



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** Sub. H.B. 193 of the 130th G.A. **Date:** January 15, 2014

**Status:** As Reported by House Education **Sponsor:** Rep. Brenner

**Local Impact Statement Procedure Required:** No

**Contents:** Academic achievement assessments and high school graduation requirements

### State Fiscal Highlights

#### High school assessments and graduation requirements

- The bill sets the replacement of the Ohio Graduation Tests (OGTs) with the College and Work Ready Assessment System beginning with students entering ninth grade on or after July 1, 2015. These changes are expected to result in cost avoidance totaling about \$25 million through FY 2019. The vast majority of avoided costs occur in FY 2017, as the state will no longer be required to provide the OGTs to tenth grade students that year.
- The bill also specifies that there be only five end-of-course exams and, if sufficient funding is available, two additional optional end-of-course exams instead of the ten previously selected under current law. Reducing the number of exams may further reduce the cost of the high school testing program.

#### Other provisions regarding achievement assessments

- The bill requires the Ohio Department of Education (ODE) to complete a comparison study of certain elementary English language arts and mathematics assessments. The results will be used by ODE and the State Board of Education to make a new determination of the assessments that will be provided in the 2014-2015 school year. This provision is likely to result in an increase in costs for ODE to perform the study, though the amount is uncertain. The overall effect on the state's assessment system costs will depend on the assessments chosen by the State Board.
- The bill delays by one year the implementation of online assessments, which are currently slated to be administered in the 2014-2015 school year. In general, an assessment taken with paper and pencil costs more per student than a comparable computer-based version. During the current 2013-2014 school year, the bill also requires ODE to perform a survey of school district technology capacity. This survey may increase ODE's administrative costs.

## **Local Fiscal Highlights**

- The bill provides multiple assessment options to qualify for a high school diploma beginning with the class of 2019. This may allow more students to graduate on time, which may slightly affect school district ADM and thus, the state aid received by school districts. School districts may also realize a reduction in expenditures that may have been necessary to educate students that otherwise would not have graduated on time.
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## **Detailed Fiscal Analysis**

### **Overview**

The bill makes a number of changes with respect to the state's academic achievement assessments and high school graduation requirements. Most notably, the bill requires students entering the ninth grade in the 2015-2016 school year to take the assessments included in the College and Work Ready Assessment System that is replacing the current high school assessments; specifies five end-of-course exams for the College and Work Ready Assessment System and, if sufficient funding is available, two additional optional end-of-course exams; establishes multiple criteria by which students can meet the testing requirements associated with obtaining a high school diploma; and, as part of the revised graduation requirements, requires school districts to administer a state-funded, nationally recognized job skills assessment to students who opt to take the test. The bill also delays the administration of online assessments by one year to the 2015-2016 school year, requires the state to conduct a comprehensive survey of school district technological capacity to deliver online assessments, and requires a comparison study of several different types of elementary English language arts and mathematics assessments in the current 2013-2014 school year. The bill makes several other changes, which likely have minimal, if any, fiscal effects. The bill's major provisions are discussed in more detail below.

### **High school assessments and graduation requirements**

#### **Current requirements**

Under current law, Ohio students must meet both curriculum and testing requirements in order to successfully earn a high school diploma. To meet the testing requirements, students must attain a passing score on achievement assessments in reading, writing, mathematics, science, and social studies skills expected at the end of the tenth grade. These five tests are commonly referred to as the Ohio Graduation Tests (OGTs). As a result of H.B. 1 of the 128th General Assembly, the OGTs are scheduled to be phased out in favor of the College and Work Ready Assessment System, which is comprised of end-of-course exams in science, mathematics, English language arts,

American history, and American government and a nationally standardized assessment measuring college readiness in the tenth grade.

