



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Am. Sub. S.B. 96 of the 130th G.A. **Date:** December 11, 2014
Status: As Passed by the House **Sponsor:** Sen. LaRose

Local Impact Statement Procedure Required: No

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'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.
 - Some school districts and community schools may incur minimal costs to update their social studies high school curriculum to meet the bill's requirement that at least one-half of the two required social studies units include instruction in world history.
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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. The bill also requires one-half unit of world history in the high school social studies curriculum. 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 (1) 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 the end of March,¹ but also (2) modifies the exemption so that it applies only to schools for which less than 65% of enrollment is made up of state scholarship program recipients. Even so, the bill requires scholarship students to take the exams, even if the school qualifies for the exemption. In FY 2015, fewer end-of-course exams may be taken because the bill accelerates the effective date of the exemption, which may reduce ODE's assessment system costs for the current fiscal year. In FY 2016, the year in which the exemption is currently scheduled to take effect, the fiscal effect depends on how many schools would have opted for the exemption under current law. If all chartered nonpublic schools would have opted for the exemption, then fewer such schools may qualify under the bill due to the bill's scholarship enrollment threshold of 65%. If so, the bill may result in an increase in FY 2016 assessment system costs over what they would have been otherwise.

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 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.

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.

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 eliminates this requirement. As described above, the new student count is based on enrollment and, with the exception of the "105-hour rule," not attendance. Thus, a student that is truant for extended periods of time may stay enrolled for a longer portion of the school year under the bill. If so, state foundation funding will increase in these circumstances, the amount of which will depend on the portion of the year that the student would otherwise have been withdrawn, the characteristics of the student, and the district's state share index, which measures local revenue generating capacity and ranges from 5% to 90%. In FY 2015, school districts receiving temporary transitional aid or subject to the gain cap will not receive any additional funding from this change.

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. This appropriation 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.

World history in social studies curriculum

Under current law, the high school curriculum must include two units of social studies. The bill requires, for students entering the ninth grade on or after July 1, 2017, that the two units of social studies instruction include at least one-half unit of instruction in the study of world history and civilizations. Some school districts and community schools may incur minimal costs to update their social studies high school curriculum to meet this requirement.

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, not later than 90 days after the bill's effective date, to adopt rules 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.
- The State Board, beginning with the current school year, to report to the Governor and the General Assembly by December 31 of each year the status of student achievement in American history and American government based on the results of the end-of-course examinations.
- 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.