

## ITEM ADDENDUM

**DATE:** November 3, 2011

**TO:** MEMBERS, State Board of Education

**FROM:** TOM TORLAKSON, State Superintendent of Public Instruction

**SUBJECT:** Item 5 – Elementary and Secondary Education Act: Principles and Requirements for a Waiver of Selected Provisions of the No Child Left Behind Act of 2001 to Implement a Specific Statewide Accountability System for All California Local Educational Agencies in Advance of Elementary and Secondary Education Act Reauthorization.

### Summary of Key Issues

Attachment 6 provides an initial estimate of the fiscal impact of implementing the federal waiver of selected provisions of the Elementary Secondary Education Act (ESEA) of 1965. Sample costs and projected savings to local educational agencies (LEAs), based on the four documents provided by the U.S. Department of Education (ED) and included as Attachments 1, 3 5, and 6 with this SBE Agenda item, are provided. It is organized by the principles and required elements of the flexibility waiver as described in the September 2011 correspondence from the ED.

### Attachment(s)

Attachment 6: California Department of Education Initial Estimate of Federal Waiver Fiscal Impact (14 Pages)

## **California Department of Education Initial Estimate of Federal Waiver Fiscal Impact**

This Item Addendum is an estimate of the initial costs and potential financial benefits of applying for, receiving and implementing a waiver of specific requirements of Title I of the No Child Left Behind (NCLB) Act of 2001, the current authorization of the Elementary and Secondary Education Act (ESEA) of 1965.

The U.S. Department of Education (ED) issued correspondence and guidance for the NCLB waiver on September 23, 2011, September 28, 2011, and October 3, 2011. Alternative dates for submission of a request include: November 14, 2011; mid-February, 2012; and at the conclusion of the 2011–12 school year. The duration of an approved waiver is from the date of approval through the 2013–14 school year although a state education agency (SEA) may apply for a waiver extension with conditions through 2014–15. It is unknown how implementation of an approved waiver will interact with implementation of a reauthorization of ESEA.

It was not possible to prepare a full analysis of the potential costs and benefits to meeting all of the waiver requirements in time for the November State Board of Education (SBE) meeting. Many of the costs hinge upon policy decisions which will need to be made by the Legislature and the SBE. Preparation of a high-quality waiver application requires significant work, which includes reciprocal state and local development work on virtually all aspects of our current standards-based curriculum, assessment, professional development, and Title I accountability systems. However, in order to engage the SBE in a conversation about whether or not the state should apply for the waiver, staff have done a preliminary analysis which includes assumptions that will need to be carefully unpacked and revised with input from diverse local educational agencies (LEAs) and key stakeholder groups before submission to the ED. Cost estimates are provided where available.

The analysis is organized by the principles and requirements of the waiver application. Some state and local costs are estimated. To calculate an estimate of local assistance costs, CDE estimated a range of costs to implement activities in LEAs that might have identified priority schools. These costs could potentially be offset by projected Title I savings to be realized from no-longer required supplemental educational services (SES), choice and professional development set-asides. However, all figures are estimates. The initial part of this document identifies potential actions and activities necessary to comply with the waiver; the second part is a matrix with cost estimates.

### **PRINCIPLE 1: COLLEGE- AND CAREER-READY EXPECTATIONS FOR ALL STUDENTS**

#### **1.A. Adopt College- and Career-ready Standards**

Adopt college- and career-ready (CCR) standards in at least reading language arts and mathematics. California has adopted the Common Core State Standards in English language arts (ELA) and mathematics, but has not yet adopted CCR anchor standards. Legislation is required to adopt anchor standards.

### **1.B. Transition to College- and Career-ready Standards**

The transition to CCR standards is inextricably linked to the implementation of Common Core State Standards (CCSS) and aligned instructional materials. Two options present themselves for the waiver.

Option 1: Implement new full programs in mathematics and ELA which align fully to the CCSS is estimated to cost approximately \$483 million in districts costs and \$4.2 million in state development costs. Mathematics and ELA curriculum frameworks will be completed in 2013 and 2014, respectively. Because of California Education Code (*EC*) Section 60220.7, the SBE is not allowed to adopt K-8 instructional materials until after July 1, 2015. Accelerating this process will require both the repeal or modification of *EC* Section 60200.7 and the modification of *EC* Section 60200 (a) (1-2), the statute requiring the SBE to provide a one year difference between math and ELA adoptions. In addition, the Legislature may need to remove the instructional materials funds from the flexibility provisions and restore them to their categorical status.