### **Current implementation plan**

Current law does not specify a date by which the OGTs are eliminated and the new system begins. Rather, the timeline and plan for implementation of the College and Work Ready Assessment System and the revised graduation requirements are determined according to rules that the State Board of Education must adopt. However, current law also stipulates that the rule-making process cannot begin until after the new assessment system has been fully developed and that the rules do not become effective until one year after they are filed in final form. Because of these provisions, the Ohio Department of Education (ODE) indicates that the new graduation requirements will begin to apply to students entering the ninth grade in the 2016-2017 school year. Students entering the ninth grade in the previous school year, 2015-2016, must take the OGTs in their sophomore year, meaning that the OGTs will continue to be administered en masse until the 2016-2017 school year. Beginning in the 2014-2015 school year, the OGTs will consist of modified test items aligned to the new academic content standards adopted by the State Board in June 2010. Ohio's federal Elementary and Secondary Education Act (ESEA) waivers require ODE to administer high-quality assessments in grades three through eight and in high school that are aligned to the state's college and career-ready academic content standards no later than the 2014-2015 school year. Further, Ohio's memorandum of understanding (MOU) with the other members of the Partnership for the Assessment of Readiness in College and Careers (PARCC), a consortium of states developing computer-based assessments aligned to the Common Core State Standards in English language arts and mathematics, requires that the PARCC assessments be administered starting no later than that year. This creates a scenario in which both the end-of-course exams under the new assessment system and the modified OGTs will both be administered for three school years: 2014-2015, 2015-2016, and 2016-2017. It costs the state about \$25 million per year to furnish, score, and provide score reports for the OGTs. These costs are supported mostly by the GRF but also by some federal funds. Under current law, the state would incur these costs for the next three school years in addition to those necessary to administer the new assessments.

Under the current plan, the Superintendent of Public Instruction and the Chancellor of the Ohio Board of Regents have jointly selected a series of ten end-of-course exams for the College and Work Ready Assessment System. PARCC is developing the six end-of-course exams in English language arts and mathematics while the state is developing the four end-of-course exams in science and social studies. ODE expects the annual cost for ten end-of-course exams to be about \$25 million to \$28 million once the end-of-course exams are fully phased in. In general, students will take three end-of-course exams per year until their senior year when they will only need to take one exam. However, under a plan adopted by the State Board in

November 2013, school districts may choose to have their students take only eight end-of-course exams by omitting the first of the three exams in each series in English language arts and mathematics.

### **Changes made by the bill**

#### **OGT phase-out**

The bill eliminates the requirement that the rules be adopted after the new assessment system has been developed and the one-year delay to the effective date of those rules and specifies that the College and Work Ready Assessment System will replace the OGTs as one determinant for a diploma beginning with students who enter the ninth grade in the 2015-2016 school year.<sup>1</sup> Students who enter the ninth grade prior to that school year must pass the OGTs in order to graduate. As a result, the OGTs must be offered through the 2015-2016 school year to all tenth grade students and in the following two school years for those who fail to pass the tests. ODE estimates that providing the OGTs to students that failed to pass the tests as sophomores will cost about \$2 million per year. Thus, compared to the current plan if no legislative changes are enacted, the bill's phase-out of the OGT will likely result in cost avoidance of around \$23 million in FY 2017. The state will also avoid around \$2 million in costs in FY 2019 that would have been necessary to provide the OGTs to students that were not able to pass one or more of the tests in their sophomore year.

#### **End-of-course exams**

In addition to specifying when the OGTs will no longer be administered, the bill specifies that there be only five end-of-course exams, instead of the ten selected by the Superintendent and the Chancellor. However, if the Superintendent determines that ODE has sufficient funds to pay the costs of developing and furnishing additional end-of-course exams, ODE may offer two additional end-of-course exams, one each in mathematics and English language arts, though public districts and schools and chartered nonpublic schools are not required to administer either of the two additional exams. The bill also permits a school district or school to administer State Board-approved equivalent exams in lieu of any of the prescribed end-of-course exams. These equivalent exams must include nationally recognized exams, such as advanced placement exams, SAT subject tests, international baccalaureate exams, ACT end-of-course exams, and so on. Under current law, such assessments could function as the end-of-course exams rather than as equivalent exams under the bill. ODE's plan under current law is to require districts that choose to use substitute assessments to incur the

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<sup>1</sup> The bill provides an exception for students who have not yet entered ninth grade on July 1, 2014 but are taking high school level exams and for students in grades nine through 12 who wish to earn course credit under the bill's credit by exam provision. Those students can take the new end-of-course exams beginning in the 2014-2015 school year. In addition, the bill requires each school district to administer the end-of-course exams in American history and American government beginning in the 2014-2015 school year.

cost. The bill requires the state to reimburse school districts electing to administer the equivalent exams the lesser of the actual cost to administer those exams or the cost that the state would have incurred if the state-prescribed end-of-course exams were administered. Public districts and schools and chartered nonpublic schools may form a consortium to facilitate the purchase and administration of equivalent exams.

Reducing the number of exams may reduce the cost of the high school testing program. However, the amount of any savings is difficult to determine because of the uncertainty associated with how many students will take the state-prescribed exams versus the equivalent exams and the number of schools that will opt to administer the two optional exams. In general, as the number of students taking each exam decreases, the state's cost per test will increase.

