



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [Sub. H.B. 597 of the 130th G.A.](#)

Date: September 4, 2014

Status: In House Rules and Reference

Sponsor: Reps. Thompson and Huffman

Local Impact Statement Procedure Required: No

Contents: Repeal and replacement of Common Core academic standards and related assessment system, revision of high school graduation requirements

State Fiscal Highlights

- This bill requires the State Board of Education to adopt or develop new state assessments for use in the 2018-2019 school year and thereafter, by June 30, 2018. The estimated one-time cost of developing these new assessments ranges from \$10.5 million to \$15.75 million.
- The bill requires the State Board to adopt new assessments based on an Ohio version of the standards used by Massachusetts prior to 2011 for use in the 2015-2016, 2016-2017, and 2017-2018 school years, within 90 days after the effective date of the bill. Given the short time frame, the Board will not be able to follow its usual process for assessment development so the costs of this requirement are very uncertain.
- The bill requires the use of the assessments administered in the 2013-2014 school year for the 2014-2015 school year. Presumably, the cost of this will depend on negotiations with the testing company.
- The bill also requires the adoption of two versions of new academic content standards. The first version is to be as identical as possible to the standards used by Massachusetts prior to 2011. These must be adopted within 90 days after the effective date of the bill. The second version must be developed specifically for Ohio and follow certain criteria given in the bill. This version must be adopted by June 13, 2017. Development of new standards may increase costs by \$500,000 to \$700,000 annually.

Local Fiscal Highlights

- The bill specifically states that a school district is not required to use the state academic content standards. The bill also prohibits the withholding of state funds from a district or school for failure to adopt or use the standards. In practice, however, schools and districts generally align curriculum with the state standards. Changes in standards, therefore, 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, repeals the adoption of the Common Core State Standards (CCSS) in English language arts (ELA) and mathematics and prohibits the use of assessments aligned to those standards. The CCSS were adopted by Ohio in 2010, and assessments aligned to the CCSS are scheduled to be used beginning this school year (2014-2015). The bill mandates the replacement of the current standards and assessments. These provisions have direct fiscal effects on the state and public schools. The primary direct cost for the state will be to develop new assessments. The state will also incur increased costs to develop new standards. Public districts and schools may incur increased costs to implement the new standards and prepare their students for the new assessments. The following provides additional details concerning these and other topics.

New assessments

The bill prohibits the use of the Partnership for Assessment of Readiness for College and Careers (PARCC) assessments, the Smarter Balanced assessments, or any other assessments related to or based on the CCSS. PARCC is a consortium of states that has developed the new, computer-based assessments in ELA and mathematics that Ohio and the other states in the consortium are slated to use beginning in the current 2014-2015 school year. In addition to the PARCC assessments, Ohio is scheduled to start using new state-developed, computer-based assessments in science and social studies in the 2014-2015 school year. In FY 2015, \$75.9 million in GRF funding is specifically appropriated to the Ohio Department of Education (ODE) to support costs associated with achievement assessments, an increase of \$20 million (36%) from the \$55.9 million appropriated for FY 2014 to account for implementation of the new PARCC-developed and state-developed assessments scheduled to begin this year.

As a result of the bill, the state will incur an increase in expenditures to develop new assessments. The state did not pay the costs of developing the PARCC assessments as PARCC is one of two consortia to be awarded federal funding to develop new assessments in ELA and mathematics. Under the bill, the state will use the assessments

from the 2013-2014 school year in the current school year (2014-2015). The cost of this requirement, presumably, will depend on negotiations with the testing company on extending the contract for another year. Within 90 days of the bill's effective date, the State Board is required, under the bill, to adopt an Ohio version of the standards in place in Massachusetts prior to December 21, 2010, and assessments aligned with those standards for use in the 2015-2016 through 2017-2018 school years. Given the short time frame, the State Board will not be able to follow the usual process for developing and adopting assessments. The costs associated with this requirement are, therefore, very uncertain.

Finally, the bill requires the State Board to adopt new standards by June 13, 2017, and new assessments by June 30, 2018, for use in the 2018-2019 school year and thereafter. In November 2013, ODE estimated 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 continuing law, 16 achievement assessments in grades three through eight are administered and a new College and Work Ready Assessment System for grades nine through 11 is to begin in the current 2014-2015 school year. Under current law, this system includes seven end-of-course examinations taken throughout high school. The bill replaces the seven end-of-course examinations with an undetermined "series" of examinations in ELA, mathematics, science, American history, and American government. Under the bill, therefore, at least five high school assessments will need to be administered. Overall, assuming ODE will need to develop 21 new assessments (16 elementary and five secondary) as a result of the bill, the estimated cost of the new assessments is \$10.5 million ($\$500,000 \times 21$ assessments) to \$15.75 million ($\$750,000 \times 21$ assessments).

