



Ohio Legislative Service Commission

Jason Phillips

Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 343 of the 130th G.A. **Date:** December 5, 2014
Status: As Passed by the House **Sponsor:** Rep. Stebelton

Local Impact Statement Procedure Required: Yes

Contents: Modifies laws related to primary and secondary education

State Fiscal Highlights

- The bill requires the third grade reading assessment administered in the spring of the 2014-2015 school year to be the Ohio Achievement Assessment (OAA) for all students, rather than either the OAA or the new Partnership for the Assessment of Readiness for College and Careers (PARCC) assessment, depending on how a student fared on the third grade reading OAA given in the fall, as under current law. The additional cost for a full spring administration of the OAA is estimated to be over \$1.2 million. The Ohio Department of Education (ODE) indicates the test vendor will give the state a discount, amounting to about \$670,000, if the bill is enacted and the PARCC English language arts (ELA) tests are not administered to third graders. Thus, the net cost of this provision is estimated to be about \$530,000.
- The bill requires ODE to make available an end-of-course exam in biology until the 2016-2017 school year and possibly thereafter. According to ODE, the cost to finish development of this exam could be up to \$1 million, depending on whether the test will be administered for the first time this school year or next. This cost will be paid for using the contract savings generated when work on the exam was suspended earlier this year.
- The bill eliminates an October 1, 2015 effective date for an exemption for chartered nonpublic schools from state-mandated high school end-of-course exams. This may reduce ODE's assessment system costs in FY 2015 by up to an estimated \$550,000.
- The bill's assessment system changes will primarily impact expenditures from the GRF.
- The bill makes some minor adjustments to the way in which certain truant and high school students are counted for the purposes of the state foundation funding formula, likely resulting in a relatively small increase in such funding.

Local Fiscal Highlights

- The effects on individual school districts' state foundation funding associated with the bill's changes to the student count will depend mostly on the characteristics of the student, the district's state share index, and, in FY 2015, whether the district is subject to either of the formula's guarantee or gain cap provisions.
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Detailed Fiscal Analysis

The bill makes various changes to a variety of education laws, most notably concerning assessments for high school and elementary students and the way in which student enrollment is counted for certain students for purposes of the state foundation funding formula. Provisions with a fiscal effect are discussed below. Many provisions are clarifying or corrective in nature and have little or no fiscal effect.

Provisions related to assessments

The bill changes the particular assessments required to be used as the third grade English language arts assessment in the spring of the 2014-2015 school year. The bill also makes several changes to the College and Work Ready Assessment System, Ohio's new system of high school assessments used for accountability purposes and as one determinant of eligibility for a high school diploma. The system replaces the Ohio Graduation Tests (OGTs) beginning with students that entered the ninth grade in the current 2014-2015 school year. Under current law, the system is comprised of a national college admissions exam provided to 11th grade students and seven end-of-course exams, two in English language arts, two in mathematics, and one each in physical science, American history, and American government. Assessment system costs are supported mostly by the GRF but also by some federal funds.

Third grade reading assessment

For the 2014-2015 school year, current law enacted in H.B. 487 of the 130th General Assembly requires that the fall administration of the third grade reading assessment use the assessment administered the previous year, the Ohio Achievement Assessment (OAA) developed by the American Institutes for Research (AIR), and that the spring administration of the assessment to a student who does not attain a score high enough to be promoted to fourth grade on the fall assessment also use the OAA. However, current law requires the spring administration of the assessment to a student who *does* attain a score high enough to be promoted to fourth grade on the fall assessment to use the new assessment developed by the Partnership for the Assessment of Readiness for College and Careers (PARCC). The bill modifies this provision to require that the third grade reading assessment administered in the spring of the 2014-2015 school year be only the OAA, no matter how a student fared on the OAA

administered in the fall. Consequently, the PARCC exam in English language arts (ELA) for third graders will not be administered this spring as a result of the bill.

