



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE DEPUTY SECRETARY

July 5, 2012

The Honorable Beverly Perdue
Office of the Governor
20301 Mail Service Center
Raleigh, NC 27699-0301

Dear Governor Perdue:

I am writing in response to North Carolina's request to amend its approved Race to the Top grant project. Between February 27, 2012, and June 29, 2012, the State submitted documentation to and held conversations with the U.S. Department of Education (Department) to support amendment requests to its approved Race to the Top plan. As you are aware, the Department has the authority to approve amendments to your plan and budget, provided that such a change does not alter the scope or objectives of the approved proposal. On October 4, 2011, the Department sent a letter and revised "Grant Amendment Submission Process" document to Governors of grantee States indicating the process by which amendments would be reviewed and approved or denied. To determine whether approval could be granted, the Department has applied the conditions noted in the document, and compared it with the Race to the Top program *Principles*, which are also included in that document.

North Carolina requested two amendments to the "Educator Effectiveness" project that are approved with conditions.

In response to your request to use school year (SY) 2012-2013 as the first year of the three years of data required for teachers to receive an overall effectiveness rating and thus SY 2014-2015 as the first year such ratings are provided, the Department approves this request with the following conditions. Background is needed to explain the context of this approval and the conditions subsequently follow.

- North Carolina's teacher evaluation system includes six standards: (1) demonstrate leadership, (2) establish a respectful environment for a diverse population of students, (3) know the content taught, (4) facilitate learning for students, (5) reflect on practice, and (6) contribute to academic success. All local educational agencies (LEAs) provided teachers with ratings on the first five observed standards beginning in SY 2010-2011. The sixth standard was adopted www.ed.gov

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The Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

by the North Carolina State Board of Education in July 2011 to explicitly incorporate student growth within the evaluation system. In SY 2011-2012, all teachers will receive an individual rating on each of standards one through five as well as a rating on standard six. Per its approved plan, in SY 2011-2012 the State is determining how to calculate each teacher's sixth standard rating by piloting the inclusion of student surveys and weighting of team and individual value-added growth measures. Additionally, while the State completes design of Measures of Student Learning (MSLs), school-wide growth information is being used for the sixth standard calculation for teachers of subjects for which growth assessments are not available. Beginning in SY 2012-2013, North Carolina will determine the final calculation for the sixth standard.

North Carolina's teacher evaluation system does not attribute weights to any of the six standards. According to North Carolina's evaluation policy, failure to meet at least the "proficient" level of performance on any standard will result in interventions. North Carolina's system requires a three-year rolling average of growth information before the sixth standard may be factored into an overall effectiveness status rating (e.g., in need of improvement, effective, highly effective).ⁱ North Carolina will now use SY 2012-2013 as the first year of the three-year rolling average needed for any teacher to earn an overall effectiveness status. Teachers will receive ratings on standards one through six beginning with the pilot calculations in SY 2011-2012; however, no teacher will receive a status until SY 2014-2015 when three years of student growth information using the final calculation for the sixth standard are available. Based on conversations with the State, it is the Department's understanding that aggregate information by school and district on ratings for each of the six standards individually will be made publicly available beginning in SY 2011-2012.ⁱⁱ The Department appreciates the State's decision to make this data publicly available and recommends that North Carolina ensure that the data is presented in manner that is easily understandable by parents and other members of the public.

North Carolina's strategy for implementation relies on the State developing LEA capacity and agency to implement the enhanced Evaluation System to drive continuous growth prior to the availability of overall status ratings in SY 2014-2015. Based on this background, therefore, I approve the amendment with these conditions:

The State complete and provide the Department by September 1, 2012, a plan that describes how the State intends to support LEAs in the implementation of the six components of the Educator Evaluation System as well as in the development of teachers, school leaders, and LEA officials to implement the enhanced Evaluation System with fidelity through at least SY 2014-2015 when overall effectiveness status rating information is available. This plan must explain mechanisms the State will use to gather data throughout implementation and how the State will provide clear direction and build LEA capacity to make

informed human capital and professional development decisions using the enhanced Evaluation System, including:

- 1) Approach to how the State education agency will support or ensure LEAs' capacity development to use status ratings effectively;
- 2) Information the State will gather to manage LEA performance on the fidelity of implementing the Evaluation System;
- 3) Based on information gathered, methods the State will use to support the implementation of the Educator Evaluation System with consistency and fidelity across and within LEAs; and
- 4) Processes by which the State plans to use data, including feedback from LEAs, to learn from the first year of full implementation of the enhanced Educator Evaluation System and to refine implementation in future years.

Additionally, until aggregate overall effectiveness status rating information is available, the State will collect and annually submit to the Department: (1) an analysis of the relationship between ratings on observed standards one through five and ratings on measures of student growth in standard six, and (2) a summary analysis the State is using to determine whether LEAs are implementing the Evaluation System with fidelity to make informed human capital and professional development decisions.

