

## MEMORANDUM

TO: PARCEL TAX COMMITTEE

FROM: ALTERNATIVE COMPENSATION SUBCOMMITTEE

SUBJECT: POSSIBLE EVALUATION METHODOLOGIES

DATE: SEPTEMBER 2, 2010

This memorandum summarizes work-to-date by the Alternative Compensation Subcommittee, who surveyed alternative evaluation methodologies designed to assess teacher performance and assist in personnel decisions, including determining compensation and decisions on tenure and staff reductions.

### **Current PUSD Approach**

Based on a brief review of the most recent Piedmont certificated employee's contract ([www.piedmont.k12.ca.us/forms/jobs/certificated\\_contract.pdf](http://www.piedmont.k12.ca.us/forms/jobs/certificated_contract.pdf)), the only material made available for our examination, the current evaluation process for teachers is a qualitative assessment without any formal, quantitative link to the performance of students. While there are multiple paths for advancement, they all seem to be based on discussions and communications between a given teacher and the "evaluator" who is typically the principal of the teacher's school. In the eighteen pages allocated to the evaluation process in the contract (pages 42-60), there is an extensive discussion of a variety of important considerations to be discussed and evaluated during the teacher/evaluator conference. At the conclusion of the evaluation process, the evaluator provides an overall rating of *Satisfactory*, *Needs Improvement*, or *Unsatisfactory*. A teacher who receives a *Satisfactory* rating in all six of the defined California Standards for the Teaching Profession will receive a *Satisfactory* rating on his/her overall evaluation. Receipt of a *Needs Improvement* or *Unsatisfactory* in any of the six Standards, will receive a *Needs Improvement* or *Unsatisfactory* overall rating. At the present time, other than the general increase applied to all categories of certificated staff, tenure is the only basis for salary advancement through the "step & column" process.

### **Emerging Evaluation Approaches**

Over the past several months, our subcommittee has reviewed a number of alternative evaluation approaches that are either in use by other school districts in the country or proposed for use at a future time. Much of the recent effort on the

development of new evaluation approaches has been stimulated by the Obama Administration's Race to the Top (RTTT) initiative, which provides grants to states (and the participating districts within) that propose innovative strategies for improving student performance. Unfortunately, California lost in both rounds of the competition. Although PUSD submitted a Letter of Intent (LOI) in support of the state's application, the number of districts in California submitting supporting LOIs was well below 50%. This low percentage of districts participating, in combination with the California Teachers Association actively working to prevent union support of the state application, probably doomed California's application. However, in spite of this setback, the goals of RTTT, including performance-based evaluations using student test scores, will hopefully provide a solid basis to continue to examine alternative evaluation methodologies.

Around the country, there is an increasing trend to evaluate teachers using performance or qualitatively-based measures. This is a departure from traditional systems that compensate primarily on seniority, including PUSD's step & column approach. In all RTTT cases we surveyed, including Tennessee, DC, Delaware, and New York (one of the winners in the second round of the RTTT), the primary measure for teacher performance is student test scores, in some cases, constituting up to 50% of the total evaluation score. Testing is based on standard tests, and measures student growth; not absolute levels of performance. Other criteria typically include administration and peer group evaluations.

In most cases, teachers are assigned to one of 4-5 performance categories, ranging from highly effective to not-effective. Those in the lowest category can be terminated within various time periods, 2-3 years, if they do not improve. In some cases, those in the highest category get bonuses. We are not sure whether the rankings are used to make decisions for reductions-in-force. We recall a question being asked early on as to whether performance-based evaluations were used to achieve reductions in total compensation, or for budget cuts, but we have found no evidence of this. For now, our impression is that school districts are in transition, just like PUSD, and this is a work-in-process. One example of a district in transition appears to be the Palo Alto Unified School district where there is a parent and student evaluation component within the evaluation section of their contract.

Because most school districts in California are reluctant to move to an evaluation of teachers through some sort of quantitative scoring methodology, at present, there are few examples from a school setting. The only analysis we have been able to find that has used actual data from a school district to rank/evaluate teachers is a hypothetical analysis performed by staff of the *LA Times* under the technical guidance of Richard Buddin, an economist and education researcher at the Rand Corporation. Since it was a pilot effort, only 3<sup>rd</sup> through 5<sup>th</sup> grade teachers scores in the LA School District were

computed, based upon data obtained through the California Public Records Act from the LA Unified School District.