### **Graduation requirements**

As noted above, current law generally requires a high school student to obtain passing scores on prescribed assessments, whether they be the OGTs or, once implemented, the College and Work Ready Assessment System, in order to receive a high school diploma. In addition to the applicable curriculum requirements (which the bill does not change), the bill enables students entering the ninth grade in the 2015-2016 school year (the class of 2019) and thereafter to qualify for a high school diploma by meeting one of the following conditions: (1) be remediation-free on nationally standardized assessments in English, reading, and mathematics,<sup>2</sup> (2) be remediation-free, according to a separate standard established by the State Board, on the end-of-course exams in English III and Algebra II, (3) attain a cumulative passing score on the five end-of-course exams, or (4) attain a score that demonstrates workforce readiness and employability on a State Board-selected job skills assessment or obtain either an industry-recognized credential or a professional license. Accordingly, the bill eliminates the alternative pathway to graduation for students that were able to pass all but one of the OGTs and met certain other requirements.

The bill also phases in new graduation testing requirements for a student enrolled in a dropout prevention and recovery program (DPRP) operated by either a traditional school district or a community school that primarily serves students enrolled in such programs. When fully phased in, beginning in the 2015-2016 school year, such a student may (1) satisfy any one of the four conditions described above for students in traditional programs, (2) attain a minimum passing score on new, State Board-designated assessments in mathematics, science, social studies, and English language arts that evaluate a student's demonstration of general knowledge in a specific content area, or (3) attain a score that demonstrates workforce readiness and employability on the job skills assessment (no industry-recognized credential or

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<sup>2</sup> To be considered remediation-free, a student must score at or above certain subscore thresholds in English, reading, and mathematics on one of several assessments, such as the ACT, SAT, Accuplacer, or COMPASS.

professional license is required for this option). The bill modifies the report cards for DPRP schools to reflect the elimination of the OGT and these new assessment options.

The revised graduation requirements may have several fiscal effects. Providing additional testing options to qualify for a diploma may result in more students who are able to graduate on time, or sooner in the case of students in DPRPs, which may slightly affect statewide average daily membership (ADM) and thus, state aid. School districts may also realize a reduction in expenditures that may have been necessary to educate students that otherwise would not have graduated on time or less quickly. The multiple criteria to qualify for a diploma may improve the performance of districts and schools on the graduation rate and other applicable components of the local report cards. Improved report card performance may affect the number of districts and schools subject to various sanctions and privileges that are tied to performance ratings. For example, improved performance on the graduation rate and assessment passage rate components of the DPRP school report card creates the potential for fewer school closures once DPRP schools are subject to closure after the 2015-2016 school year. Note that, though the bill incorporates the general knowledge assessments described above into the state's testing program for DPRPs, the bill does not address who will pay the costs to furnish, score, and report results for those assessments.

#### **Job skills assessment**

As alluded to above, the bill requires school districts to administer a State Board-selected, nationally recognized job skills assessment to students who opt to take it. The assessment will be used to demonstrate a student's workforce readiness and employability. Taking this assessment does not exempt students from the end-of-course exams or the nationally standardized college readiness assessment. One option for the State Board will be the WorkKeys assessments developed by ACT, Inc. According to ACT, Inc. the WorkKeys assessments are currently offered as part of five states' statewide testing programs: Alaska, Illinois, Michigan, North Dakota, and Wyoming. Other states, such as Kentucky, may offer the WorkKeys assessments to certain students, such as those in career-technical education programs. The bill requires the state to reimburse a school district for the costs of administering the job skills assessment and prohibits school districts from charging students to take it. The overall cost to the state is uncertain, as it will depend on how many students opt to take the assessments and the terms of the contract negotiated with the assessment vendor.

### **Other provisions regarding achievement assessments**

#### **Technology infrastructure survey**

ODE is currently gathering information about the technological capacity of public schools to administer online tests through the Technology Readiness Tool (TRT), an online portal developed by PARCC and the Smarter Balanced Assessment Consortium that allows states to ascertain school technology infrastructure. Under the current plan, ODE will use the information submitted by school districts to determine

which districts qualify for paper and pencil versions of the Next Generation Assessments. As of December 2013, about 50% of schools that plan to administer state tests have submitted data through the TRT. The bill requires ODE to conduct a comprehensive survey of the capacity and readiness of each school district to administer online assessments. The survey must include information regarding hardware, software, bandwidth, technical support, security requirements, training for teachers to administer the assessments, and training for students to take the assessments. ODE will have 90 days after the effective date of the bill to compile and present the results of the survey and a detailed implementation plan to address any issues or problems identified in the survey. According to ODE, data in the TRT will supply most of the data needed, though the department would need to ask school districts additional questions pertaining to student readiness for taking the assessments and the training provided to teachers to administer them. This work may increase ODE's administrative costs.

