

WJA

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Sandy Sostad  
January 25, 2012  
471-0054

LB 1124

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 1124 requires the State Board of Education to establish an accountability system to measure the performance of public schools beginning in FY2012-13. The accountability system shall include, but not be limited to, graduation rates, student growth and performance on assessments, attendance rates, kindergarten readiness rates, parental involvement, suspensions and expulsions, college and career readiness, postsecondary enrollment and retention rates, and other school performance indicators selected by the board. The measures used may be combined into a school and district performance score.

Schools not meeting performance levels established by the board are designated priority schools, beginning in FY2013-14. Intervention teams established by the Educational Service Unit Coordinating Council will collaborate with a priority school and the State Department of Education (NDE) to develop a progress plan to remove the school's designation as a priority school. NDE shall annually review progress plans and determine if modifications are needed. After the fifth year a school has been deemed a priority school, the state board is to determine whether further steps shall be taken or if the school shall lose its accreditation and be subject to dissolution.

The bill also requires NDE to establish a kindergarten readiness advisory group to develop a kindergarten readiness assessment standard by December 1, 2012. The assessment shall be used as a baseline to measure student growth and to assess the performance of early childhood education systems which receive public funding.

Accountability System: The State Board of Education is currently working on an accountability system for school districts. The accountability system includes some, but not all, of the performance measures identified in the bill. Graduation rates, student growth and performance on assessments, attendance rates and suspensions and expulsions are data elements in the system being developed. The other data items required by the bill will likely increase general fund expenditures by a significant, but unknown, amount over a period of years as the data elements are added to the accountability system.

NDE indicates it will take several years to develop the baseline for some of the performance indicators required by the bill, do validation studies of such indicators, and collect the data. Postsecondary institutions may have to be involved in the collection of data to measure postsecondary enrollment and retention rates.

ESU Intervention Teams: The need for an intervention team or teams and the cost of such depends upon performance levels established by the State Board of Education, the number of priority schools identified, staffing of the teams, and the interventions required to remove a school from the priority list.

It is assumed that NDE will need at least 1.0 FTE to review progress plans by priority schools and work with the ESU Coordinating Council and intervention teams to determine if modifications are needed to plans. The ESU Coordinating Council will also need at least one additional FTE to coordinate with NDE and also with all of the intervention teams in the state. It is assumed the two FTE will be added in January, 2013 to initiate the coordination of the intervention process which will begin in August, 2013 when priority schools are identified. The estimated general fund cost for two FTE is \$75,000 in FY2012-13 and \$150,000 in FY2013-14.

There will be additional expenses for training intervention team members and for costs related to the preparation of progress plans. Travel expenses for team members will also need to be funded. Intervention team members may also need to provide professional development for teachers in priority schools. The actual fiscal impact for the intervention teams is unknown and could vary considerably from year to year depending upon the number of schools designated as priority schools by the state board and the plans developed to help priority schools. It is assumed expenses for intervention teams will begin in FY2013-14.

NDE submitted a budget request in the current biennium for 10.0 FTE to implement a support system for priority schools. Based upon NDE's budget request, it is assumed the bill will have at least an on-going general fund cost, beginning in FY2013-14, of about \$850,000 for intervention teams.

Kindergarten Readiness Assessment: NDE estimates the general fund cost to develop a kindergarten readiness assessment of \$3.1 million over a period of four years. It is assumed the assessment will initially be developed beginning in FY2012-13. Annual costs to administer the assessment to about 24,000 children are estimated to be \$2.4 million of general funds. It is assumed that general fund expenditures will increase by \$4,000 in FY2012-13 to fund the kindergarten readiness advisory group charged with the development of a kindergarten readiness assessment standard.

School District Impact: School districts identified as priority schools may also have increased expenditures to carry out the intervention plans as developed by the teams. Interventions may include in-school counseling, school-based health centers and funding for referrals of students to outside services as required by the bill.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Matthew Eash	1/27/12	PHONE 471-2526
COMMENTS			
DEPT. OF EDUCATION – No basis to disagree with Department analysis.			

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**LB<sup>(1)</sup> 1124 FISCAL NOTE**

LEGISLATIVE FISCAL

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska Department of Education

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**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2012-2013</u>		<u>FY 2013-2014</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	See Narrative		See Narrative	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>				

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

**Explanation of Estimate:** The bill amends the Quality Education Accountability Act to require the State Board to establish an accountability system to measure the performance of individual public schools and school districts beginning with the 2012-13 school year that shall combine multiple measures, including, but not limited to, (1) graduation rates, (2) student growth and student improvement on NeSA assessments, (3) student attendance rates, (4) kindergarten readiness rates, (5) parental involvement, (6) suspensions and expulsions, (7) college and career readiness, (8) postsecondary enrollment rates, (9) postsecondary retention rates per high school, and (10) other indicators of performance as established by the board. The measures selected by the board for the accountability system may be combined into a school performance score and district performance score. The performance score shall take into consideration the growth of students who score in the top quartile and bottom quartile on the assessments to ensure that the accountability system identifies schools and school districts with are not sufficiently meeting the needs of both high-performing and low-performing students. The board shall establish levels of performance for the indicators used in the accountability system in order to classify the performance of public schools and districts. Any school that does not meet the minimum level established by the board shall be designated as a priority school. The department shall annually report the performance of individual public schools and school districts including, but not limited to, the growth of students who score in the top quartile and bottom quartile on the assessments, as part of the statewide assessment and reporting system. On or before December 1, 2012, the Commissioner shall report to the Legislature and Governor on the indicators and measures of performance selected by the State Board to create school performance scores, district performance scores, and priority school designations. On or before August 13, 2013, and annually thereafter, the Commissioner shall report to the Governor, the Legislature, and the Educational Service Unit Coordinating Council (ESUCC) on all schools designated as priority schools.

