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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/09/15

SPONSOR Trujillo, CH LAST UPDATED \_\_\_\_\_ HB HB 285

SHORT TITLE Auditor Rules For Education Policies SB \_\_\_\_\_

ANALYST Cerny

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		NFI	NFI			

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates SB 263

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Education Department (PED)

Office of the State Auditor (OSA)

### SUMMARY

#### Synopsis of Bill

House Bill 285 would amend the Audit Act, Section 12-6-1 to 12-6-14 NMSA 1978 by adding a new section.

HB 285 provides the OSA will adopt and promulgate rules for the conduct of quality and accuracy audits of teacher evaluations, merit pay and school ratings pursuant to the A-B-C-D-F Schools Rating Act carried out by the Public Education Department (PED) on public schools.

Under the provisions of the bill, PED will provide all applicable program designs, formulas, calculations, data and any other information requested by the OSA Auditor and shall assist the OSA as requested.

The bill provides the quality and accuracy audits will test the:

- soundness of programmatic designs and the formulas used to calculate teacher quality and pay;
- selection of teachers to receive merit pay;
- performance grades issued to public schools; and

- accuracy of data relied on and the calculations used to evaluate people, salary increases and public schools.

The bill further indicates the OSA’s rules may provide for pre- and post-implementation quality and accuracy audits, and that the OSA will prepare a list of auditors qualified to conduct the quality and accuracy audits.

### FISCAL IMPLICATIONS

HB 285 carries no appropriation and has no fiscal impact. However, costs of any audits that might result from HB 285 would be borne by PED.

### SIGNIFICANT ISSUES

A review of data quality and methods for school grades and teacher evaluations prepared by The Coalition for Excellence in Science and Math Education presented in August 2014 to the Legislative Education Study Committee and the LFC concluded that New Mexico’s student performance has not significantly improved over the last several years, that the A-B-C-D-F Act needs to be modified to provide information that educators can use to help foster educational improvement, and that teacher evaluations based on student growth are not leading to improvement nor providing accurate assessment of most teachers’ performance.

(<http://www.nmlegis.gov/lcs/handouts/ALESC%20082514%20Item%2010%20Review%20of%20Data%20Quality%20and%20Methods%20for%20School%20Grades%20and%20Teacher%20Evaluations.pdf> )

PED analysis states:

It is clearly not the auditor’s role to appraise the “soundness of programmatic designs” as this is a policy issue specifically prohibited under the office’s statutory authority.

Indeed, the website of the OSA does include “Policy Issues” among a list of items titled: “Issues that DO NOT fall within the statutory authority of the Office of the State Auditor” and further states that “Policy related issues are handled by the Governing Body associated with the organization and/or by the Independent Public Accountant (IPA) that audits the organization.”

[http://www.saonm.org/types\\_of\\_issues\\_other\\_agencies\\_handle](http://www.saonm.org/types_of_issues_other_agencies_handle)

However, the term “Policy Issues” is not defined on the OSA website.

The Audit Act does not specifically prohibit any type of audit, but it also does not discuss “quality and accuracy audits.” Section 12-6-6A states “the financial affairs of every agency shall be thoroughly examined and audited each year..;” Section 12-6-6C states “In addition to the annual audit, the state auditor may cause the financial affairs and transactions of an agency to be audited in whole or in part.” Compliance audits are referenced in Section 12-6-6D.

PED analysis further states:

The bill presumes that the two systems, school grading and teacher effectiveness, are lacking in accuracy and accountability. The following is direct evidence to the contrary:

1. All data sources leading to both the A-F School Grading and Educator Effectiveness

evaluations are vetted by district officers prior to its use in accountability. These include:

- 4-year, 5-year, and 6-year graduation cohorts,
  - Student identification and participation in each assessment,
  - College and career readiness (ACT, PSAT, SAT, PLAN, IB, dual credit, career coursework, AccuPlacer, Compass, ASVAB, TABE, and WorkKeys), and
  - Teacher-course-student data linkage.
2. Data leading to accountability, which are submitted by districts into the STARS data warehouse, are reviewed for accuracy and out-of-range or miskeyed values at the time of submission. Districts are required to correct and resubmit data where needed. These include:
- Attendance,
  - Student-location linkages,
  - Student demographics (English learner, student with disabilities, free/reduced lunch, ethnicity),
  - Teacher observations, and
  - Parent and student surveys.
3. Districts and schools are allowed liberal opportunities to challenge, appeal, and receive investigatory findings on any perceived data irregularity.
4. Business rules for the calculations of both accountability systems are publically available.
5. Calculations are verified by a second statistician internally and beginning in the spring, an external statistician and value-added modeling expert will also review and verify the calculation. Cross-calculation includes graduation, college and career readiness, value added modeling, proficiency rates, academic growth, observations, surveys, and attendance.
6. The United States Department of Education has peer reviewed both the A-F system and NMTEACH system and approved them for sound practice and policy.
7. Since 2012, the PED has convened a school grading Technical Working Group (TWG) which has now extended its work to educator effectiveness. This group represents the technical expertise in the state and meets quarterly to review elements surrounding school and educator accountability. The current participants include the following:

Cecile Hemez	New Mexico School for the Arts
Dr. Happy Miller	Rio Rancho Schools
Dr. Patricio Rojas	Statistical Consultant, various charter schools
Marybeth Schubert	Schubert Consulting
Dr. Richard Bowman	Santa Fe Schools
Dr. Suchint Saragarm	Hobbs Schools
Dr. Kim Johnson	Retired LANL scientist
Pascal Buser	Data Analyst PED
Dr. Cindy Gregory	Chief Statistician PED
Judy Harmon	Data Analyst PED
Matt Goodlaw	Senior Statistician, PED
Dr. Pete Goldschmidt	Statistical Consultant

**ADMINISTRATIVE IMPLICATIONS**

PED is unable to share student data without proper review and agreements. As such, Memoranda of Understanding (MOUs) would need to be put in place for sharing of sensitive student information.

OSA would promulgate rules for the conduct of quality and accuracy audits of PED teacher evaluation, merit pay and school ratings that also may provide for pre-and post-implementation quality and accuracy audits and prepare a list of auditors qualified to conduct such audits.

OSA analysis states that the office could carry out the provisions of the bill with existing resources.

**DUPLICATION**

HB 285 duplicates SB263, Auditor Rules for Education Policies

CAC/bb