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FISCAL IMPACT REPORT

ORIGINAL DATE 02/25/13
SPONSOR Morales **LAST UPDATED** 03/05/13 **HB** _____

SHORT TITLE State School Grades Council **SB** 587/aSEC/aSFI#1

ANALYST Gudgel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications				Public Education Department Operating Budget

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of SFI #1 Amendment

The Senate Floor #1 amendment to Senate Bill 587 as amended by the Senate Education Committee changes the term “index” on page 5, line 3 to “indicators”, addressing concerns raised under Technical Issues.

Synopsis of SEC Amendment

The Senate Education Committee amendment to Senate Bill 587 clarifies that the term “standards-based assessments” refers to the New Mexico Standards-Based Assessments (NMSBA).

Synopsis of Original Bill

Senate Bill 587 (SB 587) repeals the A-B-C-D-F Schools Rating Act and enacts a temporary provision creating the State School Grades Council, a two-year body administratively attached to the Public Education Department (PED), that will develop an A-B-C-D-F school grading system and make recommendation to the Legislature and the PED on implementation of the system. The bill contains temporary provisions for the grading of schools during the 2013-2014 and 2014-2015 school years. The bill also amends Section 22-8-11 NMSA 1978 of the Public

School Finance Act, eliminating the requirement that the PED ensure that public schools are prioritizing resources of public schools rated D or F toward proven programs and methods linked to improved student achievement until the school earns a C or better.

FISCAL IMPLICATIONS

Members of the Council may be paid per diem and mileage pursuant to the Per Diem and Mileage Act if they are not eligible for per diem and mileage through their public employer. This language implies that per diem and mileage will only be available to members who are employed by a public employer. The PED indicates the Department does not have budget to pay mileage and per diem to the Council members.

The PED's budget request included a \$230.4 thousand expansion to support the School Budget and Financial Analysis Bureau primarily because of the requirement to review, analyze and approve 300 additional school budgets pursuant to Section 22-8-11 NMSA 1978. House Bill 2 currently includes \$57.6 thousand in the PED's operating budget to support the review of D and F school budgets that could be eliminated from the Department operating budget for FY14 if this bill is passed.

The Department estimates that enactment of this bill could cost up to \$500 thousand based on original statewide meetings held to establish rules for the A-B-C-D-F Schools Rating Act. The Department estimates it will take 4 FTE to staff the Council and draft regulations. Filing fees are \$40 per page of regulations. At this time, LFC staff has been unable to verify the estimate provided by the Department and believes it may be high.

SIGNIFICANT ISSUES

While the grading system is designed to give educators, parents and students a clear sense of how their schools are performing, the current school grading system continues to remain controversial and difficult for many to understand. Concerns persist about the significant changes in preliminary grades issued for the 2010-2011 school year and the first round of final grades issued for the 2011-2012 school year. Additionally, the grading system and formula is so complex the Department acknowledged that there are likely only a few people in the state that understand it. The bill repeals the current grading system and enacts a new system to be temporarily used for the next two years while the State School Grades Council develops recommendations for a new school grading system.

The State School Grades Council is to be comprised of three of each of the following: 1) classroom teachers; 2) instructional support providers; 3) principals; 4) superintendents; 5) local school boards; 6) charter schools; and 7) other educational experts, business or community leaders, or other interested persons. One member from each group will be appointed by the Governor, the Speaker of the House, and the President Pro Tempore of the Senate.

The Council will be required to study the current school system, determine all the factors that affect student's learning environments and develop a new A-B-C-D-F grading system that takes those factors into account. The Council will be required to make final recommendations to the Legislative Education Study Committee by November 1, 2014 for a new grading system to be implemented for the 2015-2016 school year.

2013-2014 and 2014-2015 School Years

The bill requires the PED to promulgate new rules for grading public schools based on grade factors, growth, and other factors to be used during the 2013-2014 and 2014-2015 school years. Grade factors, defined as an element of a public school environment that is used to calculate a school's grade, are to be determined by current year's student assessment results; school growth that measures the change in performance of successive snapshots of students over time based on different students each year; growth of the highest 75th percentile and lowest 25th percentile of student assessment scores based on individual student growth over three years; opportunity to learn, including student participation in extracurricular activities, attendance, and truancy rates and the teacher training and experience index (this is to be the highest weighted factor); college and career readiness, including participation in advanced placement, international baccalaureate courses, dual enrollment courses and SAT and ACT test scores. The bill defines "growth" as the knowledge that a student learns in three years' time as demonstrated on the New Mexico Standards-Based Assessment (NMSBA) that demonstrates that the student has 1) changed from one score to another indicating growth and performance; 2) has worked toward a proficient or advanced proficient performance level as provided by the Department rule; or 3) has remained in beginning steps or nearing proficient performance level but has improved by one or more scale score points. The bill prohibits the Department from establishing rules that permit any grade factor to drop a public school's grade by an entire letter grade.

