

A Look at the Hidden Costs of High School Exit Exams

CEP Policy Brief



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Introduction

As more states adopt exit exam policies, there is an emerging need to understand the costs of implementing and managing these exams—including the hidden costs associated with exam rigor, remediation, failure prevention, teacher professional development, and exam development and administration—and who will pay these costs to ensure that all students are prepared to take and pass state-mandated exit exams. Cost refers to the extra expense connected with requiring students to pass the exams in order to graduate (Lee, 2006). Most often the cost of exit exams is imposed on districts with little to no support from the state, and districts reduce other education programs to cover these hidden costs.

This policy brief is designed to provide information to policymakers and education stakeholders engaged in conversations about the costs of high school exit exam policies at the state and district levels. It provides a brief definition of exit exams, presents a breakdown of both apparent and hidden costs associated with these exams, details other cost considerations as suggested by policymakers and education stakeholders interviewed for this brief, provides a checklist of cost-related issues that must be considered before states adopt exit exam policies, and concludes with policy recommendations aimed at addressing cost and sustainability concerns related to exit exam policies.

What are Exit Exams?

High school exit exams are intended to make a high school diploma “mean something”—namely that its holder has the knowledge and skills to succeed in a job and other aspects of daily life (CEP, 2002). The bottom line is that exit exams are high-stakes tests designed to measure the basic knowledge and skills of public school students. Not passing the exam results in direct consequences for students, including requiring them to invest substantive time and effort in remediation activities so that they can pass the exam on a future try. Failure to pass the exam ultimately means that they are denied a high school diploma.

Conventional wisdom suggests that by adopting exit exams, states are committed to strengthening the quality of public education. Advocates suggest that such tests will motivate students to work harder and will help teachers identify and address student weaknesses. Critics contend these tests will lead to higher dropout rates, place too much weight on a single imperfect measure, and will do little to ensure that students have an opportunity to learn the material being tested (CEP, 2002)

The Current Trend of Exit Exams

In its May 2004 report, *Pay Now or Pay Later: The Hidden Costs of High School Exit Exams*, the Center on Education Policy (CEP), in partnership with Augenblick, Palaich and Associates, analyzed the diverse costs associated with implementing and sustaining high school exit exams in three states: Indiana, Massachusetts, and Minnesota, whose respective tests are the Indiana Graduation Qualifying Exam (GQE), the Massachusetts Comprehensive Assessment System (MCAS), and the Minnesota Basic Skills Test (BST). CEP, with the assistance of Learning Point Associates, developed this brief to provide policymakers and education stakeholders with information about the costs of exit exam policies. Until CEP began its systematic approach to uncovering the actual costs of high school exit exams in 2003, the available data provided only estimates of the expenditures incurred by states and school districts. In the absence of reliable cost estimates, decisions about adopting and implementing exit exams have depended on the general desirability of the idea and the goal of raising student performance. The mistaken impression is that exit exams provide nearly cost-free benefits.

The Truth About Costs

The cost of implementing a policy requiring high school exit exams ranges from \$171 to \$557 per student per year, and the price tag escalates sharply when states make efforts to increase pass rates, raise the cut score for adequate performance, or adopt a more challenging test. For example, exit exam costs for Indiana are approximately 5.5% of current expenditures for K-12 education (CEP, 2003). The costs of raising student test scores to meet state performance targets would be even greater, amounting to an additional 8.5% of state K-12 expenditures in Indiana.

