



# Ohio Legislative Service Commission

Neil Townsend

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## Fiscal Note & Local Impact Statement

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**Bill:** H.B. 74 of the 131st G.A.

**Date:** May 18, 2015

**Status:** As Passed by the House

**Sponsor:** Rep. Brenner

**Local Impact Statement Procedure Required:** No

**Contents:** To make changes to academic content standards and the administration of various assessments

### State Fiscal Highlights

- The bill eliminates the PARCC end-of-course exams in English language arts (ELA) and geometry. This provision will reduce the Ohio Department of Education's (ODE) expenditures by close to \$7.2 million in the FY 2016-FY 2017 biennium.
- The bill limits testing time for the state's primary and secondary education assessments to three hours per assessment per year. The Partnership for Assessment of Readiness for College and Careers (PARCC) assessments in ELA and mathematics require 4.8 to 5.8 hours of testing time per assessment per year. It is unclear how ODE will be able to modify the PARCC assessments to fit the bill's time restrictions. Thus, the costs associated with complying with this requirement are uncertain.
- If new assessments are required, the associated development costs are estimated to range from \$7.0 million to \$10.5 million.
- The bill prohibits ODE from requiring districts to use computer-based assessments for the 2015-2016 school year. The estimated cost of this provision is about \$1.1 million, accounting for the end-of-course exams eliminated in the bill.
- The bill requires the State Board of Education to adopt revised academic content standards for each of grades K-12 in ELA, mathematics, science, and social studies by June 30, 2016. Development of revised standards may increase costs by \$600,000 to \$900,000 annually.

### Local Fiscal Highlights

- The bill makes various changes to test administration that will decrease administrative costs for districts and schools.
- Changes in content standards may result in increased spending on lesson plans, instructional materials, professional development, and technology.

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## Detailed Fiscal Analysis

### Overview

The bill, among other provisions, makes various changes to the administration of the state's primary and secondary education assessments. Most notably, it eliminates several high school end-of-course exams established under current law, limits the number of testing hours to four hours per assessment per year, and prohibits the Ohio Department of Education (ODE) from requiring districts to use computer-based assessments for the 2015-2016 school year. The bill also requires ODE to revise academic content standards for each of grades K-12 in ELA, mathematics, science, and social studies by June 30, 2016.

These provisions have direct fiscal effects on both the state and public schools. The elimination of several end-of-course exams will reduce state expenditures on assessments; however, provisions related to testing time limitation may require the development of new assessments in math and ELA, which may offset these reductions. Public schools will realize administrative cost savings due to various changes in test administration requirements, but may increase spending to comply with revised content standards. The following sections provide additional details concerning these and other topics.

### Elimination of several high school end-of-course exams

The bill specifically eliminates the Partnership for Assessment of Readiness for College and Careers (PARCC) English language arts II and geometry end-of-course exams. According to ODE's student testing volume projections filed with PARCC's testing vendor, under current law, ODE expects, in total, to order approximately 250,000 of these exams in each of FY 2016 and FY 2017.<sup>1</sup> In FY 2016, 60% of tests are expected to be computer-based and 40% of tests are expected to be paper-based. In FY 2017, these percentages shift to 70% and 30%, respectively. Table 1 below shows the estimated reduction in ODE's expenditures in each fiscal year. At \$12.47 for 150,000 computer-based tests and \$17.97 for 100,000 paper-based tests in FY 2016, the elimination of these exams will reduce ODE expenditures by close to \$3.7 million in FY 2016. At the same prices per test in FY 2017, expenditures will be reduced by over \$3.5 million as 176,000 computer-based tests and 75,000 paper-based tests are not administered. In total, ODE assessment expenditures will be reduced by over \$7.2 million in the upcoming biennium.

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<sup>1</sup> [http://procure.ohio.gov/OrigContract/CSP903215\\_OC.pdf](http://procure.ohio.gov/OrigContract/CSP903215_OC.pdf), go to page 10 and click on "Contract Year 2 2015-2016" and "Contract Year 3 2016-2017." This analysis only includes exams in the spring assessment window.