In response to your request for increasing the budget for the MSLs, the Department approves this request with the following conditions. Background is needed to explain the context of this approval and the conditions subsequently follow.

- In the "Educator Effectiveness" project, the State will redirect \$1,024,960 from the total budgeted for a student survey pilot (see amendment approved December 27, 2011) based on actual bid amounts (\$1,000,000). A total of 47 LEAs participated in the pilot in SY 2011-2012. The State will redirect the funds to supplement the \$1,606,000 previously budgeted to develop assessment items for non-tested grades and subjects (see amendment approved September 12, 2011) based on updated cost estimates and inclusion of performance-based items. Additionally, the State will adjust the budget to spread between Years 2 and 3.

The State has already made several adjustments to the timeline and approach in the "Educator Effectiveness" project, specifically to the approach and budget for MSLs. Therefore, approval for this amendment is granted on the condition that the State provide the Department by February 15, 2013, a plan outlining how the State will use data, including feedback from LEAs, to learn from the first semester of LEA implementation of MSLs in SY 2012-2013 to refine implementation in future administrations.

I also approve the following amendments:

- In the “Educator Evaluation Tool” project, the State will clarify its Scope of Work timeline and budget for evaluation instruments and processes for school personnel that are not classroom teachers or school administrators and the budget for the online system used to support implementation of the North Carolina Educator Evaluation System.
 - Initially, the State’s Scope of Work included \$480,930 in SY 2010-2011 to create instruments for non-classroom personnel; however, the development was planned to take place across the grant period. The State issued a request for proposals (RFP) in Year 1; however, no funds were expended. The \$480,930 budget will be shifted to align with expected deliverables for two distinct sets of instruments in Years 2-4. The instruments for instructional technology teachers, media coordinators, guidance counselors, school psychologists, and social workers will be developed in SY 2011-2012, piloted in SY 2012-2013, and implemented in participating LEAs in SY 2013-2014. In addition, optional instruments for personnel not licensed through the North Carolina Department of Public Instruction (e.g., speech pathologists, school nurses, occupational therapists, and physical therapists) will be created in SY 2011-2012 for use beginning in SY 2012-2013.

- In the “Virtual and Blended Courses” project, the State will shift \$407,648 from Year 2 to Years 3 and 4 due to delays in hiring project staff, executing contracts, and identifying pilot districts.
 - North Carolina previously received approval in August 2011 to shift all Year 1 funds to Years 2 and 3 due to a delayed timeline and revised approach to implementing six Science, Technology, Engineering, and Mathematics (STEM) courses beginning in January 2012 for a total of approximately 1,600 students during the grant period. The State will shift an additional \$407,648 due to an additional timeline delay and will now begin implementing courses in the fall of SY 2012-2013. The State will redirect \$355,965 of the funds unspent in Year 2 due to late hiring of contractual support staff to increase the budget for educational supplies based on refined cost estimates for interactive, multimedia content in the STEM courses.

- In the “Professional Development” project, the State will make the following revisions:
 - The State will shift \$830,000 from Year 1 to Years 2-4 due to a timeline delay in developing online modules to support blended training opportunities for educators about the transition to new standards and

assessments. The State's initial plan included development of a total of 32 online modules with the first eight modules initially scheduled for completion in July 2011 and an additional eight by October 2011. The State now expects to have 16 modules complete by June 2012 and to complete the remaining 16 through the end of the grant period based on surveyed local content needs.

- Additionally, based on refined cost estimates for developing the professional development modules and maintaining and supporting the web-based modules, the State will redirect approximately \$550,000 from the modules to the four-year budget for onsite, regional and remote coaching.
- In the "Instructional Improvement System" (IIS) project, the State will shift \$12,574,627 from Years 1 and 2 to Years 3 and 4 and adjust timelines to provide additional time for thoughtful planning and a modified roll out approach.
 - The State received approval for an amendment in January 2011 for additional time to translate its high-level description of the IIS to a detailed implementation plan. At that time, the State planned to complete an RFP in June 2011 and begin working with a vendor in July 2011. The State realized that this underestimated the time necessary to develop a thorough RFP that incorporated extensive input from LEA users and sufficient language to integrate with other initiatives related to shared content and assessments. Additionally, it did not account for the time required for internal review and selection of a vendor. The State will shift funds to account for releasing an RFP in February 2012 and expected vendor selection by August 2012.
 - Given additional planning, the State will also revise its Scope of Work to reflect the multiple functions it is expected that the IIS will deliver. While the State's application discussed how the IIS would include curriculum, instruction, and professional development tools and content, as well as student assessment tools and content, the deliverables in the Scope of Work only focused on student assessment. This update better reflects the intended outcomes of the system.
 - The State plans to work with the approved vendor to pilot and phase in the roll out of the IIS beginning in SY 2012-2013. The revised plan approved in January 2011 specified deployment of assessment items beginning in March 2013 and diagnostic and dashboard tools by June 2013 prior to the roll out of the full IIS system and tools in SY 2013-2014 . The current revision shifts to a staged strategy with pilots beginning in SY 2012-2013 and continuing into SY 2013-2014. Additionally, given that the full roll out will depend in part on the outcomes of each phase of the pilot and the negotiations with the selected vendor the State revised its timeline to target completion of a full statewide roll out by June 2014.