The “Hidden” Costs Borne by School Districts

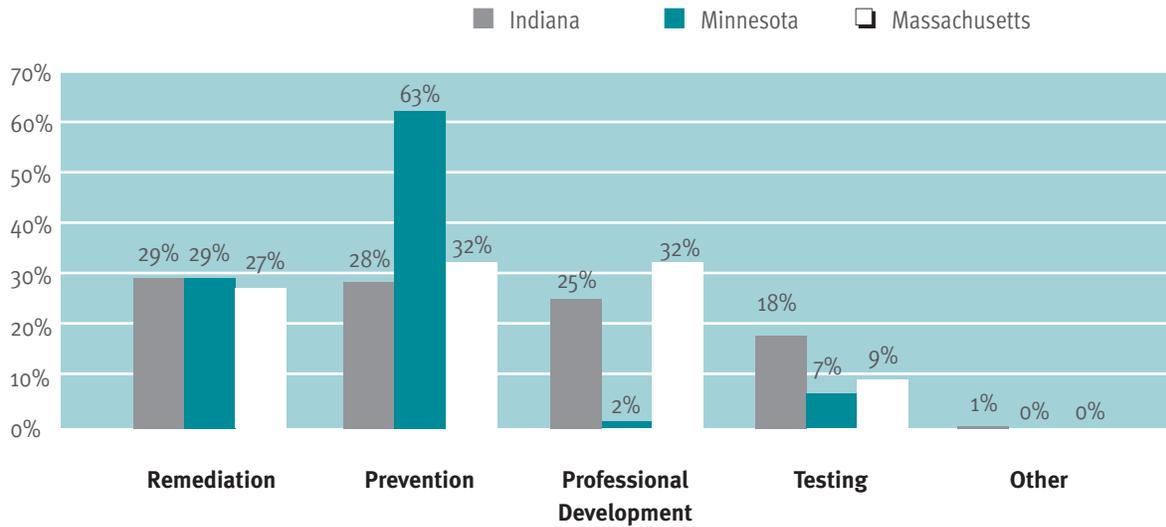
Most of the cost incurred by school districts in helping students to pass an exit exam involves school personnel—85% in Indiana. Raising the percentage of students who pass would require similar types of spending. In Indiana, costs associated with teachers account for 72% of proposed funding, while costs associated with specialists (personnel who provide exit exam-specific prevention and remediation services) are 19%. Two-thirds of the non-personnel costs of meeting the standards are spent for instructional materials and supplies to support various programs for remediation, failure prevention, and professional development. To meet standards in other states, a similar emphasis on personnel is needed.

Figure 1 indicates the costs per program to local school districts to implement or sustain the use of high school exit exams in the three states analyzed by CEP.

While the cost of administering exit exams is a modest share of the total, remediation and preventive services for at-risk students account for most of the expenses—and these costs are high, as shown in figure 1. State policymakers might approach the adoption and implementation of exit exams with the best of intentions, but they must remember to appropriate funds for the less obvious, or “hidden,” costs such as:

- Remedial services for students who fail the exam.
- Programs to prevent exam failure.
- Professional development opportunities to improve the skills of teachers who prepare students for the exam.
- Multiple opportunities for students to succeed in passing the exam.

Figure 1: Local Exit Exam Costs per Program



*Percentages do not add up to 100% because of rounding.

Center on Education Policy. (2004). *Pay Now or Pay Later: The Hidden Costs of High School Exit Exams*.

CEP analysis of cost data from Indiana, Massachusetts, and Minnesota suggests that more than 96% of the exit exam costs are borne by local school districts, rather than the state; and these costs are rarely budgeted or tracked by districts. Thus, most costs are unintentionally buried within a district’s budget. Districts adopt practices, such as shifting resources, to meet the requirements of exit exams, for example, by increasing class sizes in higher-level courses so that schools can offer more remediation and more basic-level classes.

Table 1 provides a cost breakdown and a cost percentage per pupil for needed services that support local exit exam programs in each state in the CEP study.

Table 1: Local Exit Exam Costs per Pupil by Program Services

	Indiana	Minnesota	Massachusetts
Remediation	\$128	\$37	\$85
Prevention	\$124	\$81	\$101
Professional Development	\$111	\$3	\$101
Testing	\$80	\$9	\$28
Other	\$4	\$0	\$0
Total	\$442	\$128	\$316

*Costs are estimated because of rounding.

Center on Education Policy. (2004). *Pay Now or Pay Later: The Hidden Costs of High School Exit Exams*.