The methodology employed by the *LA Times* to measure teacher performance as a function of student performance is called “Value-added” analysis. To quote from one of the articles published by the newspaper, “It is a statistical analysis that estimates the effectiveness of a teacher by looking at standardized tests of students – in this instance, math and English scores on the California Standards Tests. Past scores are used to project each student’s future performance. The difference between the child’s actual and projected results is the estimated “value” that the teacher added (or subtracted) during the year.” The *Times* goes on to say that obviously the results of this analysis should only be used to measure a teacher’s performance in conjunction with other measures, including classroom observations, the quality of student’s classroom work, etc.

The methods or metrics for performance evaluation are undergoing further development in various jurisdictions, and obtaining detailed information was deemed beyond the scope of our subcommittee. Obviously, the “Value-added” metric or for that matter any quantitative measure is extremely controversial and its application in the “real world” untested. We did look at one example of the emerging approaches being considered for LAUSD, described above. In the wake of this series of articles published by the *LA Times*, the union and the District have agreed to sit down and at least discuss non-traditional approaches.

Since the introduction of a quantitative linkage between teacher and student performance through, for example, student test scores, is a relatively new process, to move beyond this discussion in this memorandum will require the Board and/or larger committee to provide some guidance to our subcommittee. What should we be focusing on? Criteria for salary determination (changes from step & column)? Criteria for reductions in force? Measurement criteria (test scores)? The last is perhaps most worthwhile pursuing. If we as a district are prepared to move towards quality-based measures in some form, which will be a big step, it may be most useful to see what standards are being developed elsewhere.

The subcommittee awaits the Committee and the Board’s recommendation for moving forward. We feel we have an excellent opportunity to help shape the debate over the development of more rigorous methodologies for evaluating teacher performance – it’s coming, so we need to “get on board.” One possible starting point is to use a set of performance measures for assuring that additional funding such as the monies that flow

from a parcel tax is effectively used. In any regard, we look forward to further discussions. If we want to attract and retain the best teachers, we need to define "best."

Members of the Subcommittee:

Peter Freeman

Ken Jensen

Matt Lifschiz

To: Board of Education

From: Citizens Advisory Committee Benefits Sub Committee - Peter Freeman, Ken Jensen,  
Matt Lifschiz

August 2010

Looking at Benefits...

Part of our charge was to look at ways to try to get the budget under control. Our part is going to look at the benefits.

In 2010-2011, the District is currently budgeted to spend \$3,813,576 on health benefits. Since the District pays 100 percent of medical and dental premiums for most employees, these costs have been not just uncontrolled but uncontrollable – they change with employees' choices, and increase each year by the amounts the insurance companies decide to raise premiums.

As we know health cost are going to continue to skyrocket. The private sector has been aware of this for some time and is whittling away at the problem, by trying to share the burden between employers and employees. To our knowledge, there is no legal requirement that says you must provide the present level of benefits.

Here are some suggestions on possible ways for the District to cut costs. Where possible, we are providing rough estimates of potential cost savings to the District, based on the numbers shown in the accompanying chart – please remember that the numbers are approximate, and are all based on a moving target.

- Capping benefits at a certain dollar level. For example, if you consider a \$7000/yr annual cap, you can see that 219 of the 298 employees currently exceed that – if the District contribution to their benefits were capped at \$7,000 the District would save \$1.4 million.
- Cutting the number of "paid by the district" family members (e.g., to employee only, or employee plus spouse or civil union partner). We are currently paying for the whole family at the Kaiser rate, but the accompanying chart shows substantial cost reductions if the District contribution were capped at the 2-party or 1-party rates.
- Requiring that part time workers work at some higher percentage of full time (such as 60% or 80 %) time before the district contributes to healthcare (vs. now, where for a 30% time worker, the district contributes 30% of the medical premium and 100% of the dental premium. This is particularly worthwhile considering since PUSD has a much higher %age of its workforce as part timers than other high performing small school districts in CA. Pro: saves district money and other comparable districts do this. Con: some part time employees will pay more.
- Raising the deductible, in order to reduce premium costs.
- Use of health savings accounts, which should reduce costs while increasing employees' flexibility.

