

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 03/07/11
 SPONSOR SFC LAST UPDATED 03/31/11 HB _____
 SHORT TITLE School Teacher & Principal Evaluations SB CS/CS/502/aHLC
 ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Minimal	Minimal			

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with HB 355, SB 427, SB 503, and SB 567

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of HLC Amendment

The House Labor Committee amendment makes extensive changes to the bill, including the following:

- Requires school districts to evaluate teachers and principals based on the highly objective uniform statewide evaluation framework (HOUSE).
- Requires fifty percent of teacher evaluations to be based on a value-added model that reflects student academic growth
- Requires the evaluation system for principals to include a factor for the schools achievement on the state accountability system.
- Extends the independent review PED must commence to evaluate the new evaluation system from 2013-2014 to no later than 2014-2015, and requires annual reports to LFC and LESC beginning no later than October 2015.
- Increases the number of public hearings PED must conduct from 3 to 7.

- Extends the date PED must report to the Governor on the workgroups progress and the evaluation framework to no later than August 2012 and also requires department to report to LESC and LFC. The final report date is extended to no later than December 2012, includes presentation to the Governor, and must include any differences between the department's recommendations than those of the workgroup.
- Clarifies that at least 4 workgroup members must be public school teachers and principals, and the expert on teacher evaluation models must be an expert on value-added teacher evaluation models.
- Extends the date school districts have to make staff aware of evaluation models and provide training for school principals and evaluators to no later than August 2012.
- By the 2013-2014 school year, districts are required to adopt and have operational their evaluation programs, and districts with collective bargaining agreements must demonstrate to PED that they considered the effectiveness of individual teachers when terminating teachers through a reduction in force.
- Eliminates provisions requiring the termination of teachers who receive low effectiveness ratings for 2 consecutive years.
- Eliminates the requirement to develop a recognition program to reward effective teacher and school principals and eliminates the required performance-based compensation system.
- Strikes the Section 19 Applicability Clause.

Synopsis of Original Bill

Senate Finance Committee substitute for Senate Bill 502, with emergency clause, establishes a new section of the Public School Personnel Act that requires school districts and charter schools to adopt the state teacher evaluation framework based on student achievement and principal evaluation system based on school achievement.

Between April 2011 and August 2011, PED will be required to convene a workgroup with LESC, LFC, and a minimum of 13 other PED appointed stakeholder members to develop and make recommendations for a statewide evaluation framework for teacher evaluation models and principal evaluations, including a performance-based compensation system that incentivizes effective teachers and school principals. The workgroup is charged with developing a recognition program to reward effective teachers and principals with financial incentives subject to funding availability.

Beginning with the 2013-2014 school year, school districts and charter schools shall have operational teacher and principal evaluation programs and performance-based compensation systems. Teachers and principals shall be evaluated and retained pursuant to their district's evaluation system, and compensated pursuant to the district's adopted compensation system.

The bill amends the Three-Tiered Licensure System in the School Personnel Act relating to Level 1, 2 and 3A teachers, and Level 3B principals to reflect use of the new evaluation system, and alignment to the performance based compensation system.

The bill also amends several sections of the School Personnel Act relating to employment of licensed school employees. School principals will be required to recommend to the district superintendent the reemployment or termination of all licensed school employees, and shifts employment decisions and responsibilities related to those decisions from the local school board to the superintendent, including termination hearings and appeals.

Changes included in the bill relating to the School Personnel Act apply to contracts signed for the 2012-2013 school year and for termination and discharge actions occurring after July 1, 2012.

FISCAL IMPLICATIONS

PED analysis does not include a discussion of any fiscal implications.

School districts will be required to administer appropriate subject-matter assessments that are determined to be valid and reliable for measuring student academic growth twice a year. Test administration costs estimates have not been provided by PED, nor has PED estimated the cost of engaging a panel of external assessment experts to establish the validity and reliability of assessment instruments to be used. It is a reasonable expectation that these costs could be substantial. Costs associated with test administration would be recurring and presumably born by the districts, while the costs associated with a panel of experts would be born by the department and would be expected to be non-recurring.