Option 2: Implement supplemental instructional materials designed to bridge the gap in academic content standards coverage which exist between the instructional materials previously adopted by the SBE and the new CCSS. The review currently being conducted will be completed in late 2012. The projected cost to districts for purchasing the materials is \$238 million.

LEAs have initiated the analysis of their current standards relative to the CCSS, but will not complete that process until supplemental materials are available. This will include an analysis of the linguistic demands of the CCR standards and access for English learners and students with disabilities to achieve the standards. (Costs to be determined.)

Professional development and supports to prepare teachers to teach to the new standards and prepare administrators to support CCSS instruction are pivotal. Costs are calculated as initial costs to districts for professional learning to transition teachers to the CCSS. Projected costs are based on an estimate of \$2,000 per teacher for 80 hours of training, a figure used initially in funding Senate Bill 472 professional development for teachers. In addition, there are ongoing yearly costs for teacher collaboration time, included in this analysis in building teacher capacity (see 2.g).

Access to college-level courses, intersections with institutions of higher education for this coursework and additional supports for teacher and administrator training have not yet been included in this analysis.

**1.C. Develop and Administer Annual, Statewide Aligned High Quality Assessments that Measure Student Growth**

California's participation in the SMARTER Balanced Assessment Consortium will result in annual high quality student assessment by 2014–15. We estimate that the current Standardized Testing and Reporting (STAR) program contract may be renegotiated to redirect some current costs. However, it is anticipated that the overall cost of the SMARTER Balanced Assessments will increase the testing cost by \$10.00 per student from the current cost. California tests approximately 500,000 students in each of seven grades, including grades three through eight and grade ten.

New English language proficiency (ELP) standards consistent with the CCSS are to be adopted in the fall of 2012. LEAs can reasonably anticipate a cost of \$1,000 per teacher for 40 hours of training to integrate the ELP standards into their curriculum and instruction.

**PRINCIPLE 2: STATE-DEVELOPED DIFFERENTIATED RECOGNITION, ACCOUNTABILITY, AND SUPPORT**

**2.A. Develop and implement a State-based System of Differentiated Recognition, Accountability, and Support**

California does not currently have a growth model in place that enables measurement of individual student progress over time. The state has not begun any revisions to its Accountability Workbook in order to propose a differentiated recognition, accountability and support system, nor is there a plan to implement this system in the 2012–13 school year. Doing so will require significant policy discussions with the State Legislature, the Governor, the SBE and education stakeholders. The estimated development cost to the state for the growth model is \$3.5 million with an annual cost of \$250,000 to print and distribute teacher reports on student growth. (See Section 3.A. for additional information.)

**2.B. Set Ambitious but Achievable Annual Measurable Objectives**

Work to be done includes the methodology to set new annual measurable objectives in at least reading/language arts and mathematics, a decision about whether to include additional assessments, and all associated psychometric features of a new accountability system. (Costs to be determined pending policy decisions.)

## **2.C. Reward Schools**

While the CDE has a recognition program in place, a methodology for identifying the state's highest performing and high-progress schools, and how to recognize these schools would need to be development in accordance with the waiver. (Costs to be determined pending policy decisions.)

## **2.D. Priority Schools**

The SEA is required to identify priority schools. A methodology has not yet been developed for defining the lowest five percent of Title I schools in the State, which would likely be based on the achievement of all students on the statewide assessments who have demonstrated a lack of progress on those assessments over a number of years. The SEA will also need to determine entry and exit criteria for priority status, school and district requirements and interventions and supports for these schools. For this analysis, we estimated the general cost of a priority school at \$500,000 as waiver descriptors include a number of activities similar to those required of School Improvement Grant (SIG) recipients. (SIG schools are currently funded at \$2 million per school.) Anticipating approximately 310 priority schools, and adjusting for the presence of some SIG schools in districts with priority schools, we anticipate an overall cost of \$144 million annually for priority schools. This estimate takes into account that some priority schools may be receiving SIG funds.

## **2.E. Focus Schools**

The SEA is also required to identify focus schools, which must be at least 10 percent of the state's Title I schools (n=617), that have the largest within-school gaps between the highest-achieving subgroup or subgroups and the lowest-achieving subgroup or subgroups or, at the high school level, have the largest within-school gaps in graduation rates. An SEA methodology has not yet been developed for defining focus schools nor for any of the corollary requirements. For this analysis, it was assumed that each of the 617 Title I schools might work with an external team on student achievement issues. Using historic school assistance team costs of \$75,000 per school, the estimated cost for focus schools statewide is \$43.8 million (adjusting for potential SIG schools).