- Flexible spending program, which would increase employees' flexibility and might be tied to caps or reductions in total payments.
- Two tier system – in which new hires will receive lower benefits
- Capping the increases and letting the employee pick up the difference. The District is presently forecasting 14% annual premium increases, but the District might agree to pay only the first X% (5% or 10%, for example), or to pay a fixed share (one-third or one-half, for example). This doesn't reduce the District's benefit costs, but would reduce the rates those costs increase. This could easily amount to several hundred thousand dollars per year.
- Looking at other plans both within Kaiser and from other providers.
- Looking at some joint powers agreement with other organizations so we are part of a bigger pool. (Sometimes this only adds costs, depending on the group)
- Allowing only a single choice of health plans, which might lower cost due to increased enrollment in that plan.
- Different splits of the premium paid by the district and employee. For example, District pays 80%/ employee 20% or 70/30. The chart shows that each 10 percent paid by employees saves nearly \$400,000.
- Change the percentage split based on plan selected (district pays 100% of single, 70% of 2 party, and 50% of family. Savings vary with the formulas, but could easily amount to hundreds of thousands of dollars per year. Pro: comparatively fairer to employees, saves the district money.
- More limitations on post retirement health benefits. This whole effort can get complicated quickly, as there are an infinite number of combinations and permutations of benefits. Sort of like pushing your finger into a balloon and something pops out somewhere else.

One easy way to deal with this problem is to say to the negotiating team that you want to spend X amount of money and let the negotiation process work it out.

We have not found obvious ways to maintain benefits while cutting the total costs of services provided by the insurance companies, so these District cost savings generally involve pushing more costs onto employees, and/or reducing employee choice – which we assume everyone will have to acknowledge during the upcoming contract negotiations. We are also attaching several recent articles cost shifting from districts and other employers to their employees. Also, at the end of this memo is a not so scientific look at other school districts.

## Recent Articles

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Public sector workers paying more of their health care costs

Share

By Bobby Caina Calvin

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Sacramento Bee:

Workers in private industry have felt the sting of rising health insurance premiums and out-of-pocket costs for decades. Now, as government budgets bleed, public employees are starting to share the pain.

In the past year, Sacramento's largest school districts have trimmed health care coverage. Local and state government officials also are looking for ways to save.

And while public employee unions have made preserving health benefits a priority, they have been pressed to give ground or face more layoffs.

"We can't afford to continue to pay double-digit inflation on health care costs," said Steven Ladd, superintendent of the Elk Grove Unified School District. "We must manage this because it's a huge portion of our expenditures."

Last year, the district spent \$57 million on health coverage for its employees – more than twice the \$28 million it cost five years ago.

To help save jobs, Elk Grove Unified's key unions this year agreed to double employee co-pays for prescriptions and doctors visits. The concessions will save the district millions of dollars and help its classrooms "get through these very dark fiscal times," Ladd said.

At the Sacramento City Unified School District, teachers last month agreed to a pay cut and trims in health benefits. The union initially refused to negotiate, but the district threatened to lay off 238 teachers, counselors and other employees.

Under the new agreement, SCUSD teachers enrolled in a Kaiser Permanente health plan will see their co-pay rise from \$1 per visit to \$5. The district also has put in place a tiered prescription drug plan through its other insurer, Health Net. Teachers were paying a \$5 co-pay for all drugs, but will now have to pay as much as \$35 for some prescriptions.

The district still pays the entire \$1,600 to \$1,800 monthly premium for teachers. Officials expect to spend \$50 million this year – or about 12 percent of the district's general fund budget – to provide medical benefits.

Other branches of government also are looking for savings. State employees now qualify for free health insurance in retirement after 20 years of service. The state is trying to get unions to extend the threshold for lifetime benefits to the 25-year mark.

The International Union of Operating Engineers was the first bargaining unit to agree to the concession, which takes effect for employees hired after next January.

In his proposed budget, Gov. Arnold Schwarzenegger is seeking to cut \$152.8

million in health premium expenses by requiring the California Public Employees' Retirement System to offer lower-cost coverage, possibly with fewer benefits, or give the state authority to do so.

Health insurance costs have "reached the point where we can't sustain those benefits," said Lynelle Jolley, spokeswoman for the state Department of Personnel Administration. She described the state plan as a "Cadillac model of health care."

Last month, CalPERS announced that health premiums will rise by an average of 9 percent next year for 1.3 million state and local government workers, retirees and their families. How much of that might be passed on to workers is subject to negotiations.

Local 1000 of the Service Employees International Union, whose 95,000 members are about half of all unionized state workers, is negotiating a new contract. Neither side would discuss bargaining details. But Jim Zamora, a spokesman for the local, doesn't expect health care benefits to be a sticking point. The union, he said, is more focused on the governor's move to cut salaries to minimum wage.

Nevertheless, health benefits have been an issue during bargaining with other unions. California Highway Patrol officers, state physicians and operating engineers have given the state authority to deduct a portion of their salaries, beginning July 2012, to prefund health premiums in their retirement.

