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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Legislative Budget
Office

H.B. 82
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Passed by the Senate

Primary Sponsor: Reps. Cross and Jones

Local Impact Statement Procedure Required: No

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Highlights

- Permitting the parent or guardian of a high school student to opt the student out of the state-funded administration of the ACT and SAT college admissions tests may reduce GRF expenditures for these tests starting in FY 2025. Generally, for every 1% decrease in participation, the state's costs for the tests are projected to decrease by about \$49,000 each fiscal year.
- Initial one-time costs for the Ohio Department of Education (ODE) to implement the bill's revised report card system may be in the hundreds of thousands of dollars, likely less than \$800,000, but potentially more if software upgrades are needed.
- The revised rating system may change the number of school districts and buildings subject to various sanctions for low performance or that qualify for various privileges for high performance, which, in turn, may affect school district and other public school costs.

Detailed Analysis

The bill permits a parent or guardian to opt their student out of participation in the state-funded administration of the college admissions test that is a part of the high school assessment system and makes numerous changes to the state's report card system. The bill revises the current school district and building report card system by replacing letter grades with a star rating system that ranges from one star for "needs significant support to meet state standards" to five stars for "significantly exceeds state standards." While initial revisions go into effect for the 2021-2022 school year, the bill generally delays the issuance of overall ratings until the report cards for the 2022-2023 school year. The new rating system also includes half-star intervals. The bill also modifies the report card system through new weights for the overall

rating's six components, changes some of the underlying component calculations, and includes additional ungraded measures on the report cards.

Opt out of state-funded administration of ACT and SAT

Current law generally requires all students in eleventh grade to take a college admissions test as part of the state's College and Work Ready Assessment System. The bill maintains this requirement, however, beginning with students who enter ninth grade for the first time on or after the first day of July following the bill's effective date, the bill permits a parent or guardian to opt their student out of participation in the state-funded administration of the college admissions test. The state contracts with ACT Inc. and the College Board to administer the ACT and SAT, respectively, to eleventh grade students in the spring of each school year. School districts choose annually which of the two college admissions examinations that their students will take. The state pays \$40 per student for the ACT and \$36.35 per student for the SAT. The ACT is, by far, the most popular option. For FY 2019, the state spent approximately \$4.9 million from the GRF to administer both tests. A large majority of this amount, \$4.4 million, was for the ACT. That year, about 122,600 eleventh grade students in public and nonpublic schools took either the ACT or SAT.

For every 1% decrease in participation, GRF expenditures for the tests are projected to decrease by approximately \$49,000 annually assuming no change in the state's cost per test. The table below estimates the state's annual costs of administering the ACT and SAT at various hypothetical student participation rates, starting with a baseline of 100% under current policy, and the state savings under various reduced participation rate scenarios. The upper bound on potential savings in the table is based on a minimum participation rate of 60%, the percentage of high school graduates that go directly to college according to the Pell Institute.¹

If the bill goes into effect during the 2021-2022 school year, the class of 2026 would be the first class affected. Under that scenario, any reduction in state costs for these tests would begin to accrue in FY 2025, when the class of 2026 is generally required to take one of the college admissions tests under current law.

Test	100% of 11 th Graders	95% of 11 th Graders	90% of 11 th Graders	80% of 11 th Graders	70% of 11 th Graders	60% of 11 th Graders
ACT	\$4,394,080	\$4,174,376	\$3,954,672	\$3,515,264	\$3,075,856	\$2,636,448
SAT	\$465,062	\$441,809	\$418,556	\$372,050	\$325,543	\$279,037
Total	\$4,859,142	\$4,616,185	\$4,373,228	\$3,887,314	\$3,401,399	\$2,915,485
Difference from 100% Scenario		-\$242,957	-\$485,914	-\$971,828	-\$1,457,743	-\$1,943,657

¹ Ohio Legislative Service Commission, *Ohio Facts 2020*, page 66.

Revised report card system implementation costs

The bill will increase the Ohio Department of Education's (ODE) workload and administrative costs to revise the report card system and make other necessary changes. However, as the bill provides some discretion in how certain report card elements are conveyed or executed, the scope of such cost increases will depend on specific implementation decisions made by ODE and the State Board of Education. Much of the underlying performance data specified in the bill appears to already be collected by ODE under current law. Once initial development of the revised system is complete, the annual operational costs are likely to be about the same as under current law, but may rise if new reporting software is needed. Costs will also depend on the implementation timeline, as a shorter timeline could require contracted work.

