STATE BUDGET OFFICE
September 12, 2013

FOR DISCUSSION PURPOSES ONLY:
Estimated Costs for
Michigan Council for Educator Effectiveness (MCEE) Recommendations

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The State Budget Office (SBO) has worked in partnership with the Michigan Department of Education (MDE) and the Center for Educational Performance and Information (CEPI) to prepare the attached estimates of the costs of implementing the Michigan Council for Educator Effectiveness (MCEE) recommendations regarding the evaluations of teachers and school administrators. **We have estimated a total cost of $93.9 million ($87.7 million state share/$6.2 million local share) in the "build year" of FY2014-2015 and a total cost of $144.5 million ($83.4 million state share/$61.1 million local share) when fully implemented in FY2015-16. A more detailed estimate is attached.**

School districts have sued the State alleging that tenure reforms, including the establishment of teacher and administrator evaluation systems, are a new or increased activity or service for local districts that must be funded by the Legislature under the Headlee constitutional provisions. To date, the Court of Appeals has agreed with the Special Master that the evaluation system is a benefit to district employees, not an activity or service within the meaning of the Headlee constitutional amendment. However, the plaintiffs are expected to appeal this ruling to the Supreme Court.

In general, 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 by the districts to determine whether a teacher is ranked as professional, provisional or ineffective.

1) Observation Tool Component:

Cost of observation tool, related training and performing observations: 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 three, the districts are responsible for covering any excess costs.

SBO and MDE expanded on the University of Michigan's Institute of Social Research very preliminary estimates to determine a state cost of $25.6 million in the 2014-2015 build year to provide training for 7,000 observers to observe 94,000 teachers. Vendor cost models require licenses for both observers and teachers. Full implementation costs in FY 2015-2016 are estimated to be $68.7 million ($21.1 million state costs/$47.6 million local costs). Local costs are associated with performing three observations per teacher per year. Local costs were adjusted downward to account for pre-existing requirements that probationary teachers be evaluated annually for three years and tenured teachers be evaluated at least once every three years.

Estimates for school administrator evaluations total $2.5 million state costs in FY2014-2015 and $1.8 million in FY2015-2016.

2) Student Growth Component:

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.

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Student Growth Assessments: The MCEE report recommends that the state continue to develop or select student growth assessments for all basic 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.

MDE estimates a state cost of $37 million in the 2014-15 build year for both the summative tests and the interim (pre/post) tests for all basic content areas in all grades. In 2015-2016 the state costs increase to $40 million to administer, score, report and refresh the tests. The estimated cost covers a Smarter Balance consortium membership fee and contractor fees for administering, scoring, and reporting on the assessments. The membership fee covers access to a bank of assessment items, use of the software developed by the consortium, and development and refreshing the assessments.

The local costs of administering more tests are unknown.

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. The report does not recommend a VAM model. MDE is estimating an annual state cost of $10 million for purchasing a VAM model for all basic courses at all grade levels.

3) Integrated Evaluation Component:

Districts must combine the observation tool data and the student growth data to determine whether a teacher is ranked as professional, provisional or ineffective. Total costs of this evaluation component are estimated at $6.2 million ($30,000 state cost/$6.2 million local cost) in 2014-2015 and $8.1 million in 2015-2016 ($30,000 state costs/$13.4 million local costs). MDE is also asking for $500,000 in 2014-2015 to develop and pilot alternative evaluations for student populations not addressed by MCEE: special education, career tech, migrant, etc. Most of the local cost is attributable to costs of ISD consultants to advise local districts on data analysis, evaluation best practices, etc. and compiling and reporting the end of year integrated evaluation report to teachers.

4) Teacher Professional Development Recommended from Evaluation:

Responsibility for teacher professional development identified from the evaluations appears to be negotiated between districts and teachers at the local level. Local costs are unknown.

5) State System Costs:

State system costs are expected to increase by $12.1 million in 2014-2015 and $10.5 million in 2015-2016. MDE staffing to support the evaluation system is estimated to increase by 28 FTE; CEPI by 5 FTE and DTMB-IT by 6 FTE.

The modification of existing MDE data systems will be needed to provide secure exchange of evaluation data between the state and local schools. CEPI student and teacher data systems will need to be modified to allow for determination of an acceptable attendance threshold for a student's score to be included in the model; apportion responsibility for a specific student to multiple educators; and determine whether and how to control for multiple student, class, school or district characteristics for VAM scoring.

MDE costs also include compliance monitoring and fidelity of implementation evaluation. In addition, 338 districts, or nearly 40% have declared themselves to be exempt from the state evaluation system, claiming they have an adequate evaluation system in place. The MCEE recommended a regulatory

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body to (dis)approve future exemptions or waivers. MDE has included costs 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.

The report also recommends establishing a standing committee to succeed the MCEE to oversee the startup of the system and ensure that as new research and technology becomes available, state policies and practices are changed accordingly. These cost estimates do not include that provision.

6) Reducing Costs:

If a less-robust evaluation system than what MCEE has recommended is acceptable, SBO is prepared to explore ways in which the costs could be reduced.

Attachment

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