Successful Exit Exams are Integrated with Other Reforms

The most cost-effective basis for a challenging exit exam is a coordinated system of standards-based reforms and assessment. For example, the costs to Massachusetts for providing the MCAS and exit exams fall within the middle range of the three states studied by CEP. One reason Massachusetts has been able to keep cost down is that it integrates exit exams as part of package of standards-based reforms and aligned assessments. This approach enables school districts to target exam-related assistance to groups that are having difficulty passing the tests, rather than having to address basic education deficiencies for a considerable share of the secondary school population. As a result of this emphasis on failure prevention and initial investment in coordinated reforms, Massachusetts has a high initial pass rate for its exit exam, which translates into fewer future costs for remediation.

The costs of programs designed to increase student pass rates on exit exams are strongly linked to the difficulty of the exams themselves, suggesting that the harder the exam the more costly it is to implement and administer. For example, a 2004 CEP study found that the more difficult exams had higher costs, about \$280 per student, because more students require support to get over a higher hurdle. Among exams of the same difficulty, higher initial failure rates are linked to higher programmatic costs, especially for remediation, about \$266 per student. An increase in the difficulty of the exam adds \$134 per student to the costs, while changing to a less demanding exam is relatively cost-free. It is important to note that while tougher exams are more costly than easier ones, changing to a tougher test from an easier one increases costs by more than the amount incurred in adopting the tougher test to start with, mainly because more failure prevention, remediation, and professional development monies will be needed to ensure that districts are prepared to support the instructional needs of students.

Costs Associated with Special Populations

Expanded instructional support to help students with disabilities and English language learners pass and to assist teachers to prepare students for the exams account for additional costs. The percentages of students who pass exit exams on the first try vary widely among states, although most states with fully implemented exit exams have initial pass rates of between 70% and 90% (CEP, 2006). Currently only three states that administer exit exams do not withhold diplomas for failure to pass the exam. Based on a 2006 CEP report and on past reports, there is a pattern that suggests the percent of students achieving passing test scores goes up when states begin withholding diplomas. Initial pass rates tend to be much lower in states that are administering exit exams but not yet withholding diplomas. Additionally, the costs of helping students with disabilities and English language learners (ELLs) pass exit exams typically are underestimated and often overlooked. The fourth annual CEP report, *State High School Exit Exams: States Try Harder, But Gaps Persist* (2005), offers the most comprehensive look to date at issues related to the participation of ELLs in high school exit exams. According to the Center's survey of states with exit exams for the 2005 report, the percentage of ELLs who pass the mathematics exit exam on their first try continues to be 30 to 40 percentage points lower than overall initial pass rates. In reading, the gap often is greater. This raises the possibility that large numbers of ELLs could be denied a high school diploma based on their test performance.

Confronting Costs from a Business Perspective

Far too many students are graduating from high school without the skills and knowledge they need to succeed—and many employers indicate graduates have not even learned the basics. (American Diploma Project, 2004) To that end, the business community has taken a stand against the mounting “hidden” costs associated with training and retraining entry level employees who lack the basic skills necessary to succeed in the workplace. In particular, the California Business for Education Excellence (CBEE), an organization that represents major business organizations throughout California, strongly advocates for the use of high school exit exams. CBEE views exit exams as an accountability tool to ensure that recent graduates enter the workforce with basic skills as well as the ability to think critically and to find creative approaches to

problem solving. Other states have similar organizations with similar missions, including the Indiana Education Roundtable, which increased the requirements for high school graduation to ensure that students are ready for college and work in a knowledge-based economy, and the Arizona Business and Education Coalition, which aims to ensure that all students obtain a high school diploma, meet or exceed state standards as measured by exit exams, and are prepared to enter the workforce.

New Findings and State Updates

As states begin to understand the various cost considerations inherent in successfully administering and supporting exit exams, new policies and systems are needed to support these initiatives. The 2005 report by the Center on Education Policy uncovered five new important findings about state exit exams:

- Innovative programs and policies are beginning to spring up in states with exit exams.
- During the 2004-05 year, states developed more supports for students and committed more funds to help students pass exit exams.
- Initial pass rates and achievement gaps have proved to be stubborn to move, especially in states where exit exams have been in place for several years.
- States are improving their ability to track and report student data, which should help in the future to clear up some nagging questions about the effect of exit exams on dropouts and achievement.
- Resolving fundamental questions about the fairness of exit exams and the appropriateness of support for English language learners is crucial if this reform measure is to succeed in helping all students.