In terms of ongoing costs for the state to furnish and score the assessments, PARCC has estimated a per student cost of \$29.50 for its summative assessments. This figure is the annual total and includes both ELA and mathematics performance and end-of-course assessments. In November 2013, ODE estimated the ongoing cost for state-developed, CCSS-independent ELA and mathematics assessments to be comparable to the ongoing cost to provide the PARCC assessments. The state of Indiana, which recently replaced PARCC-developed assessments with its own state-developed assessments, estimated the cost per student of its assessments to be between \$24 and \$32, including development costs.¹ Actual ongoing costs per student to

¹ Office of Fiscal and Management Analysis, Indiana Legislative Services Agency, July 7, 2014, http://www.in.gov/sboe/files/2014-07-09_Fiscal_Impact_on_CCR_Standards_Assess_Sys_Changes_07072014.pdf.

provide state-developed assessments independent of the CCSS will depend on the cost for such factors as scoring (particularly hand scoring of constructed response items, often the largest cost center in delivering assessments), item development, score reporting, and data analysis, among others.

New standards

Academic content standards describe what students should know and be able to do in each grade level. The State Board adopted the CCSS in 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. As mentioned above, the bill requires the state to adopt, within 90 days of the bill's effective date, content standards in ELA, mathematics, science, and social studies consistent with the standards adopted by Massachusetts as they existed prior to December 21, 2010.² As with the assessments aligned with these standards, the short time frame will not allow the State Board to perform its usual process for adopting standards. The costs of this requirement, therefore, are very uncertain.

The bill requires the State Board to develop and adopt new standards for use beginning in the 2018-2019 school year by June 13, 2017. Adopting these new standards 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 the 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 \$500,000 to \$700,000 during the development of the new standards. The bill eliminates the current law requirement that ODE develop model curricula after developing new content standards and, in fact, prohibits ODE from developing model curricula. This provision will likely shorten the number of years the bill's increase in standards costs continues.

² For a complete list of the Massachusetts standards, see <http://www.doe.mass.edu/frameworks/current.html>.

Local fiscal effects

The 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 the 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.

The bill specifically states that a school district is not required to use the state academic content standards. The bill also prohibits the withholding of state funds from a district or school for failure to adopt or use the standards. In practice, however, school curriculum decisions are influenced by the state standards and assessments. The performance of students on state assessments affects schools and districts through the local report cards, eligibility of students for Educational Choice scholarships, teacher evaluations, and other means. In response to changes in state standards and assessments, therefore, 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 pre-2011 Massachusetts standards and then the new 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 these changing standards. Such costs may be higher than the costs a school experienced during the transition to the CCSS, because school districts and community schools will have a shorter period of transition to provide professional development and complete curriculum and lesson planning revisions.

Comparative reports

The bill requires the State Board to compare the new Ohio standards to be adopted by June 13, 2017, with the current standards. The Board is required to consider public comments, best practices, evidence, and research in evaluating and comparing these standards. The bill also requires ODE to compare the new state-developed assessments to be adopted June 30, 2018, with assessments aligned to the Ohio version of the pre-2011 Massachusetts standards, and with the Ohio Graduation Tests and the Ohio Achievement Assessments. These requirements will increase ODE's administrative costs upon adoption of the new Ohio standards and assessments. The state of Oklahoma, which recently repealed its use of the Common Core standards, estimated the total cost of a similar study comparing standards at \$70,000.