With implementation of the new evaluation system, but no later than the 2013-2014 school year, additional professional development opportunities will be required to be provided to teachers earning a low effectiveness rating and principals whose schools earn the lowest ranking. School districts are currently receiving \$20 million in federal Title II funds for professional development, and between FY99 and FY02 the state appropriated \$10.5 million in recurring funds through the SEG for professional development. It is not unreasonable to expect districts to reprioritize funds received for professional development and target them toward programs that are aimed at increasing teacher and principal effectiveness.

While districts are free to spend distributions from SEG as they choose, it is becoming critical that decisions become more strategic, focusing on highly effective programs with proven results. Districts need to become more flexible and willing to implement a coherent improvement strategy, targeting resources to achieve the maximum benefit to improve student achievement and teacher effectiveness. Given the current economic climate, now is the time to look closely at how districts and charters are spending current revenues, what programs are working and should be prioritized and what programs have little success and should be terminated.

Because the evaluation system does not become effective until the 2013-2014 school year, the full fiscal impact of the bill is indeterminate at the current time.

No later than 2014-2015, the department will be required to fund an independent evaluation of the consequences of implementation of the highly objective uniform statewide evaluation framework and school district evaluation programs. The state paid approximately \$500 thousand annually to study the prekindergarten program over a period of 4 years. It is likely that a study of this nature could have similar annual costs.

SIGNIFICANT ISSUES

PED is to convene a workgroup to develop and make recommendations for a highly objective uniform statewide evaluation framework for teacher evaluation models and school principal evaluations and propose a performance-based compensation system that incentivizes effective teachers and school principals. PED will be required to conduct 7 public hearings across the state, and report to the Governor, LFC and LESC no later than 2012 on the highly objective uniform statewide evaluation framework.

By the 2012-2013 school year, districts are to adopt district teacher and principal evaluation programs and use them to create a baseline of performance. Evaluation systems shall be operational no later than the 2013-2014 school year.

In 2014-2015, the department shall commence an outside independent evaluation to monitor the consequences of implementing the statewide evaluation framework and school district evaluation programs.

Teacher Evaluation System

The teacher evaluation system shall be based on:

- Fifty percent of evaluations shall be based on a value-added model that reflects student academic growth as demonstrated on appropriate subject-matter assessments that are determined to be valid and reliable for measuring student academic growth administered at the beginning and the end of the instructional year. The validity and reliability of assessment instruments for measuring student academic growth in a value-added system shall be determined by a panel of external assessment experts and codified in rules of the department.
- The remainder of the teacher evaluations shall include:
 - Classroom observations completed by a school administrator at least once annually.
 - Additional measures of teacher effectiveness developed by each district, including: Student and parent surveys; teacher performance portfolios; video observations with teacher reflection; and other evidence-based measures that effectively measure teacher performance.

Principal Evaluation System

School districts will be required to evaluate school principals and charter schools to evaluate head administrators on the highly objective statewide evaluation system, including their school's achievement and growth in achievement based on the state accountability system and inform incentives for effective school principals.

Application of Evaluation System

Teachers and school principals earning the lowest effectiveness rating for 2 consecutive years shall be placed on a professional growth plan. Principals earning the lowest effectiveness rating for 3 consecutive years shall be terminated unless they can demonstrate that data or other information relied on for their evaluation results were inaccurate or misrepresented.

- School districts are required to provide additional professional development to teachers who earn a low effectiveness rating and principal whose school earns the lowest ranking on the state's accountability system.

No later than the 2013-2014 school year, school districts with collective bargaining agreements that are terminating teachers through a reduction in force must demonstrate to PED that they considered the effectiveness of individual teachers as shown by their evaluations and the programmatic needs of the public school when determining which teachers to terminate.