The cost to administer the OAA in the spring will increase due to a higher student testing volume. According to information supplied by the Ohio Department of Education (ODE), the additional cost of a full spring administration of the third grade reading OAA is estimated at over \$1.2 million, based on the difference between the cost of the fall third grade reading OAA (about \$2.2 million) and the estimated cost of the partial spring administration under current law (a little under \$1 million based on the expectation that 35% to 40% of third graders would re-take the OAA). While the third grade ELA PARCC exam would not be administered this school year, a provision in Ohio's contract with PARCC's test vendor appears to indicate that the PARCC assessments given to third grade students in the spring will be invoiced at the full per-student price, which bundles the cost of both ELA and mathematics assessments, whether or not a student takes both tests. Yet, ODE indicates that, if the bill is enacted, the test vendor will give the state a discount of \$5.27 per student since the vendor will not need to perform scoring of the third grade ELA exam. With an estimated 127,000 third grade students taking one or both third grade assessments, the discount calculates to about \$670,000 (127,000 students x \$5.27 per student). Thus, the net cost of this provision is about \$530,000 (\$1,200,000 - \$670,000).

Science end-of-course exam

The bill requires ODE to provide an end-of-course exam in biology until the 2016-2017 school year as an alternative to the exam in physical science. Beginning with the 2016-2017 school year, the State Board of Education may choose to provide one or both of the exams. This change is in response to concerns that some schools may not offer a course specifically in physical science or may only offer the course during the seventh and eighth grades instead of in the ninth grade, as is the norm. Biology is a course typically taken during the tenth grade and was one of the ten subjects originally slated for an end-of-course exam under the original graduation requirements system approved by the State Board in November 2013. Thus, ODE had begun developing an exam, including field tests in the spring of 2014, before work was suspended following the test's elimination by H.B. 487 of the 130th General Assembly.

ODE's assessment system costs will increase to complete development of operational forms and finalize test items. According to ODE, it is too late in the school year to complete development of both online and paper versions of the exam for administration this spring. However, an online-only version of the exam for this school year can be developed on a fast-track at an estimated cost of roughly \$1 million, which will be paid for using the contract savings generated when work on the exam was suspended earlier this year. Development costs would be less if administration of the test does not begin until the 2015-2016 school year, the first year most students falling

under the new assessment system will take a biology course and thus, would be more likely to take the exam.

End-of-course exam exemption for chartered nonpublic schools

Under current law enacted in H.B. 487, all chartered nonpublic school students entering the ninth grade beginning in the current 2014-2015 school year must meet curriculum requirements as well as one of three assessment pathways in order to graduate. However, effective October 1, 2015, H.B. 487 exempts chartered nonpublic school students from taking the end-of-course exams as long as the schools publish certain performance data for each graduating class on the national college admissions exam that is part of the high school assessment system. Meanwhile, H.B. 487 created a committee to make recommendations regarding graduation and state-mandated testing requirements for such students by January 15, 2015.

The bill eliminates the exemption's October 1, 2015 effective date, setting into effect the exemption upon the bill's effective date, which, in practice, can be no later than late March or early April 2015.¹ Because fewer end-of-course exams may be taken this fiscal year, ODE's assessment system costs for FY 2015 may decrease by up to an estimated \$550,000. This estimate is based on certain assumptions. We assume each nonpublic student would have taken three end-of-course exams during the ninth grade: English language arts I, algebra I, and physical science. In general, the test vendor for the Partnership for Assessment of Readiness for College and Careers (PARCC) charges \$12.47 per computer-based test and \$17.97 per paper-based test. Since the actual costs for science and social studies assessments, which are contracted through a different vendor, have not been determined, we assumed the per-test charges for the physical science exam are the same as those for the PARCC exams. The estimate assumes that all chartered nonpublic schools opt to forego the exams. There were about 12,100 tenth grade nonpublic school students that took all of the five OGTs in March 2014; there are likely a similar number of ninth grade students that otherwise will take each applicable exam. Finally, we assume an equal number of students would have taken paper-based and computer-based assessments, as ODE's student testing volume projections for FY 2015 for the PARCC tests presume such a split among the two formats. Thus, the estimated decrease of up to \$550,000 is derived as follows: (\$12.47 per computer test x 3 tests x 6,050 students) + (\$17.97 per paper test x 3 tests x 6,050 students).

Student enrollment

The bill makes some adjustments to the way in which certain students are counted for the purposes of the state foundation funding formula. The circumstances addressed by these changes do not appear to be common, making any resulting

¹ Note that the first spring 2015 testing window runs from February 16 through March 20, when students will complete performance-based assessments, the first component of state-mandated testing.

increase in state foundation funding likely to be relatively small. Note that FY 2015 is the first year in which the state will be using an annualized, full-time equivalent (FTE) student enrollment method for counting students for the purposes of the formula. In general, students are counted based on the portion of the year they are enrolled under the new method. Formerly, districts counted their students over one week in October then calculated the daily average.

