STATE BUDGET OFFICE
July 22, 2013

Preliminary Cost Analysis
Michigan Council for Educator Effectiveness (MCEE) Recommendations

BACKGROUND INFORMATION

A confidential draft of the MCEE recommendations for teacher and administrator evaluations was provided to the State Budget Office on July 16, 2013, with release expected July 24. Due to the lack of specificity contained in the report, SBO was not able to conduct an in-depth analysis in the constrained timetable, so very broad estimates are being provided at this time. However, SBO anticipates being able to present a more thorough cost analysis by around the end of August.

Note that prior policy decisions have reserved most of the future anticipated School Aid Fund revenue increases to pay for retirement reforms. In addition, there are other uncertainties in the school aid budget: impact of reserving local revenues currently being used to support foundation allowances to pay off deficit districts' debts instead; whether the pending court decision regarding school employees' escrowed 3% payments will allow that revenue to become available to the state as expected in order to support the planned FY2015 school aid budget; what funds will be available in FY2015 to restore one-time FY2014 budget items; and the impact of any tax package proposals on School Aid Fund revenues.

The State has been sued by school districts alleging that tenure reforms, including the establishment of the teacher and administrator evaluation systems, are a new or increased activity or service for the districts that needs to be funded by the Legislature under the Headlee constitutional provisions. To date, the Special Master assigned by the Court of Appeals to hear this issue (Judge Michael Warren) has agreed with the State's argument that the evaluation system is a benefit to district employees, not an activity or service. However, his determination has not been appealed through the entire judicial process, as has been common with prior Headlee decisions.

PRELIMINARY FISCAL ANALYSIS

The MCEE report recommends that 50% of an educator's effectiveness be based on observing a teacher's practice and 50% be based on student growth. The values from these two components must then be combined in some manner. **Based upon limited information currently available, SBO preliminarily estimates significant annual costs, which could approach or exceed $100 million.** Major cost components for teacher evaluations are explained in more detail below.

MCEE Recommendations - Preliminary Cost Review	
	Est. Annual Costs*
1) Evaluation of Teacher's Practice	
Cost of Observation Tool and Related Training	Unknown
Cost of Observation/Feedback (see narrative)	Up to $80 - $90 million
2) Evaluation of Student Growth	
Student Growth Assessments	$15 million
Value-Added Models (VAMs)	Unknown
3) Administrative Costs	
State/MDE Staffing	$2 million
Additional DTMB Staffing	Unknown
Local Administrative Costs	Unknown
*Figures should be considered preliminary ballpark estimates until a more thorough cost analysis is conducted.	

CONFIDENTIAL DRAFT

1) Evaluation of Teacher's Practice:

Cost of observation tool and related vendor training on tool: The report recommends that the state bid out four named observation tools and provide each district an amount per teacher based upon the bid accepted by the state to become the state tool. If districts choose one of the other four, the districts are responsible for covering any excess costs.

SBO has not had time to research the funding models for each of these tools and ultimately, only the bidding process will provide an accurate number. Perhaps the first year implementation cost will be higher, due to training, but annual licenses will probably be required. **Costs unknown.**

Cost of observation/feedback: The report recommends at least three observations per year for each educator, at least one of which must be conducted by the relevant administrator. Observers are to be trained to provide significant feedback to individual teachers, allowing for targeted professional development. There are approximately 98,000 teachers in local districts, public school academies and intermediate districts. It is likely that school administrators currently use some type of evaluation mechanism. It is not known if this requirement will result in entirely new costs, or if some portion of what schools are already doing will meet these requirements. Therefore, there may be some overlap in costs in this area. Assuming a minimum of 2 hours for each observation/feedback session at an estimated full-loaded cost of $150 per hour of an administrator's time, the cost of performing the observation/feedback sessions **approaches $90 million** annually.

2) Evaluation of student growth:

The MCEE report notes that despite considerable interest in measuring student growth for high stake purposes, current tools are not at a quality level they had hoped.

Student Growth Assessments: The MCEE report recommends that the state continue to develop or select student growth assessments for all core content areas (English language arts, mathematics, sciences and social studies) as well as in high-volume non-core content areas (arts, physical education, career tech, etc.). Local districts would be responsible for providing tests in other areas. SBO has heard informally that MDE may need an **additional $15 million** annually to continue to build/buy these tests in subjects/grades not currently available.

VAMs (Value-Added Models): VAMs are statistical models that use data from growth assessment tools to produce estimates of the value-added by individual educators to student learning. The MCEE report indicates the state should provide VAM scores for individual educators and school-level VAMs on all state assessments. According to the report VAM models will have to determine an acceptable attendance threshold for a student's score to be included in the model; apportion responsibility for a specific student to multiple educators; determine whether and how to control for multiple student, class, school or district characteristics; and provide an appeal mechanism for removing a specific student from a specific educator's VAM score. The report does not recommend a VAM model. **Costs of development and implementation are unknown.**

3) Administrative costs:

Administrative costs accrue at both the local and state levels. State agencies most impacted by these recommendations are MDE and DTMB – information technology and Center for Educational Performance and Information. The report also recommends establishing a standing committee to succeed the MCEE to oversee the start-up of the system and ensure that as new research and technology becomes available, state policies and practices are changed accordingly.

CONFIDENTIAL DRAFT

In addition to overall administration of the various components of the state system, MDE will need to review, approve and monitor a waiver process for alternative locally-developed evaluation systems, as well as an evaluation appeal process for educators and administrators. As proposed, the system also requires significant infrastructure investment to securely house data at both the state and local levels, produce informational materials and guidance; provide technical assistance including training to districts; monitor compliance; and conduct continual program evaluation.

MDE appears to anticipate doing many of these functions through contractors; however, they estimate the need for 16 managers and specialists and 2 support staff for the new workload. Assuming fully-loaded salaries of $130,000 for managers and specialists and $60,000 for support staff, the **MDE staffing cost alone is over $2 million**. Costs for additional DTMB staff are unknown. Contracting costs are unknown. Local district administrative costs are unknown.

CONFIDENTIALDRAFT