Local governments, too, are scaling back. Sacramento County, which has cut more than 1,400 jobs over the past two years, has been looking for places to shave costs.

"What we're seeing is similar to what's happening in the private sector," said Steve Keil, Sacramento County's labor relations director.

Three years ago, Sacramento County workers began paying 20 percent of the premiums for the basic HMO plan – a benefit they previously received for free. Keil said unions should expect more demands for cost sharing.

Sacramento city employees who waive coverage and get their health care through a spouse used to get an allowance of as much as \$435 a month. Five years ago that allowance was cut to \$200.

Still, the cost of the least expensive health plan offered to city workers rose by 13 percent in the past two years – from \$460 monthly in 2008 to the current \$520, with about a third of the cost taken from employees' paychecks, said Kimberly Isaacs, the city's benefits manager.

The \$60 difference is hardly trivial. If multiplied by the city's 4,500 employees, it adds up to \$3.2 million – enough to pay the salaries of about 32 police officers.

Every time premiums go up, city employees have to pay more, Isaacs said.

"We've also had to contribute more and more. I have no control over the cost of health care."

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Hoosiers and Health Savings Accounts

By MITCH DANIELS

As Washington prepares to revisit the subject of health-care reform, perhaps some fresh experience from Middle America would be of value.

When I was elected governor of Indiana five years ago, I asked that a consumer-directed health insurance option, or Health Savings Account (HSA), be added to the conventional plans then available to state employees. I thought this additional choice might work well for at least a few of my co-workers, and in the first year some 4% of us signed up for it. In Indiana's HSA, the state deposits \$2,750 per year into an account controlled by the employee, out of which he pays all his health bills. Indiana covers the premium for the plan. The intent is that participants will become more cost-conscious and careful about overpayment or overutilization. Unused funds in the account—to date some \$30 million or about \$2,000 per employee and growing fast—are the worker's permanent property. For the very small number of employees (about 6% last year) who use their entire account balance, the state shares further health costs up to an out-of-pocket maximum of \$8,000, after which the employee is completely protected. The HSA option has proven highly popular. This year, over 70% of our 30,000 Indiana state workers chose it, by far the highest in public-sector America. Due to the rejection of these plans by government unions, the average use of HSAs in the public sector across the country is just 2%. What we, and independent health-care experts at Mercer Consulting, have found is that individually owned and directed health-care coverage has a startlingly positive effect on costs for both employees and the state. What follows is a summary of our experience: State employees enrolled in the consumer-driven plan will save more than \$8 million in 2010 compared to their coworkers in the old-fashioned preferred provider organization (PPO) alternative. In the second straight year in which we've been forced to skip salary increases, workers switching to the HSA are adding thousands of dollars to their take-home pay. (Even if an employee had health issues and incurred the maximum out-of-pocket expenses, he would still be hundreds of dollars ahead.) HSA customers seem highly satisfied; only 3% have opted to switch back to the PPO. The state is saving, too. In a time of severe budgetary stress, Indiana will save at least \$20 million in 2010 because of our high HSA enrollment. Mercer calculates the state's total costs are being reduced by 11% solely due to the HSA option. Most important, we are seeing significant changes in behavior, and consequently lower total costs. In 2009, for example, state workers with the HSA visited emergency rooms and physicians 67% less frequently than co-workers with traditional health care. They were much more likely to use generic drugs than those enrolled in the conventional plan, resulting in an average lower cost per prescription of \$18. They were admitted to hospitals less than half as frequently as their colleagues. Differences in health status between the groups account for part of this disparity, but consumer decision-making is, we've found, also a major factor. Overall, participants in our new plan ran up only \$65 in cost for every \$100 incurred by their associates under the old coverage. Are

HSA participants denying themselves needed care in order to save money? The answer, as far as the state of Indiana and Mercer

Consulting can find, is no. There is no evidence HSA members are any less likely to defer needed care or common-sense preventive measures such as routine physicals or mammograms.

It turns out that, when someone is spending his own money alone for routine expenses, he is far more likely to ask the questions he

would ask if purchasing any other good or service: "Is there a generic version of that drug?"

"Didn't I take that same test just

recently?" "Where can I get the colonoscopy at the best price?"