The bill further provides that a progress plan is required for every priority school and district which must be approved by the State Board. The ESUCC is required to establish and assign intervention teams in each educational service unit containing a priority school, and each ESU containing a priority school shall work in collaboration with the ESUCC and NDE to create intervention teams focused on the following areas: a) student intervention team which will provide care management for students having greatest behavioral and social needs who often disrupt classroom instruction; b) instructional support team which will provide support to students with academic needs that can be met through school and class-room based resources; and c) a core team which shall focus on overall school safety and culture, disciplinary codes and behavioral norms, classroom practices, and parent and community involvement. The intervention teams, in collaboration with priority school and district, shall develop a progress plan with specific actions required by the school and district in order to remove its classification as a priority school for approval by the State Board. Compliance with progress plans shall be a requirement to maintain accreditation for any school district that has at least 1 priority school. If a school has been designated as a priority school for the third consecutive year, the State Board shall determine whether further steps shall be taken. If a school has been designated as a priority school for the fifth consecutive year, the State Board shall determine whether further steps should be taken or whether the school district shall lose its accreditation and be subject to dissolution by the State Committee for the Reorganization of School Districts.

It is presumed that LB 1124 requires the entire accountability system to be in place and operational for use to measure the nine (9) specified indicators for the 2012-13 school year which may not be possible. Currently, NDE has data for the measures 1, 2, 3 and 6 identified above, although growth and improvement on NeSA scores will not be fully complete until at least three (3) years of scores are available for mathematics (conclusion of the 2012-13 school year) and science (conclusion of the 2013-14 school year).

It will take at least one (1) year to define and then set standards for items 4, 5, 7, 8 & 9, and then an additional year to conduct a pilot of those defined measures before any base year can be established for each of these measures along with validity studies that would need to be completed. The fiscal note for LB 1007 in 2010 included estimates for validation studies which would appear applicable to each of the new measures required by LB 1124. It is presumed that NDE will have to collect ever greater amounts of individual student data for all levels Pre-kindergarten through postsecondary education to establish the data for measures 8 & 9 that may all postsecondary institutions in Nebraska to provide individual student data connected to the student identifier established by NDE in order to even begin the determination of enrollment rates let alone postsecondary retention rates. The bill currently does not amend Sections 79-760.05 and 79-776 to provide for this. It is not possible at this time to calculate the costs for the additional data collection for NDE. Again, a validation study would be needed for measure 8 and for measure 9.

The intervention teams, according to the fiscal note for LB 635 last session, indicate a cost of approximately \$850,000 annually beginning in FY 2013-14. It should be noted that LB 1124 calls for a greater number of members for each intervention team than was envisioned in LB 635. It is presumed that some of this additional funding would be provided to the ESUCC and ESU's to cover the costs of these intervention teams, with some funding provided to NDE for staff to coordinate this function. It is not possible at this time to accurately indicate the total amount of funding needed at NDE let alone the proper distribution of these funds to ESU's since no priority schools have ever been identified.

The bill also requires NDE to establish a kindergarten readiness advisory group by December 1, 2012, which may be utilized as a baseline to measure student growth and assess performance of early childhood education systems which utilize public funding. Establishment of the measures and collection of the data required for kindergarten readiness rates, including a kindergarten readiness exam, would have an estimated development cost of \$3,100,000 over 4 years, and annual administration cost thereafter of upwards of \$2,400,000 per year (\$100 per student that includes time of staff and materials x 24,000 students).

College and career readiness would have to be further defined by the State Board of Education before any standard could be set and then an assessment designed or adopted could be undertaken. Currently, the State Board of Education is conducting a three (3) year pilot student of the ACT in eight school districts at a cost of no more than \$160,000 annually. If the ACT were selected as the assessment to measure "college and career readiness", the estimated annual cost would be approximately \$35 per student x 22,000 students equaling \$770,000 annual cost. There would be the additional cost for a validation study for this measure.

Since all of this would be part of a system to designate schools and districts as "priority" schools or districts, due process would require that the school and district be provided with notice and hearing on the designation with the burden being on NDE to prove by a preponderance of evidence that each of the measures are correct and that each of the measures produce a valid measurement. There will be a need for additional funding to NDE to provide these due process hearings and staff to handle such appeals which cannot be calculated at this time.

Finally, there is no federal funding available at this time to develop all of the additional measures required by LB 1124.

**MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

POSITION TITLE	NUMBER OF POSITIONS		2012-2013	2013-2014
	12-13	13-14	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				