## **2.F. Provide Incentives and Supports for Other Title I Schools**

Absent a statewide system of differentiated recognition, accountability and support, it is not clear what incentives and supports will be provided for other Title I schools that are not making progress in improving student achievement and narrowing achievement gaps. (Costs to be determined pending policy decisions.)

## **2.G. Build SEA, LEA, and School Capacity to improve student learning**

This section of the waiver requires the SEA to define a process for building SEA, LEA, and school capacity to improve student learning in all schools, and to ensure timely and comprehensive monitoring and provision of technical assistance for LEA implementation of interventions in priority and focus schools.

At minimum, this will include costs for teacher collaboration at \$55 per hour for a potential statewide estimated cost of \$594 million. (Other costs, including LEA and school capacity supports to be determined pending policy decisions.)

## **PRINCIPLE 3: SUPPORTING EFFECTIVE INSTRUCTION AND LEADERSHIP**

### **3.A. Develop and Adopt Guidelines for Local Teacher and Principal Evaluation and Support Systems**

The ESEA waiver requires that each state have principles in place for a teacher and principal evaluation system by the end of the 2011–12 school year and that the system increase the quality of instruction for students and improve student achievement. California's current system of assessments was not designed to provide a valid and reliable measure for the high-stakes evaluation of teachers and principals.

Such a system must be used for continual improvement of instruction and meaningfully differentiate performance using at least three performance levels. It must be based on valid measures to evaluate teachers and principals on a regular basis. Currently, the reimbursable cost of the existing teacher evaluation system is estimated at \$120 per teacher. It is estimated that the development of a new system would add \$639 to each per teacher cost, including reimbursable time for three observations and pre- and post-observation meetings. (See Section 2.A. for related discussion.)

### **3.B. Ensure LEAs Implement Teacher and Principal Evaluation and Support Systems**

The waiver application requires SEAs to have a process for revising and approving an LEA's teacher and principal evaluation and support system; ensuring that LEAs develop, adopt, pilot and implement systems with systematic involvement of teachers and principals; ensuring that measures are valid and clearly related to increasing student achievement and school performance; and likely to meet the timeline for implementation no later than 2013–14. SEAs must provide guidance and technical assistance to LEAs in development and implementation of these systems and must supervise evaluations of pilot activities.

None of these activities has been undertaken to date at a statewide level and the scope of the expected work appears incompatible with the waiver timelines. (Costs to be determined pending policy decisions.)

### **ADDITIONAL COSTS AND POTENTIAL SAVINGS OF AN ESEA WAIVER**

All of the above activities will require broad, systemic involvement of the Governor, the Legislature, the SBE, the CDE, the Education Coalition, parents, LEAs, County Offices of Education, the Committee of Practitioners, and other key advocacy groups if the results are to be implemented. No costs have been projected for local assistance and state operational costs to conduct these meetings, collect data, synthesize results, and prepare recommendations for SBE and Legislative analyses and action.

If granted, an ESEA waiver releases the SEA from complying with the requirements in ESEA Section 1116 (b) to identify for improvement, corrective action, or restructuring its Title I schools that fail, for two consecutive years or more, to make Adequate Yearly Progress (AYP). The waiver of these provisions would yield financial benefits to LEAs that are no longer required to set aside funds for supplemental educational services (SES), choice, and Title I professional development. Several sample scenarios follow.

- In a school district with 70 schools and 50,000 students, with 70 percent of its schools now in Program Improvement (PI), the district may realize as much as \$5.4 million from its savings of Title I SES, choice, and professional development set asides. However, this same district might spend as much as \$ 21.9 million to \$26.9 million to implement required initiatives, serve priority and focus schools, purchase CCSS materials, conduct required CCSS and ELP professional development, provide teacher collaboration time, and absorb the additional costs for teacher and administrator evaluation and support.
- In another school district with 40 schools and 30,000 students, with three-fourths of its schools in PI, the district may realize \$3.2 million from its Title I SES, choice and professional development set asides. However, this district might spend as much as \$12.1 million to \$14.9 million to implement required initiatives, serve priority and focus schools, purchase CCSS materials, conduct required CCSS and ELP professional development, provide teacher collaboration time, and absorb the additional costs for teacher and administrator evaluation and support.
- In a much smaller school district with only five schools and 8,000 students, with two of its schools in PI, the district may realize \$93,600 from its savings of Title I SES, choice, and professional development set asides. However, this same district might spend as much as \$ 4.1 million to \$ 4.9 million to implement required initiatives, serve priority and focus schools, purchase CCSS materials, conduct required CCSS and ELP professional development, provide teacher

collaboration time, and absorb the additional costs for teacher and administrator evaluation and support.