Withdrawal requirements

Effect on state foundation funding

Under current law, if a student fails to participate in learning opportunities and has not received an excused absence for 105 continuous hours, the school district must withdraw the student for the purposes of the student count. The bill delays withdrawal of a student until the student has at least 265 continuous hours of unexcused absences. This change will increase the amount of state foundation funding for school districts in these circumstances, assuming that a student is not a "no show" (i.e., enrolled the previous school year but not participating at all in educational activities in the current school year).² In the case of a "no show," the district does not receive credit for any hours enrolled before withdrawal. In FY 2015, school districts receiving temporary transitional aid or subject to the gain cap will also not receive any additional funding from this change.

Consider the example of a hypothetical student who is withdrawn for a continuous number of hours of unexcused absence. Assume that the student's school engages in instructional time for 1,100 hours over the course of the school year. The student began the year attending classes but has since been absent for 265 continuous hours without excuse and has been withdrawn under the bill. Under current law, the student would have been withdrawn after 105 continuous hours of unexcused absences. Thus, under the bill, the student is credited for an additional 160 hours, representing a marginal 0.145 FTE ($160/1,100$) for the district. The funding impact on the district's state foundation funding will depend mostly on the characteristics of the student and the district's state share index, which measures local revenue generating capacity and ranges from 5% to 90%. For simplicity, assume (1) that the student is "typical" (i.e., not receiving special education, not economically disadvantaged, not limited English proficient, etc.), and (2) the student's district does not receive transitional aid and is not subject to the gain cap. The additional amount the district will receive for the student under the largest component of state foundation funding, the opportunity grant (based

² Draft annualized FTE enrollment policy recommendations developed by ODE and external stakeholder groups would also require school districts to make a good faith effort (and provide documentation of that effort) to get the student back in school in order to receive funding for the 105-hour standard in current law.

on the FY 2015 per-pupil formula amount of \$5,800), will range from about \$42 ($\$5,800 \text{ per FTE} \times 0.145 \text{ FTE} \times 0.05$) to about \$757 ($\$5,800 \text{ per FTE} \times 0.145 \text{ FTE} \times 0.90$).

Administrative responsibilities

Before a student is withdrawn, the bill requires school districts to take certain actions in order to compel the student to resume attendance. When a student reaches at least 60 cumulative hours of unexcused absences, the bill requires a district to notify a student's parent or guardian in writing of the consequences for continued truancy. Once a student reaches 105 cumulative hours, the bill requires that a district take appropriate action under current law. "Appropriate action" under current law might include such things as the district requiring the student's parent or guardian to attend parental involvement or parent education programs, or filing a complaint against the child and the child's parent or guardian that the child is an unruly or delinquent child depending on the student's truancy status. These responsibilities may increase the administrative burden of school districts. Under the bill, school districts that fail to comply with the bill's requirements could be subject to a reduction in the district's state foundation funding. The bill requires ODE to track and record the number of students who meet the bill's truancy thresholds described above, which may increase ODE's administrative burden.

Minimum credit hours for high school students

According to ODE, to generate a full FTE in a district's student count, a student must be enrolled in learning opportunities for the entire day the student's grade is scheduled. If a student does not participate in a learning opportunity for one or more periods during the school day, the student's reported FTE must reflect this and would be less than one, which will impact the district's state foundation funding.

The bill requires ODE to consider a student in any of grades 9 to 12 as one FTE if the student is enrolled in at least five units of instruction per school year. In general, this change will increase state foundation funding to school districts for high school students that, under current law, would have been counted as less than one FTE due to the student being enrolled for less than a full school day. This situation applies to students who have been approved by their district to leave school early in order to work jobs unrelated to an instructional purpose. It also applies to seniors that are regularly granted early release or late arrival if they need less than a full-time load of credit hours in order to graduate. Like the provision above, school districts receiving temporary transitional aid or subject to the gain cap in FY 2015 will also not receive any additional funding from this change this fiscal year.

Career advising and mentoring grant program funding

The bill reappropriates an amount equal to the unexpended, unencumbered portion of ODE line item 200629, Career Advising and Mentoring Program, at the end of FY 2015 for the same purpose for FY 2016. This line item's FY 2015 appropriation,

funded through lottery proceeds, is \$10 million. To date this fiscal year, no money has been expended or encumbered from this line item, which will be used to disburse competitive matching grants that provide funding for local networks of volunteers and organizations to sponsor career advising and mentoring for students in eligible school districts.