<b>Table 1. Estimated Reduction in ODE Expenditures from Eliminated Exams, FY 2016-FY 2017</b>				
<b>Variable</b>	<b>FY 2016</b>		<b>FY 2017</b>	
	<b>Computer-Based</b>	<b>Paper-Based</b>	<b>Computer-Based</b>	<b>Paper-Based</b>
Eliminated Exams	150,720	100,480	176,000	75,360
Price Per Test	\$12.47	\$17.97	\$12.47	\$17.97
<b>TOTAL</b>	<b>\$1,879,478</b>	<b>\$1,805,626</b>	<b>\$2,194,720</b>	<b>\$1,354,219</b>
<b>FY TOTAL</b>	<b>\$3,685,104</b>		<b>\$3,548,939</b>	

### **Student testing time limitation**

Beginning with the 2015-2016 school year, the bill limits the number of testing hours to three hours per assessment per year for each nondisabled student, excluding tests related to the English language arts (ELA) assessment for third graders, diagnostic assessments for students who did not pass the third grade ELA assessment, the college admissions test for eleventh graders, and substitute exams in science, American history, or American government. This provision directly impacts the administration of the PARCC ELA and mathematics assessments, which are being administered for the first time this school year. The PARCC assessments require from 4.8 to 5.8 hours of testing time per assessment per year. It is unclear how ODE will be able to modify the PARCC assessments to fit the bill's time restrictions and still maintain the validity of the assessments. The costs associated with complying with this requirement are, therefore, uncertain.

Ultimately, it may be that Ohio must develop or select new ELA and mathematics assessments that comply with the time limitation. ODE estimated in November 2013 that, if it were required to develop new assessments in ELA and mathematics to replace the PARCC assessments, initial development costs would be about \$500,000 to \$750,000 for each computer-based test. The primary costs associated with test development involve building the initial question bank and furnishing and scoring field tests. Actual costs will depend on specific decisions concerning test design. Under current law, there are 12 ELA and mathematics assessments given to elementary students and four end-of-course exams in those subjects for a total of 16 assessments to potentially develop. However, the bill eliminates the ELA II and geometry reducing this total to 14. Overall, the estimated cost of developing new assessments would range from \$7.0 million ( $\$500,000 \times 14$  assessments) to \$10.5 million ( $\$750,000 \times 14$  assessments).

The bill also limits the duration of the administration of the kindergarten readiness diagnostic assessment to one hour. However, in current practice, the duration of this assessment usually does not exceed one hour, according to ODE.

### **Request for proposal for student assessments**

The bill requires the Department of Education to issue, within 30 days of the bill's effective date, a request for proposals to provide the elementary achievement assessments and the high school end-of-course exams for administration by school

districts and schools beginning with the 2015-2016 school year. Multistate consortia, like PARCC, and their agents or subsidiaries, are explicitly prohibited from being eligible to submit a proposal. ODE is not required to accept any proposal.

The assessments contracts with PARCC and the American Institutes for Research (AIR) are effective through FY 2018. If ODE accepted a proposal, it would pay for the costs of the new proposal. ODE would also pay for all costs associated with breaching the active contracts, including paying for any liquidated damages specified in those contracts.<sup>2</sup> Accordingly, it is unclear how much assessment expenditures would change if ODE accepted a new proposal.

### **Paper-based assessment costs**

The PARCC assessments in ELA and mathematics as well as the new assessments in science and social studies that were developed for Ohio by AIR are computer-based. There is, however, a paper-based option for districts that are unable to administer the computer-based assessments due to technological constraints. H.B. 487 of the 130th General Assembly prohibits ODE from requiring computer-based assessments during the 2014-2015 school year and the bill extends this prohibition through the 2015-2016 school year. Consequently, more districts may administer the paper-based option under the bill than would have under current law. According to the student testing volume projections, 50% of tests are expected to be paper-based in the 2014-2015 school year and 40% of tests are expected to be paper-based in the 2015-2016 school year.<sup>3</sup> The bill's extension of the prohibition on requiring computer-based assessments, therefore, may result in 50% of tests being paper-based in the 2015-2016 school year, the same as in the 2014-2015 school year, rather than 40% as expected under current law – an increase of ten percentage points.