### **Assessment comparison study**

Ohio is a governing state in the PARCC consortium developing online assessments in English language arts and mathematics. Ohio is also developing online assessments in science and social studies that align to the state-developed standards in those subjects. These assessments, known as the Next Generation Assessments, are slated for full implementation in the 2014-2015 school year. The bill requires ODE to conduct a comparison study of elementary English language arts and mathematics assessments. The data gathered from this study will be used by ODE to recommend and the State Board to determine the assessments to be administered in the 2014-2015 school year, as described in more detail below.

During the current 2013-2014 school year, ODE must select and administer, for comparison purposes, two sets of English language arts and mathematics assessments for students in grades three through eight to students in school districts of the same sample size and profile. The first set of assessments must: be vertically articulated, include multiple types of questions, be able to be administered online or in paper format, be aligned to college-readiness benchmarks, not be offered by a multi-state consortium, and be offered by a nonprofit organization that offers an assessment used for the purpose of college admission. These criteria appear to describe ACT Inc.'s Aspire assessment system, which is scheduled to launch in the spring of 2014. ODE must also field-test assessments offered by a multi-state consortium, i.e., PARCC. The PARCC assessments are already scheduled for field testing in the 2013-2014 school year. However, administering a different set of assessments would represent a new and potentially significant cost to ODE, the amount of which will depend on the scope of the ACT Aspire administration. There would also be opportunity costs for some school districts in having to administer an additional assessment to students.

In the fall of 2014, ODE must submit a report of the assessment results and a comparison of those assessments and the current generation of assessments based on

certain factors, including cost, and make a recommendation to the State Board concerning which assessments to use for the 2014-2015 school year, which may be the current generation of assessments, the PARCC assessments, or the ACT Aspire assessments. Preparation of the report may increase ODE's administrative costs. The bill gives the State Board until December 31, 2014, to review the recommendations and approve one or more assessments.

### **Online assessment delay**

No matter what assessments the State Board chooses, the bill prohibits ODE and the State Board from implementing or requiring the online administration of any of the state's achievement assessments prior to the 2015-2016 school year, except to perform the assessment comparison study described above. Thus, only paper and pencil-based tests may be administered in the 2014-2015 school year, including the state-developed assessments in science and social studies. This provision offers additional time to school districts to obtain additional technological capacity to administer online assessments. Currently, about 71% of students can be tested on devices that meet minimum specifications for online administration and 83% of students are able to take the tests on network infrastructure that meet minimum bandwidth requirements, according to a December 2013 snapshot of the data participating schools have submitted through the TRT. However, as noted above, many schools have yet to report data. In general, an assessment taken with paper and pencil costs more per student than a comparable computer-based version, as described in more detail below.

### **Assessment costs**

The fiscal effect of these provisions on the state's costs to furnish and score elementary assessments will ultimately depend upon the set of assessments chosen by the State Board. If the State Board chooses to continue using the PARCC assessments, there will be higher costs associated with administering a paper and pencil version of the PARCC assessments in the 2014-2015 school year. PARCC will have a paper and pencil-based test available for next school year, but they are projected by PARCC to cost \$3 to \$4 more per student than the regular computer-based PARCC tests because of additional costs required for shipping and receiving; printing, scanning, scoring, and distributing the paper and pencil tests; and keeping them secure. Approximately 776,000 public school students in grades three through eight took the spring administration of the Ohio Achievement Assessments in 2013. This suggests a marginal cost in the \$2 million to \$3 million range from administering only paper and pencil-based tests. The actual figure may be somewhat lower since some schools may have administered paper and pencil-based tests anyway for lack of the minimum technological capacity. Likewise, there will also be higher costs associated with paper and pencil science and social studies assessments that the state is developing.

If the state chooses the ACT's Aspire tests, the cost appears to be somewhat lower than the PARCC assessments, which are slated to cost \$29.50 per student. The cost of the ACT Aspire tests is likely to be about \$20 per student for the online version

of its battery of tests in English, reading, writing, mathematics, and science, based on various media reports and information presented by ACT to other states evaluating the suite of tests. As with the PARCC exams, the price for paper and pencil tests will be higher, likely an additional \$5 to \$6 per student.