The formula for calculating grades during the 2013-2014 and 2014-2015 school years will be as follows:

Elementary and Middle Schools

- 33 percent based on the following NMSBA results:
 - 5 points for current standing;
 - 8 points for school growth;
 - 10 points for growth of highest performing students; and
 - 10 points for growth of lowest performing students;
- 67 percent based on opportunity to learn survey, including opportunities to participate in extracurricular activities provided, attendance rates, and teacher training and experience indicators.
- 5 bonus points for parent participation indicator.

High Schools

- 33 percent based on NMSBA results;
 - 9 points for current standing;
 - 12 points for growth of highest performing students; and
 - 12 points for growth of lowest performing students;
- 34 percent based on opportunity to learn survey and college and career readiness;
 - 17 points for graduation rate and the value added conditional of school growth; and
 - 17 points for career and college readiness and an advanced placement indicator; and
- 33 percent based on opportunity to learn, including opportunities to participate in extracurricular activities provided, attendance rates, and teacher training and experience indicators.
- 5 bonus points for parent participation indicator.

The PED will be required to share all of the data used in the grade calculation with every school district and charter school prior to releasing school grades during the 2013-2014 and 2014-2015 school year. The bill prohibits the use of grade factors or other components of the grading system in any teacher or school principal evaluation system until after a new school grading system is enacted. The bill allows a student in a public school rated F for two of the last three year to transfer to any public school in the state not rated F.

Public schools will be graded using a cohort of public schools that are grouped based on the following: 1) a public school's Title I status; 2) English language learner population; and 3) the school grade issued on July 1, 2012.

The PED analysis notes that “should the current school grading model be replaced with the model outlined in SB 587, New Mexico would no longer meet the requirements of the U.S. Department of Education, or the requirements of the ESEA Flexibility Waiver. As such, New Mexico would risk losing \$120,000,000 in federal Title I funds.” However, it is unclear why New Mexico would risk losing federal Title I funds. If the state complies with provisions of the Elementary and Secondary Education Act (in particular the accountability requirements of the No Child Left Behind Act) and continue accountability reporting based on adequate yearly progress the state would not be in jeopardy of losing federal dollars. **It is important to note the current waivers are effective only through the end of school year 2013-2014, however, and states will have to request an extension for future years.** A key question is whether progress in implementing redesigned accountability systems will come to a halt in the waiver states if a revamped Elementary and Secondary Education Act, or a new administration, introduces a different set of policies. Waiver states may end up devoting considerable time and energy to implementing accountability systems that are little more than interim measures, in effect for just a few years or less. Additionally, there is nothing prohibiting the state from running different accountability models for different purposes – one for state priorities and one for federal purposes.

According to the PED

The PED analysis notes a number of issues, including the following:

- The makeup of the Council consists entirely of school officials that are the recipients of school grading accountability. The Department suggests the Council should be composed of a minimum of 50 percent of representatives from the PED, higher education, school oversight agencies, legislative analysts, business and workforce representatives, and similar stakeholders.
- The definition of “school options” for students at low performing schools removes the option of distance learning. Eliminating this opportunity would discriminate against students and parents from smaller and remote districts where public school choice is not available. Regulations currently define “school options” as a right to transfer to any public school not rated an F in the state or have children continue their schooling through distance learning offered through the statewide or a local cyber academy.
- The removal of the use of a value added model (VAM) from school growth has the effect of penalizing schools with high risk populations of students (very mobile, very small, or with less academically prepared students). The New Mexico VAM maximizes the flexibility afforded states under the ESEA waiver to “level the playing” so that schools are not penalized for factors beyond their control –e.g. schools that have mobility, are very small, or receive less academically prepared students.