Indirect fiscal effects

Federal ESEA flexibility waivers

Under the federal No Child Left Behind Act of 2001 (NCLB), the current version of the Elementary and Secondary Education Act (ESEA), public districts and schools must meet adequate yearly progress (AYP). This measure was designed to ensure that sufficient academic progress among all students and certain student subgroups was being made on achievement assessments each year so that 100% of students were proficient in reading and mathematics by the end of the 2013-2014 school year. Districts and schools move into improvement status after missing AYP for two consecutive years; consequences escalate based on the number of years the benchmarks have been missed. Consequences include the offering of public school choice and tutoring services; set-asides of Title I funding to pay for public school choice transportation and tutoring services; and set-asides of Title I funding for professional development, corrective action, and restructuring. In 2008, Ohio began operating under a United States Department of Education (USDOE)-approved differentiated accountability model that categorized districts and schools that miss AYP for two years in a row or more in low, medium, or high support status based on the aggregate percentage of student groups that do not meet AYP in reading and mathematics.³

In September 2011, USDOE offered states the opportunity to receive waivers from certain NCLB requirements in exchange for commitments to various education reforms. Ohio's waiver request was approved in May 2012. Most notably, the waivers exempt states and districts from making determinations of AYP and meeting the 100% proficiency requirement. As a result, districts and schools are no longer identified for improvement, corrective action, or restructuring for failing to make AYP for two years or more in a row. Instead, states must establish annual measurable objectives that are ambitious but achievable. Furthermore, a district or school's support status and interventions are now based on overall performance on Ohio's local report cards, one component of which assesses performance on the annual measurable objectives, rather than on AYP alone. While districts and schools are no longer identified for improvement, corrective action, or restructuring, the waivers require the identification and interventions of schools struggling the most in achievement and gap closing. To that end, a district or community school identified as having or being such a school

³ Under NCLB, the consequences for districts or schools are the same whether they miss AYP for one group of students in one subject area or miss the benchmark for multiple groups of students in both subject areas. Though many of the same interventions were in place under NCLB and Ohio's pre-waiver differentiated accountability model, the model allowed Ohio to vary the intensity and type of interventions to match the academic reasons that led to the districts' or schools' identification.

must direct 20% of its Title I allocation to those schools.⁴ The waivers also provide flexibility with respect to Title I and other federal funds.

Ohio's waivers from certain requirements of NCLB were granted, in part, because Ohio had adopted the CCSS and is implementing the PARCC assessments. However, USDOE also granted waivers under an alternative qualification that permitted state-developed standards and assessments under certain circumstances, though the standards and assessments need to be implemented no later than the 2013-2014 and 2014-2015 school years, respectively. USDOE required states not adopting the CCSS and not participating in either PARCC or the Smarter Balanced consortium to have their standards certified by a network of state higher education institutions as being "college and career ready" and to submit their standards and assessments to USDOE for peer review.

Recently, a number of states with flexibility waivers have ceased participation in the two assessment consortia developing common tests aligned with the Common Core State Standards. In response, USDOE requested that these states provide information on how they planned to implement new assessments that comply with waiver requirements.⁵ Indiana, which replaced the CCSS with state-developed standards and ended its participation in PARCC, received a one-year extension of its waivers from USDOE. Like Indiana, Oklahoma also repealed the CCSS and withdrew from PARCC. However, the state returned to its pre-Common Core standards and USDOE revoked its waivers on the grounds that these standards were not college- and career-ready.⁶ By no later than the start of the 2015-2016 school year, Oklahoma must revert back to the NCLB requirements for AYP and the sanctions and interventions associated with not meeting AYP, including the loss of flexibility with respect to Title I and other federal dollars.⁷

Under the bill, ODE will have to submit an amendment to USDOE showing how the state plans to achieve the college- and career-ready standards it agreed to implement in its waiver application. If USDOE determines that Ohio is not complying with its application commitments, it is possible that federal Title I funds, administrative or programmatic, could be rescinded. It is also possible that Ohio's waivers are revoked.

⁴ Prior to the waivers, districts and schools were required to set aside 20% of Title I funding for public school choice transportation and tutoring and 10% for professional development for consistently failing to make AYP.

⁵ Education Week, "Some Waiver States Feel Squeeze on Common-Core Tests," January 28, 2014, http://www.edweek.org/ew/articles/2014/01/29/19assessment_ep.h33.html.

⁶ Washington is the only other state to have its flexibility waivers revoked, for the reason that it did not comply with commitments agreed to with respect to teacher evaluations.

⁷ Education Week, "Oklahoma Loses Waiver Over Academic Standards; Indiana, Kansas Waivers Extended," August 28, 2014, http://blogs.edweek.org/edweek/campaign-k-12/2014/08/hold_hold_hold_oklahoma_loses_.html.