This analysis is based upon a sample of LEAs implementing the waiver requirements and full implementation of the CCSS. None of the LEAs included in the analysis is predicted to experience a net savings.

A tabled summary of this analysis follows.

Estimate of Potential Costs for Statewide Activities and LEAs with Priority Schools							
Requirements	Description	Legislation Required	SEA Projected Cost	Projected Cost per LEA	Total Projected Cost to LEAs with Priority Schools	Projected Cost Range per LEA	
						Low	High
<b>Principle 1: College- and Career- Ready Expectations for All Students</b>							
<b>1.A</b> Adopt college- and career-ready (CCR) standards in at least reading/language arts and mathematics.	Amend EC 60605.8 to allow SBE to adopt ELA anchor standards	Yes	To be determined	See figures below	See figures below	See figures below	See figures below
<b>1.B</b> Transition to and implement CCR standards no later than the 2013–2014 school year.	<ul style="list-style-type: none"> <li>Option 1: Accelerated Implementation of College/Career &amp; Common Core</li> </ul>	Yes; EC 60200.7 and EC 60200(i) need amendment for SBE adoption	\$4,200,000	\$203 per student for ELA and math materials	\$483,000,000	\$7,900	\$26,800,000
	<ul style="list-style-type: none"> <li>Option 2: Supplemental Materials to Achieve CCSS Alignment</li> </ul>	SB 140 enrolled 10/8/11	To be determined	\$2,000 per ELA and math teacher based on publisher estimate of cost of supplemental teacher materials	\$237,500,000	\$4,000	\$14,100,000
	Common Core Professional Development	AB 250 enrolled 10/8/11	\$1,200,000 (12 modules at \$100,000 each)	\$2,000 for 80 hours per teacher	\$237,500,000	\$4,000	\$14,100,000

Estimate of Potential Costs for Statewide Activities and LEAs with Priority Schools							
Requirements	Description	Legislation Required	SEA Projected Cost	Projected Cost per LEA	Total Projected Cost to LEAs with Priority Schools	Projected Cost Range per LEA	
						Low	High
	English Learner Standards and Professional Development	SB 140 enrolled 10/8/11)	\$200,000 (development); \$1,200,000 (adoption); \$200,000 (modules)	\$1,000 for 40 hours per teacher	\$118,800,000	\$2,000	\$7,000,000
<b>1.C</b> Develop and administer annual, statewide, aligned, high-quality assessments that measure student growth and are aligned to CCR standards in reading/language arts and mathematics no later than the 2014–2015 school year.	Assessments to be developed as part of California’s work in the SMARTER Balanced Assessment Consortium	Potentially	\$35,000,000	To be determined	To be determined	To be determined	To be determined
<b>Principle 2: State- Developed Differentiated Recognition, Accountability, and Support</b>							
<b>2.A</b> Develop and implement a state-based system of differentiated recognition, accountability, and support	Develop growth model to enable measurement of individual student progress over time; current efforts are not on track to meet the waiver timeline.	No; EC 52052.6	\$3,000,000	To be determined	To be determined	To be determined	To be determined
	Annual cost to integrate graduation rates, develop and print individual teacher reports.	No	\$250,000	To be determined	To be determined	To be determined	To be determined

Estimate of Potential Costs for Statewide Activities and LEAs with Priority Schools							
Requirements	Description	Legislation Required	SEA Projected Cost	Projected Cost per LEA	Total Projected Cost to LEAs with Priority Schools	Projected Cost Range per LEA	
						Low	High
<b>2.B</b> Set ambitious but achievable annual measureable objectives (AMOs)	Meet with stakeholder groups and technical team to develop AMO model	Potentially	\$320,000 (Re-direct current staffing and contractor activities)	To be determined	To be determined	To be determined	To be determined
<b>2.C</b> Reward Schools	High performing and high progress schools will be included in the accountability and support system and may include recognition by senior state officials, press releases to local media outlets and access to special professional development opportunities.	Potentially	May be minimal	May be minimal	May be minimal	May be minimal	May be minimal