By contrast, the prevalent model of health plans in this country in effect signals individuals they can buy health care on someone

Mitch Daniels: Hoosiers and Health Savings Accounts - WSJ.com

<http://online.wsj.com/article/SB20001424052748704231304575091600470293066.h...>

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Study: Employers pass higher health costs to workers

By Noam N. Levey Tribune Washington Bureau

Posted: 09/02/2010 05:34:46 PM PDT

WASHINGTON -- Strained by rising health care costs and the sour economy, U.S. employers are pressing workers to shoulder the added burden alone as employees pay higher insurance premiums and more out-of-pocket expenses for their medical care.

The average employer-provided family health plan now costs workers nearly \$4,000 a year, up 14 percent from last year, according to a survey by the nonprofit Kaiser Family Foundation and the Health Research and Educational Trust.

That is the largest annual increase since the survey began in 1999 and a marked change from previous years, when employers generally split the cost of rising premiums with their employees.

Indeed, the average employer contribution to a family plan did not increase at all this year, meaning the entire increase was borne by workers.

Overall, premium growth slowed slightly this year to 3 percent, with the average annual cost of a family health plan reaching \$13,370. Workers picked up 30 percent of that bill. The average plan for a single individual cost \$5,049.

At the same time, workers also saw average co-payments for routine office visits rise 10 percent and deductibles continue their surge upward.

In 2010, more than a quarter of American workers with employer-provided health coverage are in plans with deductibles of \$1,000 or higher.

"It's really bad news for everybody," said Helen Darling, president of the National Business Group on Health, an organization of large employers that provide coverage to about 50 million workers, retirees and dependents.

The squeeze, reported by employers between January and May, largely reflects the fallout of the ongoing economic slowdown and may be ameliorated in future years as the new health care law is implemented.

But it could also further complicate the Obama administration's efforts to rally support for the law, which is expected to do relatively little in the short term to contain rising medical bills.

### Information about "Comparable" Districts

These Districts are among the 13 "Comparable" Districts as Selected by the Standards & Criteria Committee for the purpose of supporting compensation decisions.

Dublin Unified School District – limits District contribution to Dental Premium only.

Los Gatos-Saratoga Union High School District - for 2010-11, caps District contribution towards Healthcare premiums at 72% of the Kaiser Family rate. District pays full dental and vision benefits.

Pleasanton Unified – no District contribution to benefits (reflected in salaries)

Palo Alto Unified – District contribution to health care premiums capped based on a formula.

Alameda – District contribution to medical premium is capped based on a formula.

San Leandro – Looks like its capped, needs a closer reading,

Castro Valley – District contribution to health care premium is \$5,552/ year. (2010-11)

District Savings From Health Dental Changes for 2010-2011  
DRAFT 8/23/10

	Total	2010-2011 Monthly	2010-2011 Annual	2010-2011 Annual District	2010-2011 Districts	Savings if Cap @2 Party Rate	Savings if Cap @1 Party Rate	Premium Share 90/10 with
	District	Current En- rollment	Premium/ Employee	Premium/ Employee	Paid Portion/ Employee	Total Annual Cost	Delta Dental	Kaiser Med & Delta Dental
<b>Kaiser</b>								
Single		79	469.18	5,630	5,630	444,783		44,478
Two Party		52	938.36	11,260	11,260	585,537		292,768
Family		98	1,327.78	15,933	15,933	1,561,469	457,958	1,009,714
<b>HealthNet HMO</b>								
Single		39	943.74	11,325	11,325	441,670		44,167
Two Party		15	1,888.03	22,656	11,260	168,905		84,452
Family		6	2,511.11	30,133	15,933	95,600	28,038	61,819
<b>HealthNet Open Access</b>								
Single		4	1,010.28	12,123	11,325	45,300		4,530
Two Party		4	2,020.42	24,245	11,260	45,041	18,692	22,521
Family		1	2,687.30	32,248	15,933	15,933	4,673	10,303
Total Medical		298				3,404,238	509,361	1,481,577
<b>Delta Dental (1)</b>								
Single		129	48.88	587	587	75,666		7,567
Two Party		78	97.58	1,171	1,171	91,335		57,026
Family		146	138.32	1,660	1,660	242,337	71,376	156,699
Total Dental		353				409,338	71,376	213,725
<b>Total Medical &amp; Dental</b>						<b>3,813,576</b>	<b>580,738</b>	<b>1,695,302</b>
								<b>381,358</b>

**Footnotes:**

(1) For delta dental, district pays 100% of premium for certificated employees working at least 30% time. For classified employees, the district pays 100% of the premium for full time employees and a pro rated premium for part time employees. In this chart, the district is assumed to be paying 100% of the dental premium for all employees, so the savings might be slightly overstated.

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