A Reality Check

In order to ensure a thorough understanding of costs associated with state exit exam policies and to supplement CEP's existing work on this topic, telephone interviews were conducted across the nation with stakeholders representing practitioners, policymakers, researchers, and other groups. All of the interviewees we spoke to for this project have experience dealing with the costs associated with high school exams and were able to discuss these experiences at length. Interviews ranged from a half-hour to an hour in length and occurred over the course of five consecutive weeks. An interview protocol containing nine questions was used to guide the dialogue in each interview and to ensure consistency across the conversations. In general, stakeholders were asked to comment on the types of information they believe that policymakers need in order to make informed decisions about the costs involved with implementing high school exit exams.

The information gathered during these interviews provides additional insights into the needs of various stakeholders and helps to expand CEP's reports on high school exit exams. We learned that stakeholders need to ask themselves some tough questions in the beginning, including:

- What do we hope to gain from the use of high school exit exams?
- How do exit exams help students prepare for life after graduation?
- How will we ensure that exit exams look backward and forward—to ensure that they provide a predictive value for a student's future? In essence, do the questions provide enough predictive value to make the investment in an exit exam pay off?
- How much money can we feasibly appropriate for test design and scoring, including tests for special populations?

- What are the overall costs/benefits of our state implementing a high school exit exam policy?
- Are we prepared to deal with the costs of overhauling curricula and standards to align with exit exams?
- Are we prepared to consider the costs associated with identifying at-risk students early on, before they perform poorly on an exit exam and require remediation?
- What kind of process will we employ to address the needs of students who fail the exit exam and how much are we willing to spend to offer remediation services?
- Students who fear taking an exit exam or who fail initially may be encouraged to drop out of high school as a result of a state exit exam policy. What are the ramifications of increasing the student dropout rate in our state and how much will it cost? What are the costs to society? Who will pay?
- How many times will the test be administered each year? Each administration requires additional costs. How much can the state allocate and how much will be the responsibility of the local district?
- Will the state use computer-based tests or paper-and-pencil tests? Each has different costs: Computer-based tests require regular technological upgrades, and paper-and-pencil tests can be cumbersome and time-consuming to collect and score.
- Is our state prepared to deal with any legal expenses associated with student, school, or district compliance?
- Students, parents, business leaders, and the broader public should be informed of a state's intent to require students to pass exit exams in order to receive a high school diploma. Exit exams should be developed collaboratively and communicated effectively to ensure commitment from all stakeholder groups and to understand the issues associated with opposition groups. Is our state prepared to appropriate adequate funds to support communication efforts and strategies?

It is important to note that while the above list of questions is not exhaustive, these were the most salient points heard repeatedly during stakeholder interviews. Although cost information on these particular questions is not readily available, policymakers would be remiss to ignore them, especially because such questions most likely will surface during the implementation process.

Cost Checklist Associated with High School Exit Exams

While state policymakers may view exit exams as a low-cost way to raise student achievement, the extra costs—both apparent and hidden—are considerable. Direct, apparent costs of developing and administering tests make up a tiny fraction of the total cost of implementing an exit exam policy. The majority of the costs are associated with “hidden” expenses necessary to provide students with the support necessary to pass the exams, including remedial services, programs to prevent failure, and professional development to improve the skills of teachers responsible for preparing students to take the exams. The true costs of an exit exam policy often are invisible to state policymaker because expenses are borne mostly by local school districts—an estimated 96% according to CEP research. The following checklist is designed for state policymakers to conduct a quick budgeting exercise to begin to tally the costs of implementing an exit exam policy in their state.

Remediation

- Even with the best of intentions, not every student who takes a high school exit exam is capable of passing the exam the first time around. Remediation services geared toward assisting struggling students account for a large chunk of the costs associated with exit exams. These include costs for resources and services for

students who have failed the exam, such as tutoring. Of each state's costs studied for this brief, Minnesota districts spend approximately \$37 per student per year on remediation, while Massachusetts spends approximately \$85 per student per year and Indiana spends approximately \$128 per student per year, equating to 29%, 27%, and 29% of the district costs respectively. Exams for which students are unprepared initially cost \$266 more per student than do exams for which students have been prepared, with many of these costs coming for English language learners, academically at-risk students, and students with disabilities.