Admission to school of protected children

Under continuing law, school districts and nonpublic schools are required to see a child's birth certificate or certain documents that may be provided in lieu of a birth certificate at the time of initial entry to a school. While the school may still enroll a student for whom a birth certificate or other acceptable document is not presented, current law requires the school to notify local law enforcement of this fact and of the possibility that the student may be a missing child.

The bill clarifies that no public or private school is permitted to deny a protected child (i.e., a child in foster care or in a residential facility) admission to the school solely because the child does not present a birth certificate or other acceptable document upon registration for entry into the school, though the child's parent, custodian, or guardian must present a birth certificate or other acceptable document to the school within 90 days after the child's initial entry. Further, the bill provides an exemption to the missing child notification requirement for protected children that are not able to produce a birth certificate or other acceptable document right away. As a result of the bill, public districts and schools may need to provide missing child notification in fewer circumstances, possibly reducing administrative costs.

State Board and ODE administrative responsibilities

The bill requires the State Board or ODE to carry out a number of administrative responsibilities, which may increase administrative costs. Specifically, the bill requires:

- The State Board to adopt rules, not later than 90 days after the bill's effective date, regarding the sale of beverages and food during the regular school day in connection with a school-sponsored fundraiser.
- The State Board, by June 30, 2015, to develop a model disciplinary policy for violent, disruptive, or inappropriate behavior.
- The State Board, by November 1, 2015, to make a recommendation on whether or not to extend by one year the safe harbor provisions in effect for the 2014-2015 school year associated with (1) sanctions and penalties due to report card ratings and (2) decisions regarding teacher dismissal, retention, tenure, or compensation resulting from value-added ratings on state achievement assessments.
- The State Board to adopt rules to establish proficiency percentages for the purposes of report card performance indicators for the 2014-2015 school

year by December 1, 2015, and school years thereafter by certain other prescribed dates.

- ODE, by December 31, 2015, to provide each school district a copy of the model disciplinary policy adopted by the State Board and to develop materials to assist school districts in providing teacher and staff training on the implementation of the strategies included in that policy.
- ODE, by January 15, 2016, to rank districts and schools according to 2014-2015 school year per pupil operating expenditures and percentage of operating expenditures spent on classroom instruction (this ranking requirement, which otherwise must be met by September 1, 2015, was suspended by H.B. 487 of the 130th General Assembly).
- ODE to modify and add to the existing academic performance measures to be reported annually for students with disabilities enrolled at each school district, community school, STEM school, and college-preparatory boarding school beginning October 1, 2015. For the 2014-2015 school year only, the bill permits all such measures to be reported by January 15, 2016.

Also, the bill (1) permits, for the 2014-2015 school year only, assessment scores for individual students to be reported to school district boards by December 31, 2015 and (2) delays the issuance of report cards for the 2014-2015 school year to January 15, 2016. Current law requires assessment scores to be sent to each school district board within 60 days after its administration, or, at the latest, by the June 15 following the administration and report cards for public districts and schools to be published by September 15 each year.

While there is no direct fiscal effect from these provisions, the delay in issuance of the 2014-2015 assessment scores and report cards results from the PARCC assessments in ELA and mathematics being administered for the first time in the spring of 2015. That administration must be complete in order for PARCC to determine the cut scores marking the various levels of proficiency on the assessments. Cut scores are not expected to be established until sometime in the fall of 2015.

Adult learner data collection

Beginning in FY 2015, continuing law, enacted in H.B. 483 of the 130th General Assembly, permits individuals ages 22 and older that have not received a high school diploma or a certificate of high school equivalence (referred to as "adult learners") to enroll for up to two cumulative school years in certain traditional or joint vocational school districts, community schools, or community colleges, university branches, or technical centers in order to earn a high school diploma. Continuing law also requires the State Board of Education to adopt rules by December 31, 2014 regarding administration of the programs for these students, including data collection and other subjects. The bill codifies one of these proposed rules, which specifies the types of data

ODE must collect for each participating adult learner. Since the data would likely have been collected as a result of the rule authorized under continuing law, there is no direct fiscal effect as a result of this provision.

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