This provision may lead to increased costs for ODE, as paper-based assessments are more expensive than computer-based versions. According to ODE's contract with PARCC's test vendor, the surcharge for paper-based PARCC tests in ELA and mathematics is generally \$9 per student in grades 3-8 and \$5.50 per test for high school end-of-course exams.<sup>4</sup> Surcharge pricing details for the science and social studies assessments developed for the state by AIR are not specified.<sup>5</sup>

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<sup>2</sup> For liquidated damages specified in the PARCC contract, see [http://procure.ohio.gov/pdf/CSP903215\\_SOW\\_Att\\_1\\_Liquidated\\_Damages.pdf](http://procure.ohio.gov/pdf/CSP903215_SOW_Att_1_Liquidated_Damages.pdf).

<sup>3</sup> [http://procure.ohio.gov/OrigContract/CSP903215\\_OC.pdf](http://procure.ohio.gov/OrigContract/CSP903215_OC.pdf), go to page 10 and click on "Contract Year 1 2014-2015" and "Contract Year 2 2015-2016."

<sup>4</sup> PARCC's pricing for elementary ELA and mathematics assessments covers the cost for tests in both subjects. Thus, the surcharge is based on the number of students not the number of tests, as is the case for the high school end-of-course exams.

<sup>5</sup> [http://procure.ohio.gov/RevisedContract/CSP903714\\_RC.pdf](http://procure.ohio.gov/RevisedContract/CSP903714_RC.pdf).

Table 2 below shows (1) ODE's projected total students or tests by subject area and grade band, (2) the number of additional students or tests resulting from an increase of 10% taking the paper option, (3) the estimated surcharge per student or test, and (4) the calculated cost estimate. For the purposes of the calculations, LSC assumes the surcharge for each AIR elementary assessment is half that of PARCC's elementary assessment surcharge (\$4.50 per test) and the surcharge for the applicable AIR high school assessment is the same as that for the corresponding PARCC tests (\$5.50 per test). It also assumes that most students will take the biology end-of-course exam in the ninth grade and will attempt neither the American history nor American government exams until the eleventh grade. In all, the estimated cost of providing the additional paper-based tests is about \$1.1 million. This total accounts for the elimination of the ELA II and geometry end-of-course exams. In FY 2015, \$75.9 million in GRF funding is specifically appropriated to ODE to support costs associated with achievement assessments.

<b>Table 2. Estimated Marginal Costs for Additional Paper-Based Assessments, FY 2016</b>				
<b>Subject Area/Grade Band</b>	<b>Projected Total Students/Tests</b>	<b>10% of Projected Total</b>	<b>Estimated Surcharge</b>	<b>Marginal Cost</b>
PARCC Elementary	778,000	77,800	\$9.00	\$700,200
PARCC High School	224,000	22,400	\$5.50	\$123,200
AIR Elementary	519,000	51,900	\$4.50	\$233,550
AIR High School	121,000	12,100	\$5.50	\$66,550
<b>TOTAL</b>				<b>\$1,123,000</b>

## **Revised standards**

Academic content standards describe what students should know and be able to do in each grade level. The State Board adopted the Common Core State Standards (CCSS) in English language arts (ELA) and mathematics along with state-developed standards in science and social studies in June 2010 pursuant to H.B. 1 of the 128th General Assembly.

The bill establishes a review process for the current academic standards for each of grades K-12. First, the bill requires the State Board, within 30 days of the bill's effective date, to provide an online opportunity on ODE's website to make comments on specific academic standards. Second, the bill requires each academic standards review committee, established under current law, to submit by September 30, 2015, its review and determinations of the standards and state assessments to the State Board and ODE. Third, the bill requires the State Board, by June 30, 2016, to review and to adopt revised academic content standards for each subject, based on input from the online forum and the academic standards review committees. The bill does not specify in which school year the revised standards are to be implemented. The administrative burden of both the State Board and ODE will increase to complete this review process.

