Ohio's school buildings have sufficient wireless capacity needed to meet the requirements of online testing that will begin in 2014. Currently the expense for this technology falls entirely on the school district.

The timing of all of these issues is becoming critical, especially in light of the 2014 switch to online assessment and the pending expiration of existing 10-year ITC connectivity leases. We urge you to consider these issues in any new school funding reforms.

This concludes our testimony. We will be happy to address your questions.