As a point of reference, ODE reported that the implementation of the current letter grade report card system pursuant to H.B. 555 of the 129th General Assembly cost over \$1.3 million from FY 2013 to FY 2015, including approximately \$800,000 in labor costs and over \$500,000 in new software.² Based on this information, a rough estimate of the initial implementation cost for labor is similarly in the hundreds of thousands of dollars, but likely less than the \$800,000 figure as the bill requires a revision to the current system rather than creation of a new one. Any additional software costs will depend on if the current software system will need to be upgraded to implement the bill's requirements. According to ODE, the current software is cloud-based and displays an electronic version of the report card that is fairly flexible. The system is less flexible in producing printable versions of the report card. It currently accommodates a printable version of the report card overview. Under the bill, ODE is required to include on each report card a color graphic for the star ratings and arrow graph of the ratings' trends. However, it does not appear to require that these graphics be included on the printable version of the report card. It is likely, therefore, that the current system will be able to accommodate the bill's requirements without extensive and costly upgrades.

There may also be increased administrative costs for public districts and schools and other state entities to report (and for ODE to collect) any additional data that may be necessary to produce the new report cards, and for ODE to consult with various stakeholders and conduct public presentations before the standing House and Senate committees dealing with primary and secondary education. ODE's administrative costs may also increase to (1) prepare a report on the effectiveness of the report cards by December 31, 2024, and (2) conduct a study regarding the academic effectiveness and necessity of the value-added progress dimension ranking and submit its findings not later than two years after the effective date of the bill. The bill also delays by a month, to August 15, 2021, the date when ODE must post on its website the evaluation system used for community school sponsors for the 2021-2022 school year, providing the Department some flexibility in response to the bill's changes.

Report card review committee

In addition to ODE's study of the effectiveness of the report cards, the bill creates a 12-member state report card review committee, consisting of legislators, the Superintendent of Public Instruction or designee, and various other stakeholders appointed by the Superintendent,

² Costs for labor included the hiring of one additional staff person and one contractor. The new software was funded by the federal Statewide Longitudinal Data Systems Grant Program.

that is tasked with conducting a study of the report cards issued for the 2022-2023 and prior school years and to make recommendations for improvements, corrections, and clarifications. The committee is required to submit its findings to the State Board of Education and the standing House and Senate committees dealing with primary and secondary education no later than June 30, 2024. State administrative costs may increase to support the committee.

Current biennium appropriations

H.B. 166 of the 133rd General Assembly, the current main operating budget act, appropriates \$7.6 million in FY 2021 from GRF appropriation item 200439, Accountability/Report Cards, to support the development and distribution of school and district report cards, as well as to train educators and specialists in the use of the value-added progress dimension, and provide other related reports. Additional appropriation is used for data collection.

School district and school building effects

Provisions contingent on report card results

The effects of the bill's new report card star rating system on school districts and buildings may be wide ranging because current law relies on school district and school building letter grades to prescribe various sanctions for low-performing districts and schools and various privileges for high-performing districts and schools. Examples include the creation of academic distress commissions (ADCs), state interventions for school improvement purposes, locations of start-up community schools, automatic closure of certain community schools, submission of reading improvement plans, exemptions from certain state mandates and certain teacher qualification requirements, and more. The bill continues this, but the replacement of letter grades with star ratings and component recalculations may lead to additional sanctions or exemptions and, thus, to changes in school district and other public school costs. The star rating system uses similar triggers to the current law letter grade system, which may limit the extent of any changes. For example, the trigger for a district to become subject to an ADC is, for three consecutive years, either an overall "F" grade under current law, or an overall rating of less than two stars under the bill.

Overall report card ratings

The bill's changes to the component weights will change overall report card star ratings compared to the current letter grade system. This could, as mentioned above, affect school districts and school buildings regarding potential sanctions for poor performance or exemptions due to high performance. The bill generally delays the issuance of overall ratings until the report cards for the 2022-2023 school year. In addition, a rating for the College, Career, Workforce, and Military Readiness (CCWMR) component will not be used to calculate the overall rating until the report cards for the 2024-2025 school year, at the earliest (see below). The table below compares the current law weights for each component with the new weights under the bill for a district or school that qualifies for each graded or star-rated component beginning in FY 2025 if the CCWMR component is rated. The overall star ratings for the 2022-2023 and 2023-2024 (and possibly later) school years will include five components and have different weights than those described in the table below. Nevertheless, the proposed system under the bill more heavily weights Achievement and Progress, and lowers the weights of all other components.

Table 2. Report Card Overall Grade and Star Rating Component Weights if CCWMR Component is Rated, Beginning FY 2025		
Component	Current Law	H.B. 82
Achievement	20%	25%
Progress	20%	25%
Graduation	15%	12.5%
Gap Closing	15%	12.5%
Early Literacy*	15%	12.5%
College, Career, Workforce, and Military Readiness**	15%	12.5%

*Formerly called Improving At-Risk K-3 Readers

**The College, Career, Workforce, and Military Readiness component (formerly Prepared for Success) is not included in the new overall rating until the 2024-2025 school year, subject to Joint Committee on Agency Rule Review approval of rules establishing it as a rated component.