Prevention

- The costs of a challenging exit exam can be lessened by implementing a coordinated system of standards-based reforms and assessments. This type of system emphasizes early efforts to monitor student performance, identify problems, and take steps to prevent academic failure. Prevention services constitute a sizable portion of the costs and might include summer school, extended-day and half-size classes, prep classes, and programs to improve attendance for students with marginal attendance.

Teacher Professional Development

- In order for teachers to assist students effectively and efficiently in preparing to take exit exams, additional professional development often is required, including activities targeted at changing teacher practice to help teachers better prepare students for an exit exam and only that exam. Costs vary and in the states highlighted in CEP's research, a wide range is presented. Minnesota spends an additional \$3 per student on teacher professional development, while Massachusetts spends an additional \$101 per student and Indiana spends an additional \$111 per student.

Exam Difficulty

- Minnesota spends \$171 per student per year to maintain its exit exam policy, while Indiana spends \$557 per student per year. The cost difference is due mainly to the fact that Minnesota's exam is a basic proficiency test, whereas Indiana's exam is more challenging. Massachusetts spends \$385 per student, which is in the middle range, but for a demanding test. Massachusetts' costs are lower because it has a coordinated system of standards-based reforms and assessments.

Exit Exam Design and Testing Development

- Designing, developing, administering, and analyzing exit exams constitute a small fraction of the total costs of implementing exit exams. However, these state-level costs are the most visible ones, sometimes as a line in the state department of education budget. Designing an exam once does not cover the costs for the life of the policy. Exit exam items must be redesigned and refreshed every few years if the state aims to maintain alignment with state standards and evolving student expectations. Policymakers must incorporate design and development costs in their budget at least every few years. Another factor to not be ignored is the additional cost associated with designing and developing multiple versions of an exit exam to meet the needs of students with disabilities.

Other Costs to Consider

- In addition to many of the "hidden" costs associated with exit exams, policymakers and education stakeholders should understand related costs to implement and sustain the use of these exams. Such costs include legal expenses related to district, school, or student compliance and costs related to communication and outreach strategies to parents, communities, and businesses. Student discouragement and dropout

prevention, exit exam implementation, scoring and interpretation of results, management and compliance, and data collection are all costs connected to implementing and sustaining exit exams.

Suggestions for Policymakers

Exit exam costs are a pertinent and timely issue for state policymakers for a variety of reasons, including state budget shortfalls, the high costs associated with providing all students an adequate education, and the sometimes costly changes states are making to comply with the federal No Child Left Behind Act (NCLB).

Policymakers may want to consider the following suggestions as they debate the benefits and pitfalls of state high school exit exam policies and their associated costs.

1. State policymakers should provide for the cost burdens that successful exit exam policies place on school districts.
2. It is cheaper to start with a rigorous exit exam than to change from an easier to a harder test at some point in the future.
3. Exit exams are more cost-effective when they are nested in a comprehensive, integrated, and adequately funded reform package that includes early activities to detect and address students' learning problems.
4. States should pay more attention to the costs of helping special populations pass exit exams.
5. Increasing initial pass rates while maintaining the difficulty of the exam is a worthwhile goal, even if it brings higher costs.

Conclusion

Policymakers must take into account the costs of providing students with meaningful opportunities to pass exit exams. Both accountability and the resources for meeting it are evident in successful policies. States that are phasing in or considering adopting exit exams are well advised to make the necessary investments from the beginning instead of forcing school districts to pay for them later.

For more information on the hidden costs of high school exit exams, please refer to *Pay Now or Pay Later: The Hidden Costs of High School Exit Exams*, available at http://www.cep-dc.org/pubs/hiddencost_may04/HiddenCostFinal.pdf. For more information on state high school exit exams, please refer to *State High School Exit Exams: A Challenging Year (2006)*.

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For additional information about the hidden costs of high school exit exams, please see *High School Exit Exams: Costs for Policymakers and Stakeholders to Contemplate and Consider* located at www.cep-dc.org.

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