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FISCAL IMPACT REPORT

ORIGINAL DATE 01/25/15

SPONSOR Lopez LAST UPDATED _____ HB _____

SHORT TITLE Repeal A-B-C-D-F School Rating SB 138

ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

SUMMARY

Senate Bill 138 repeals the A-B-C-D-F Schools Rating Act in the Public School Code (Section 22-2E-1 through 22-2A-4 NMSA 1978).

FISCAL IMPLICATIONS

The bill does not have any direct fiscal implications; however, the state has been granted an ESEA Flexibility Waiver from certain provisions of the federal Elementary and Secondary Education Act. The waiver allowed the state to redirect approximately \$10 million in federal Title I funds based on the new grading system rather than distributing pursuant to adequate yearly progress (AYP), which was an ineffective system to be used as a basis for. If the state loses the waiver, funds will have to be distributed based on the AYP system and supplemental education services would be reinstated.

SIGNIFICANT ISSUES

State Law

The A-B-C-D-F Schools Rating Act, enacted in 2011, required the Public Education Department to assign a letter grade of A, B, C, D or F to all public schools annually beginning with the 2011-2012 school year. The Act requires consideration of student proficiency, student growth in

reading and math, growth of the lowest 25th percentile of students in reading and math, and additional academic indicators such as high school graduation rates, growth in high school graduation rates, advanced placement and international baccalaureate courses, dual enrollment courses and SAT and ACT scores for high schools.

Additionally, by PED-rule, some educator's annual evaluations are based in part on school grades.

Federal Elementary and Secondary Education Act (ESEA) Requirements and Waivers

The federal ESEA requires school accountability based on measuring each school's success in educating all of its students – adequate yearly progress (AYP). The primary measure used under the ESEA used to measure school success is student proficiency on content standards. The Act required 100 percent of students (in each of 37 categories) to be proficient by the 2013-2014 school year – 12 years after implementation of the federal No Child Left Behind Act. Pursuant to the federal requirements, states set increasing annual proficiency targets for students to achieve until the target reached 100 percent in FY14. Some federal Title I funding was required to be allocated to failing schools based on their annual rating under the AYP system. It became increasingly clear that most, if not all, schools would be labeled as failing under the AYP system, and it did not provide a meaningful snapshot of school or student performance. In response, the U.S. Department of Education (DE) began granting waivers to states from the AYP system if other assurances were made – improved content standards and educator evaluation systems and a different measure of school accountability based on student growth.

New Mexico applied for and was granted a waiver in 2012 and the DE approved New Mexico's school grading model to serve as the state's ESEA accountability method for future years, replacing AYP.

PED's Analysis

PED's analysis indicates the immediate effect of this legislation would be a loss of New Mexico's approved ESEA Flexibility Waiver, and a return to the AYP system which had notable flaws. Key comparisons show the benefits of school grading:

- In school grading partial credit is given for all indicators. In AYP, targets must be met by schools in an all-or-none fashion to get any credit. A school that scored near the threshold was treated no differently than a school that grandly missed the mark.
- AYP goals had become unreachable, with 87 percent of New Mexico schools failing to make targets in its last year (2011). With today's targets the result would be that no schools make AYP, meaningless for accountability.
- The goal of accountability is to assist in the reform of poorly performing schools, while highlighting the methods of successful schools and the AYP system was too limited to inform this process. School grading, however, contains five feedback indicators for elementary and middle schools and seven feedback indicators for high schools that help schools identify weak areas, plan, and improve.
- Schools can see how well they are improving students' learning over time. Moreover, they can differentiate whether their highest achieving students are learning better than their lowest

achieving students. Growth was absent under AYP.

- Under AYP group size requirements, 260 schools were not held accountable for English language learners, 100 schools were not held accountable for low-income students and 436 schools were not held accountable for students with disabilities. With school grading's combined quartile subgroups, all schools are now held accountable for all students.

PED's analysis notes, the replacement of school grading by AYP would be less robust, less rigorous, and less effective for decision making and school reform.

PED's analysis also notes the return to AYP would require reinstatement of supplemental educational services (SES) at the school sites, and also the transportation requirements inherent in school choice. These infrastructure changes would require retooling of communication to parents and public of their options.

ADMINISTRATIVE IMPLICATIONS

PED would have to return to calculating AYP for federal accountability purposes.

RSG/bb