While the first edition of overall star ratings generally takes effect for the 2022-2023 school year, the bill also permits ODE to calculate overall grades or performance ratings for school districts and buildings for the 2021-2022 school year for federal accountability purposes or to calculate the academic performance and overall ratings for community school sponsors required to be evaluated for the 2021-2022 school year.

Performance index and component calculation changes

Performance index

The bill makes two changes to the performance index calculation, which may affect the score for certain school districts and school buildings. It (1) adds the science, American history, and American government end-of-course examinations to the performance index calculation and (2) changes the definition of the performance index calculation's maximum score. Under current law, a district's score is based on the percentage of total possible points on the performance index, which is 120. Under the bill, a district's score is calculated by dividing its performance score by the maximum performance index score, which is defined as the average of the highest 2% of scores by a district or building that year. As a point of reference, for the 2018-2019 school year, the average of the highest 2% of scores was 108.6 for school districts and 111.0 for school buildings. Therefore, district and school performance on this measure, and thus the Achievement component, will likely look better under the bill. Although it is uncertain how the addition of science, American history, and American government end-of-course examinations will affect scores.

Progress component

Under the bill, the Progress component star rating is based exclusively on the overall value-added progress score, rather than including the value-added scores for subgroups as under

current law. This change may lead to schools and districts achieving higher grades on this component.

The bill also specifies how to calculate the measure when three consecutive years of data are unavailable, with more weight given to recent years (or using just one year if that is all that is available). This may change affected school and district star ratings. Finally, the bill requires ODE to explore the feasibility of using a value-added gain index and effect size to improve the value-added progress dimension. Although ODE may incur administrative costs in exploring this, any costs of implementing a new calculation will depend on decisions by ODE or additional direction by the General Assembly.

Other components

For the Gap Closing component, the bill gives ODE authority to determine any appropriate criteria for the star rating but specifies it must reflect certain subgroup performance indicators and specifies that any penalties for failing to meet a required assessment participation rate be proportional to how close a school or district was to meeting the requirement. For the Early Literacy component, the bill specifies that the star rating be based on (1) the percentage of students in the district or building who score proficient or higher on the reading segment of the third grade English language arts assessment (generally, with a weight of 40%), the percentage of those promoted to the fourth grade and not subject to retention (35%), and a progress metric contributing 25% to the star rating for schools with 10% or more of students reading below grade level (the current law grade is based only on a similar progress measure).

For the CCWMR component (formerly known as Prepared for Success), the bill gives ODE discretion in establishing a postsecondary readiness measure but subjects the measure to the Joint Committee on Agency Rule Review's (JCARR) approval. ODE must propose a set of rules for determining a performance rating for this measure, which must be submitted and approved by JCARR. If they are approved, the measure will be rated. If not, the measure will be included only as reported data. As noted above, the performance star rating system established under the bill delays the individual rating of the CCWMR component, and thus its use in calculating an overall star rating, until the 2024-2025 school year if ODE's rules are approved by JCARR. All of these changes may result in districts and schools receiving different grades than under current law.

Local administrative costs

The bill will also increase the costs and workload for school districts and other public schools as the bill requires them to notify parents upon the release of the report cards, provide a link on the district or school's website, and the superintendent to present the results to the school district's board of education.

Third grade promotion score and reading improvement plans

The bill specifies that the achievement score on the third-grade English language arts test required for a student to be promoted to the fourth grade equal the level of skill deemed proficient by ODE no later than July 1, 2024. Current law requires the State Board of Education to review and adjust upward the score until it reaches the proficiency level – but without a specific date. Depending on the schedule the State Board would have used for increasing the promotion score, beginning with the 2024-2025 school year, this may result in more students retained in the third grade, which, in turn, may increase costs for school districts and schools to provide the necessary supports to such students. While retention in the third grade was

suspended for the 2019-2020 and 2020-2021 school years in response to the COVID-19 pandemic, the promotion score for the 2019-2020 school year was 683. According to ODE, 700 or higher is considered proficient.³ The bill also reduces the proficiency percentage threshold that triggers a requirement for a school district or community school to submit a reading improvement plan to less than 51% (from 60%) of students scoring proficient on the third-grade English language arts achievement assessment (a district or school must, for two consecutive years, earn a performance rating of less than three stars on the early literacy measure under the bill or a grade of “D” or “F” on the K-3 literacy progress measure and meet the proficiency percentage criteria to trigger the requirement). This may reduce the number of districts and community schools that must submit the plans, potentially reducing both their – and ODE’s – administrative costs.

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³ 2019-2020 Third Grade Reading Guarantee. <https://education.ohio.gov/getattachment/Topics/Learning-in-Ohio/Literacy/Third-Grade-Reading-Guarantee/TGRG-Guidance-Manual.pdf.aspx?lang=en-US>.