- College/Career Readiness (CCR) would be abbreviated from the current 10 indicators to five. These indicators bias CCR toward college readiness, ignoring career credentials. In addition, this requirement differs from current grading in that it does not reward students meeting a success benchmark and gives credit only for participation. While participation is an important first step in that schools are providing student's opportunities to prepare for college and career, it is necessary to include a success indicator to prevent both the placement of students in inappropriate courses and the disincentive to push students to their maximum potential.
- Opportunity to Learn (OTL) currently is measured by a) attendance and b) results from the student classroom survey. Both attendance and the classroom survey have ample research supporting their relationship to student success. Moreover the data collections for these indicators are shown to be reliable, valid, and trustworthy. Inputs-based evaluation of schools has previously been attempted with little success. Research indicates that inputs such as teacher experience, training, and credentials have little or no relationship with student learning. SB 587 would remove the survey and add c) extracurricular activities, d) truancy rates, and e) a "teacher training and experience index." Additionally, preliminary work by the PED with extracurricular activities has shown this indicator to be unreliably collected and sparsely reported with the exception of sports. For this reason, the current model incorporates extracurricular activities into parent/student engagement for bonus points and requires schools to provide defensible evidence in support of their petition. Additionally, OTL is characterized by SB 587 as the school's "provision to students of opportunities" to participate, which means schools would earn points for offering a chess club even if no students participated.
- The primary change enacted by SB 587 would be to significantly de-emphasize achievement, while placing notably heavier emphasis on a revised characterization of opportunity to learn. To revalue these components implies that the New Mexico community at large holds these expectations for schools, a questionable assumption.

ADMINISTRATIVE IMPLICATIONS

The Council will be administratively attached to the PED for staffing and other administrative services. The Council will be required to make final recommendations for implementation of a grading system to the Legislative Education Study Committee (LESC) by November 1, 2014 for a new grading system to be implemented for the 2015-2016 school year, and will be required to report periodically to the LESC and the LFC.

The PED indicates the bill would require administrative services related to developing new data collection systems, researching the validity and reliability of recommended replacement measures, retooling reporting and support documentation, and repeating the dissemination that was accomplished in 2011-2012. The PED's analysis notes that new data requirements of the bill would require a minimum of one-year planning due to contractual arrangements with information system vendors, which would compromise the timeline of the bill.

The PED indicates these tasks can be absorbed with existing resources; however they would necessitate postponement of other important PED initiatives.

The bill eliminates requirements of Section 22-8-11 NMSA 1978, mandating that the PED review the budgets of public schools receiving a D or F school grade to ensure the schools are prioritizing resources to proven programs and methods linked to improved student achievement until the school earns a C or better. This will result in 300 fewer individual budgets to review.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SJM 34 and HJM 29 would create School Grading workgroups to study and report to the legislature.

SB 370 proposes to amend the A-B-C-D-F Schools Rating Act to include a statutory definition of supplemental accountability model (SAM) schools that is expanded from what is currently in rule, and to use an alternative calculation for computing their grade.

TECHNICAL ISSUES

Page 5, line 12 and 13 refers to the “teacher training and experience index”; however, page 7, line 24 and page 8, line 16 refer to “teacher training and experience indicators”. It is unclear if the bill means to reference the T&E index of the Public School Finance Act that is based on educational attainment and years of service, or if the bill means to reference other teacher training and experience indicators that are not defined in the bill. This has been addressed by the Senate Floor amendment.

OTHER SUBSTANTIVE ISSUES

The PED indicates the current school grading system was developed with the following groups advising the Department and providing feedback through multiple on-site meetings as well as electronic communication, and these groups continue to advise on school grading as new information is learned:

- U.S. Department of Education (peer review and approval for NCLB flexibility waiver)
- 9 Superintendent’s Advisory Council meetings on the development of the A-F regulation and model
- 2 hearings on the A-F final regulation (only 1 is required)
- 8 regional School Board Association meetings to present the A-F model, answer questions, and receive feedback
- Training to over 2000 school leaders and district administrators on how A-F works and supports for D and F schools
- Development and convening of an ongoing Technical Working Group on the A-F school grading system
- Coalition for Excellence in Science and Math Education (advocacy group)

Additionally, the PED indicates the Department convened an A-F school grading Technical Working Group (TWG) in 2012. This group represents the technical expertise in the state and meets quarterly to preview and review elements surrounding school grades. The participants include the following: Cecile Hermez (New Mexico School for the Arts); Dr. Happy Miller (Rio Rancho); Dr. Patricio Rojas (Los Lunas); Marybeth Schubert (Advanced Program Initiative); Dr. Richard Bowman (Santa Fe); and Dr. Suchint Saragarm (Hobbs).