The bill also makes the following notable changes to the School Personnel Act:

- School principals will be required to recommend to the superintendent the reemployment or termination of each licensed school employee. The superintendent will serve written notice of reemployment or termination on each licensed school employee prior to the last day of school.
- Shifts responsibility of employment decision related to licensed school employees from the local school board to the superintendent.
- A school principal may recommend the termination of a school employee under the principal's supervision who has worked for the district for less than 3 years for any reason, and the superintendent may terminate that employee based upon the recommendation. Currently, the local school board is able to terminate an employee with less than 3 years of consecutive service for any reason.
- Includes a definition of "just cause" including low effectiveness ratings and unsatisfactory, uncorrected work performance.
- The superintendent will be required to issue a notice of discharge to a licensed school employee when terminating a school employee for "just cause."
- A hearing to appeal a district discharge hearing decision will be held within 30 days of the notice of appeal. Currently the hearing is scheduled within 30 days of selection of the independent arbitrator.

PERFORMANCE IMPLICATIONS

The following public school support performance measures will be affected:

- Annual percent of core academic subjects taught by highly qualified teachers, kindergarten through twelfth grade (100%)
- Percent of 4th and 8th grade students who achieve proficiency or above on the standards based assessments in reading and math.
- Percent of recent New Mexico high school graduates who take remedial courses in higher education at two-year and four-year schools

ADMINISTRATIVE IMPLICATIONS

PED will be required to do the following: convene a workgroup to develop teacher and principal evaluation systems; approve school district and charter school teacher evaluation programs, and monitor each programs' use and efficacy in improving teacher effectiveness and student achievement; approve research-based protocol and district-based protocol for use in classroom observations; make available to school districts the evaluation framework and other materials from evidence-based sources as models to help them develop and adopt their own programs; regularly update school districts on the workgroups progress, including assisting school districts to ensure they are prepared to implement the recommendations; and engage a panel to of external assessment experts to determine the validity and reliability of assessment instruments for measuring student academic growth in a value-added system, and then codify their findings.

School districts will be required to adopt a district evaluation system based on the highly objective uniform statewide evaluation framework established by PED and the district's own program to measure teacher effectiveness and improve student achievement. Districts will be required to administer 2 tests to students, one at the beginning of the year, another at the end of the year, to establish student growth. Districts will also have to document and use the results of teacher evaluations to tailor professional development for individual teachers and teachers receiving low effectiveness ratings and principals whose schools earn the lowest rating.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Conflicts with HB 355, SB 427, SB 503, and SB 567.

TECHNICAL ISSUES

- Language on page 5, lines 18-20 directs the workgroup to propose a performance-based compensation system, however, the requirement to implement a performance-based compensation system has been removed from the bill.
- The workgroup is composed of educator stakeholders and legislative stakeholders, but does not include the Office of Education Accountability, or any representation from postsecondary institutions.

OTHER SUBSTANTIVE ISSUES

OEA's analysis of the SFC Substitute, before amendment by HLC, notes that various states (e.g. FL, CO, LA) and school districts (e.g. Gainesville, FL; Denver, CO; Minneapolis, MN; Charlotte-Mecklenberg, NC) have adopted compensation systems that provide incentives to "high-performing" educators. The structure of these programs vary widely in terms of whether they apply to the individual teacher or group (school-wide) level and how performance is measured (relative rankings or standards-based) and what measures (student evaluation, professional evaluations or mixed measures) are used. The programs also differ in terms of how much compensation is provided for what levels and types of performance are achieved. Each approach adopted has been the result of an iterative process over time.

HED's analysis, prior to amendment by HLC, notes there is no representation on the workgroup of postsecondary institutions of education; possible litigation as unproven district evaluation methods are used to terminate ineffective teachers; and the lack of commitment on the part of the state to an adequate compensation incentives funding model for excellence in teaching resulting in an unfunded mandate. The department is also concerned for individual districts determining separate evaluation and compensation models as this could lead to issues with data and alignment to the higher education programs of education.

ALTERNATIVES

Modify the bill so that a pilot program could be established and tried out in a small, medium and large district prior to statewide scale-up. Such a change would allow for the identification of elements that do or do not work and provide for adjustments as necessary. Such a change to allow a phased implementation of the new evaluation system can avoid expenditure of scarce human and fiscal resources at both the state and district levels.

RSG/svb