If the State Board chooses to use the current generation of paper and pencil assessments, the cost may be less than that budgeted for the online PARCC assessments. Over the past five fiscal years, spending to deliver grade three through eight assessments has averaged around \$40 million per year according to data in the state's accounting system. The FY 2015 budget to administer the next generation assessments in grades three through eight is \$48 million. However, ODE will incur new costs to develop and field test items for the English language arts and mathematics assessments in grades three through eight that are aligned to the state's new learning standards. As a point of reference, item development alone for the 2013-2014 school year elementary assessments in English language arts and mathematics is slated to cost about \$2.2 million according to the state's contract with the test vendor. Costs are likely to be higher for the 2014-2015 school year due to the accelerated time frame needed for item development.

#### **Possible indirect fiscal effects**

The State Board's selection may also lead to indirect fiscal effects associated with Ohio's federal Elementary and Secondary Education Act (ESEA) waivers and federal Race to the Top (RttT) grant funding. One of the four reform conditions or "assurance areas" central to the RttT grant program was whether a state was implementing common standards and assessments that prepare students for success in college and in the workplace. If the State Board adopts anything but the PARCC assessments, the potential exists for the U.S. Department of Education (USDOE) to revoke RttT grant funding or impose other federal penalties for noncompliance with the commitments the state agreed to in its application for RttT grant funding and in its USDOE-approved scope of work document since both the current generation and ACT Aspire assessments are not common to a significant number of states.

If the State Board selects the current generation of assessments, continuation of Ohio's ESEA waivers will likely depend on the tests being solely aligned to Ohio's new learning standards. According to ODE, the current items in use for 2013-2014, which are dual-aligned to both the old and new standards, would not meet ESEA waiver requirements. Failure to meet ESEA waiver requirements carries the possibility that federal Title I funds, administrative or programmatic, are rescinded for noncompliance. It is also possible that Ohio's waivers be revoked. If so, it is expected that most districts and schools would be subject to potentially costly sanctions for failing to meet the federal No Child Left Behind Act's expectation of 100% proficiency in reading and math by the end of the current 2013-2014 school year.

## **Academic performance rating system/teacher evaluations**

The bill prohibits the report card ratings issued for the 2014-2015 school year from being considered in determining whether a school district or school is subject to sanctions or penalties. The bill specifies that the report card ratings for previous and subsequent years will continue to be considered and the safe harbor provision does not create a new starting point for determinations that are based on ratings over multiple years. The bill also permits a school district, community school, or STEM school with a collective bargaining agreement to enter into a separate MOU with its teachers union stipulating that the value-added progress dimension rating for the 2014-2015 school year for purposes of the teacher evaluations will not be used when making decisions regarding dismissal, retention, tenure, or compensation of teachers. However, if such an MOU is entered into, the district or school must use a different measure of student progress, approved by ODE, for teacher evaluation purposes.

These provisions are in response to concerns that, as the state transitions to new, more rigorous standards, student test scores and, consequently, academic performance and teacher evaluation ratings may drop significantly. Thus, the bill will prevent any district or school from beginning to be subject to potentially costly state sanctions that they otherwise may have been without the safe harbor provision.

## **State Board and ODE responsibilities**

The bill requires the State Board or ODE to take a number of actions. These activities are consistent with the continuing work of the State Board and are not expected to increase costs beyond a minimal amount, if any. Among its responsibilities under the bill, the State Board or ODE must:

- No later than 30 days after the bill's effective date, develop and publish an estimated college- and career-ready score for each of the five sections of the OGTs, which must be published on all district, school, teacher, and student score reports generated by ODE.
- No later than 60 days after the bill's effective date, compile a list of multiple assessments that are equivalent to the end-of-course examinations in each subject area, including nationally norm-referenced achievement tests, that schools may use instead of the end-of-course exams (a similar requirement is in current law).
- Adopt a policy to grant credit to any student who scores at or above certain levels on end-of-course exams, their equivalents, or on other State Board-approved exams but does not complete the corresponding course of instruction and, no later than 120 days after the bill's effective date, establish minimum score levels on the applicable exams that students must attain in order to receive credit and the amount of credit to be awarded based on a student's score.

- By October 31, 2014, determine or develop various specifications to implement the end-of-course exams and graduation requirements.
- By December 31, 2014, select at least one nationally recognized job skills assessment and establish the minimum score a student must attain to demonstrate a student's workforce readiness and employability.
- By July 1, 2015, designate assessments in mathematics, science, social studies, and English language arts that evaluate a dropout prevention and recovery student's demonstration of general knowledge in a specific content area and designate a minimum passing score for each of the assessments.
- Hold at least three public hearings that allow public comment on any proposed academic standards or revisions to existing standards. The State Board must provide at least 14 days' notice of each hearing to public and nonpublic chartered schools, the news media, the Governor, and all members of the General Assembly and must post the notice in a prominent location on ODE's website.