If so, it is expected that most districts and schools would be subject to the various sanctions for failing to meet NCLB's expectations for student proficiency. To illustrate, Ohio's waiver proposal places the lowest 35% of both traditional districts and community schools in low, medium, or high support status. In contrast, it was generally expected that 90% of Ohio districts and community schools would fail to meet AYP once 100% proficiency was required. Ohio districts and schools would also lose the flexibility in federal funds granted by the waivers. To illustrate, these entities received nearly \$580 million in Title I grants in FY 2014.⁸ If Ohio's waivers were revoked and 90% of districts failed to make AYP, then the vast majority of school districts would have to set aside upwards of tens of millions of dollars in Title I funds for public school choice transportation, tutoring, and professional development. Potential local impacts of losing this flexibility in funding include cutbacks in personnel and programming.

Race to the Top grant funding

In August 2010, USDOE awarded Ohio a four-year, \$400 million competitive grant under the Race to the Top (RttT) grant program. The RttT grant program provides funding to states implementing education reforms in four specified areas. One of the four reform conditions or "assurance areas" central to the RttT grant program is whether a state is implementing common standards and assessments that prepare students for success in college and the workplace. State applications for RttT grant funding were scored based on how well certain criteria were met in these and other areas. About 15% of a state's RttT score was based upon whether the state was developing, adopting, and implementing common standards and common, high-quality assessments. Presumably, the adoption of the Common Core State Standards and the PARCC assessments satisfied the requirements of the standards and assessments assurance area for RttT.

Overall, as of June 30, 2014, nearly \$320 million of the total \$400 million in grant funding has been disbursed. Slightly over half of this funding (\$170 million) has flowed directly to around 435 RttT participating districts and community schools. These districts and schools must use the funds for specific school improvement activities that are outlined in their applications. The remaining funds (\$150 million) have been used at the state level. In March 2014, USDOE approved a one-year "no-cost extension" permitting the state and participating districts to carry over and use unspent funds (totaling \$80 million) in the 2014-2015 school year.

It is unclear if the repeal of the Common Core standards and prohibition on PARCC assessments would put unspent RttT funds in jeopardy. Other states that have suspended their use of the Common Core State Standards – Indiana, Oklahoma, and South Carolina – are not RttT recipients and thus no precedent has been set regarding RttT funds. Though program requirements do not specifically require the use of either CCSS or PARCC assessments, USDOE has the authority to revoke RttT grant funding or

⁸ At least 99% of this funding goes directly to school districts. States are permitted to reserve up to 1% of funds for administration.

impose other penalties for noncompliance if it determines a state is not fulfilling the commitments it agreed to in its funding application and in its USDOE-approved scope of work document, the latter of which describes the state's activities in implementing RttT reform initiatives.⁹ Under the bill, ODE may be required to submit a formal amendment request to USDOE for consideration. Thus, LSC cannot rule out the possibility that USDOE will take enforcement action regarding unspent RttT funds.

Distribution of student and teacher information

In general, the bill stipulates that only aggregate data can be provided to the federal government, even if student or teacher personally identifiable information is required as a condition of receiving a federal grant, unless the grant recipient obtains informed written consent from the parents or guardians or the teachers, as applicable. This provision is unlikely to have a fiscal effect. Most school district data submitted to the federal government is submitted through ODE. ODE only reports aggregated counts at the state, local, and school building levels for various indicators that are required for participation in federal education programs. Yet, there are also some instances when a school district may submit data directly to the federal government without it going through ODE first. Since ODE does not manage the data collection, the extent of the school district data sent directly to the federal government on a statewide basis is unclear. Thus, LSC cannot rule out the possibility that the federal government will impose some sort of penalty for noncompliance if a grant recipient refuses to provide personally identifiable information when a federal grant requires it.

Synopsis of Fiscal Effect Changes

- The prior version of the bill required the State Board to adopt new standards by June 30, 2016. This version of the bill delays the adoption to June 13, 2017, also delaying or, perhaps, spreading out the estimated costs associated with adopting new standards (\$500,000 to \$750,000 per year). This version of the bill also eliminates model curricula, which, under current law are adopted after new standards are adopted. As a result, the period of time the estimated increase in costs occurs will likely be shortened.
- Although not reflecting a change in the bill, the Fiscal Note was updated to account for the recent decision by USDOE to revoke Oklahoma's NCLB waiver.

⁹ "Race to the Top Executive Summary," November 2009, <http://www2.ed.gov/programs/racetothetop/executive-summary.pdf>, and "U.S. Department of Education Race to the Top, Ohio Report Year 2," February 1, 2013, <http://www2.ed.gov/programs/racetothetop/performance/ohio-year-2.pdf>, last visited August 18, 2014.