Adopting these revised standards will require revision of the state-developed model curriculum and may require review and revision of Ohio's early learning standards and the Ohio Board of Regents' (BOR) remediation-free standards. These activities will increase ODE costs and may increase BOR's costs as well. In FY 2015, \$3.8 million in GRF funding is specifically appropriated to ODE in line item 200427, Academic Standards, for developing, revising, and communicating academic content standards and curriculum models to school districts, and for developing professional development programs and other tools on content standards and model curricula. This level is lower than the years in which the state-developed standards were formulated and the state was participating in efforts associated with CCSS. According to the state's accounting system, the state spent anywhere between \$4.4 million and \$4.7 million annually from FY 2008 to FY 2011 in line item 200427 for operating costs associated with academic content standards. In November 2013, ODE estimated that developing new Ohio standards would require funding in amounts closer to the levels provided during that time. So, annual costs may increase by \$600,000 to \$900,000 during the development of the revised standards.

## **Local fiscal effects**

### **Revised standards**

Ohio's new standards began to be fully implemented statewide in grades K-12 in the 2013-2014 school year. School districts and community schools have had four years to transition to CCSS. While full implementation did not begin until the 2013-2014 school year, ODE encouraged school districts to begin using the new standards as soon as possible to better prepare students for new, CCSS-aligned assessments. Indeed, school districts were encouraged to begin using the new standards in grades kindergarten through two and 11 and 12 beginning in the 2011-2012 school year.

In response to changes in state standards and assessments, schools may change curricula, lesson plans, instructional materials, professional development, and technology. Costs in these areas are generally regarded as a cost of doing business and are routinely funded in school district budgets. It may be possible for schools to redirect current funds budgeted for curriculum, instructional materials, professional development, and so on under the current standards to implement the revised standards the State Board adopts. Nevertheless, it is also possible that schools will incur new monetary costs and additional staff time to realign their curricula and teaching strategies to the revised standards. These costs depend especially upon how much the revised standards vary from the current standards and how soon the revised standards are implemented. Such costs may be higher than the costs a school experienced during the transition to CCSS, because school districts and community schools may have a shorter period of transition to provide professional development and to complete curriculum and lesson planning revisions.

## **Teacher evaluations**

The bill modifies the system of evaluating the student academic growth factor. When using measures of student academic growth as a component of a teacher's evaluation, those measures must include the value-added progress dimension, or an alternative student academic progress measure if adopted by the State Board. For teachers of grade levels and subjects for which those two measures are not available, the district, school, or ESC board must administer student assessments that "measure mastery of the course content for the appropriate grade level, which may include nationally normed standardized assessments, industry certification exams, or end-of-course exams." Instead of requiring these assessments, the bill requires the district or school to establish and use a method for determining the student academic growth measure. This provision will have a negligible effect on a district or school's administrative burden.

Relatedly, the bill provides that a district or school must use a different measure of student progress for the 2014-2015 school year if the district or school's governing body entered into a memorandum of understanding with the teachers' labor union stipulating that the value-added progress dimension rating will not be used when making decisions regarding dismissal, retention, tenure, or compensation. This provision will also have a negligible effect on a district or school's administrative costs.

## **Provisions that will decrease local administrative costs**

### **Diagnostic assessments**

- Beginning with the 2015-2016 school year, the bill limits to once annually, instead of twice annually, the administration of the third-grade English language arts assessment.
- The bill eliminates all writing diagnostic assessments. Current law requires these assessments to be administered in grades K through 3.
- The bill eliminates the mathematics diagnostic assessments in kindergarten and first grade, but still requires districts and schools to administer the exam to students in second grade.
- The bill specifies August 1, instead of "the first day of the school year," as the earliest date by which a student may take the kindergarten readiness diagnostic assessment. This provision may increase time spent on instruction during the school year if teachers administer the assessment before the school year begins.

### **Equivalent examinations**

- Beginning with the 2016-2017 school year, the bill permits a school district to use "equivalent examinations," as determined by the State Board, as final exams for a related subject-area class or course of study, instead of just end-of-course exams or substitute exams like Advanced Placement or International Baccalaureate exams.

### **Career-technical education assessments**

- The bill prohibits ODE from requiring a student who has earned or is in the process of earning an industry-recognized credential or state-issued license to take additional technical assessments.

### **Provisions that may decrease State Board administrative costs**

#### **State report cards**

- The bill makes optional the inclusion of the high school value-added component as an ungraded measure. If the State Board elects not to develop the component, it may experience a decrease in administrative costs.