Estimate of Potential Costs for Statewide Activities and LEAs with Priority Schools							
Requirements	Description	Legislation Required	SEA Projected Cost	Projected Cost per LEA	Total Projected Cost to LEAs with Priority Schools	Projected Cost Range per LEA	
						Low	High
<b>2.D</b> Priority Schools	Five percent of the lowest performing schools will be identified; LEAs will implement interventions aligned with turnaround principles in each of these schools for a minimum of three years. Estimate of priority school cost is based on implementation of turnaround principles outlined in the flexibility documents.	Yes; may also require SBE action	To be determined	\$500,000 per priority school (compared to \$2,000,000 per SIG school)	\$144,000,000 (309 schools x \$500,000, less SIG funds)	\$0	\$11,000,000
<b>2.E</b> Focus Schools	Ten percent of California's Title I schools with the greatest achievement gaps will be identified as focus schools. SEA will develop criteria, but for purposes of this analysis, focus schools are funded with \$75,000 for a school intervention team.	Yes; may also require SBE action	To be determined	\$75,000 per focus school	\$29,850,000 (Estimated 617 schools x \$75,000, less SIG funds)	\$0	\$1,700,000
<b>2.F</b> Provide Incentives and Support for Other Title I Schools		Potentially; may also require SBE action	To be determined	To be determined	To be determined	To be determined	To be determined

Estimate of Potential Costs for Statewide Activities and LEAs with Priority Schools							
Requirements	Description	Legislation Required	SEA Projected Cost	Projected Cost per LEA	Total Projected Cost to LEAs with Priority Schools	Projected Cost Range per LEA	
						Low	High
<b>2.G</b> Build SEA, LEA, and School Capacity to Improve Student Learning	The scope of the support system for priority, focus and other Title I schools and LEA accountability and support mechanisms has not been estimated. Teacher collaboration time is included here.	Potentially; may also require SBE action	To be determined	Teacher collaboration time is projected at \$55 per hour per teacher	235,000,000	\$4000	\$14,000,000
<b>Principle 3: Supporting Effective Instruction and Leadership</b>							
<b>3.A</b> Develop and adopt guidelines for local teacher and principal evaluation and support systems.	Develop principles for a teacher and principal evaluation system that includes information about student achievement and growth by the end of the 2011-12 school year.	Potentially; may also require SBE action	\$500,000	To be determined	To be determined	To be determined	To be determined
<b>3.B</b> Ensure LEAs implement teacher and principal evaluation and support systems.	Each LEA develops and negotiates system and then provides training to teachers and administrators. Additional cost of \$639 per educator to conduct the evaluation	Potentially	To be determined	\$25,000 one time development cost; training costs to be determined; \$759 per teacher evaluation cost, less \$120 current per teacher cost: net \$639	\$75,900,000	\$1,300	\$4,500,000

Estimate of Potential Costs for Statewide Activities and LEAs with Priority Schools							
Requirements	Description	Legislation Required	SEA Projected Cost	Projected Cost per LEA	Total Projected Cost to LEAs with Priority Schools	Projected Cost Range per LEA	
						Low	High
<b>Principle 4: Reducing Duplication and Unnecessary Burden</b>							
	As part of implementation of these provisions, the SEA will evaluate and revise administrative requirements to reduce duplication and unnecessary burden on LEAs and schools.	No	To be determined	None anticipated	None anticipated	None anticipated	None anticipated

### Statewide Summary of Estimated Benefits and Costs

#### Potential Statewide Title I Savings

Provisions	Description	Estimated Total Statewide Savings in Title I Set-Aside
The ESEA waiver no longer requires the SEA to comply with the requirements in ESEA section 1116(b) to identify for improvement, corrective action, or restructuring its Title I schools that fail, for two consecutive years or more, to make AYP.		
<ul style="list-style-type: none"> <li>• SES and Choice (20%) Actual 2010-2011 Expenditures</li> </ul>	<ul style="list-style-type: none"> <li>• An LEA reserves 20% of its Title I allocation for Choice transportation and SES when a school enters PI</li> </ul>	\$207,900,000
<ul style="list-style-type: none"> <li>• Professional Development (10%) Reserved 2010-2011 Amounts</li> </ul>	<ul style="list-style-type: none"> <li>• A PI school reserves 10% of its Title I allocation for PD. A PI LEA reserves 10% of its Title I allocation for PD (school allocation counts toward this requirement)</li> </ul>	\$145,725,000
TOTAL		\$353,625,000

#### Potential Statewide Costs to the SEA and ALL LEAs to Implement ESEA Waiver Requirements

		Estimated Total Statewide Cost	Estimated Net Costs of Waiver Statewide
<ul style="list-style-type: none"> <li>• Full implementation of ESEA waiver principles and requirements using Option 1</li> </ul>	<ul style="list-style-type: none"> <li>• Option 1: Accelerated Implementation of College/Career &amp; Common Core</li> </ul>	\$3,081,000,000	\$2,727,375,000
<ul style="list-style-type: none"> <li>• Full implementation of ESEA waiver principles and requirements using Option 2</li> </ul>	<ul style="list-style-type: none"> <li>• Option 2: Supplemental Materials to Achieve CCSS Alignment</li> </ul>	\$2,423,000,000	\$2,069,375,000