### **Provisions that will increase State Board administrative costs**

#### **Equivalent examinations and scores**

- The bill requires the State Board to compile by March 1, 2016, a list of multiple assessments that are equivalent to the end-of-course exams for use by school districts, public schools, and chartered nonpublic schools instead of the end-of-course exams.
- The bill requires the State Board to identify, by March 1, 2016, a table of corresponding score equivalents that correlate to the current achievement levels (advanced, accelerated, proficient, basic, and limited) for all end-of-course exams.

#### **Safe harbor provisions**

- The bill requires the State Board to make a recommendation by November 1, 2015, on whether to extend by one year the safe harbor provisions in effect for the 2014-2015 school year for students, public school districts and schools, and teachers.

#### **Job skills assessment**

- The bill requires the State Board to periodically revise the nationally recognized job skills assessment that it selects for use as a pathway to high school graduation and to do so with input from individuals and educators who have a background in career-technical education.

#### **Student academic growth component**

- The bill requires the State Board to prescribe, within 30 days of the bill's effective date, procedures for evaluating the student academic growth component if the governing body of a district, school, or ESC must (1) use the value-added progress dimension or the alternative student academic progress measure or (2) administer the student assessments that "measure mastery of the course content for the appropriate grade level, which may include nationally normed standardized assessments, industry certification exams, or end-of-course exams."



- The bill also requires the State Board to provide, within 30 days of the bill's effective date, guidance to districts for the evaluation of the student academic growth component if the governing body of a district, school, or ESC must establish and use a method for determining the student academic growth measure, as prescribed under the bill.

#### **Review on reducing teacher evaluation process**

- The bill requires the State Board to submit recommendations to the Governor, to the chairperson and ranking members of the House and Senate Education committees, and to the State Board itself on how to revise, by July 1, 2016, the framework for the evaluation of teachers to reduce the estimated time necessary to complete teacher evaluations.

#### **State report cards**

- The bill requires the State Board to adopt rules to establish proficiency percentages to meet each performance indicator.

#### **Consultation on education policies and standards**

- The bill requires the State Board to develop a procedure to consult with teachers and superintendents from various school districts and to collect public feedback when adopting education policies or standards required by state law.

### **Provisions that will increase ODE administrative costs**

#### **Diagnostic assessments**

- The bill requires ODE to specify not less than two mathematics diagnostic assessments that are approved for (1) identifying students as gifted in mathematics and (2) the student academic growth component of teacher evaluations.
- The bill requires ODE, by July 1, 2016, to make available a kindergarten literacy assessment that districts may use in lieu of the kindergarten readiness assessment.

#### **Use of assessments for multiple purposes**

- The bill requires ODE to identify and approve at least two assessments that can be used for multiple purposes, including (1) a diagnostic assessment administered to third grade students, (2) an assessment that permits a student to demonstrate an acceptable level of performance for purposes of the third grade reading guarantee, and (3) an assessment used to identify students as gifted in specific academic ability fields in reading, writing, or both.

### **Table of assessments**

- In order to reduce the total number of assessments administered by a district or school, the bill requires ODE to develop a table of assessments that may be used for multiple purposes for which a measure of student performance or aptitude is required.

### **Resident educator performance-based assessment**

- The bill requires ODE to determine, within 90 days of the bill's effective date, which components of the resident educator performance-based assessment used for the Ohio Teacher Residency Program may be used as part of the required teacher performance evaluations.

### **Various studies**

- The bill requires ODE to conduct a comprehensive survey of the capacity and readiness of each school district for the online administration of the state achievement assessments based on recommended specifications for such administration of the assessments. The results of the survey and a detailed implementation plan to address any issues or problems identified in the survey must be compiled and presented to the Governor, the State Board of Education, and the chairpersons and ranking members of the House and Senate Education Committees within ninety days after the bill's effective date.
- The bill requires the Department to study the impact on student performance of the online administration of the state achievement assessments and submit results of the study to the General Assembly and Governor by June 30, 2016.
- The bill requires ODE to complete a study by December 31, 2016, comparing nationally normed, standardized assessments approved by ODE for specified purposes and the state elementary assessments administered during the 2013-2014 and 2014-2015 school years.

### **Consultation on education policies and standards**

- The bill requires ODE to develop a procedure to consult with teachers and superintendents from various school districts and to collect public feedback when adopting education policies or standards required by state law.