While development of the IIS continues, the State reports that educators will still have access to assessments and formative assessment tools through a North Carolina State University, Technical Outreach for Public Schools (TOPS) portal as well as CCSS and NC Essential Standards created by the State and by regional consortia in the State posted on the State's website.

- In total, the State will shift \$12,574,627 from Years 1 and 2 to Years 3 and 4 based on the modified development and roll out timeline and approach. This shift includes \$1.1 million redirected from the budgeted planning contract coming in under budget to support the design of the IIS system components and a budget shift to account for a timeline delay in the development of Data Guides from Year 2 to Years 3 and 4. The State will also shift unexpended funds to supplement its travel budget to support continuing LEA working groups and advisory meetings for input on the business and technical system requirements and priorities of the IIS to meet local needs.
- Additionally, the State will shift \$1 million initially budgeted in the IIS related to communications deliverables to the "Race to the Top Management" budget to clarify responsible parties and the cross-initiative nature of the activities. The deliverables remain the same, though some funds will move from Year 1 to Years 2 and 3 based on six to 12 month timeline shifts in some deliverables (e.g., print materials/toolkits, selection of teacher and principal ambassadors, podcasts for parents). The State explains that additional time was needed to coordinate and align communications strategies related to rolling out new standards, assessments, evaluation, and a proposed accountability system and subsequent procurement delays. The State indicated that additional funds shifted into future years will supplement communications and readiness building for the IIS.
- Also in the "Race to the Top Management," project, based on actual costs for management and stakeholder communications in Year 1 and creating teacher calendars in Year 2, the State will redistribute some funds to supplement the budget for deliverables in Years 3 and 4 related to continuing engagement with stakeholders around reform initiatives and technology systems. Additionally, training associated with establishing a State education agency "concierge service" will receive additional support; however, this activity will begin in SY 2012-2013 rather than SY 2011-2012 as initially envisioned to provide additional time to develop a strategy.
- The process to create specific evaluation plans for each initiative area in the North Carolina Race to the Top plan took longer than initially anticipated and led to timeline delays in several deliverables. The State will shift \$1,308,510 in

unexpended Year 1 funds to Year 2 in the “Evaluation” project to support a revised timeline. Additionally, based on further planning, the State is also requesting to adjust several deadlines for reports in Years 2 through 4 to account for the availability of data from the prior school year and time needed for analysis and thoughtful release to the field. The four-year total budget of \$9,449,409 for the “Evaluation” project remains the same. The State will update its Scope of Work to include timelines for all planned reports, all of which are still expected to be produced during the grant period.

- In the “NC Cloud” budget, the State will shift funds across Years 2-4 to align with Year 1 expenditures and updated budget estimates for future years based on refined milestones through the complete deployment of an NC Education Cloud infrastructure and service delivery platform. The four-year total budget of \$34,639,376 remains unchanged.ⁱⁱⁱ
 - The State will shift \$5,006,000 initially budgeted in Year 1 supplies to Year 2 equipment. The State planned to begin migrations in Year 2, so this shift aligns the budget with the timeline and shifts funds into a budget category that better characterizes the nature of the costs. Additionally, based on further planning and revised cost estimates, the State will shift the \$5,111,200 initially budgeted for Year 2 supplies to Years 3 and 4 equipment to support continuing migrations.
 - The State will adjust its contractual budget for Years 1-4 to account for delays in Year 1 and refined estimates for timing of incurring costs in future years. The State initiated two contracts in Year 1 for planning and LEA site surveys, but expenditures through June 30, 2011, were \$8,111,604 lower than initially budgeted. The site surveys, which were initially expected to be completed by March 2011, did not begin until February 2011 and were completed in fall 2011; thus, funding for the completion of that deliverable shifts to Year 2 due to the timeline delay. While the State still intends to contract with several Cloud providers to provide services LEAs traditionally purchase independently, the timeline on beginning to execute those contracts was shifted to ensure alignment with feedback from site surveys and to allow adequate time for specific business and technical requirement planning. Therefore, the State requests to shift \$7,292,170 of unexpended Year 1 funds to Year 2 and \$819,434 to Year 3. The State will also shift \$499,765 initially budgeted for Year 4 contractual into Year 3.
- The State will revise its Scope of Work for the “Transition to New Standards and Assessments” project to reflect a change in approach to developing instructional resources. The State decided to prioritize requests from the field and create demand-driven support products which contributed to six to 12 month delays on some of the initially targeted deadlines for resource deliverables (e.g., unpacking standards documents, glossary of terms, crosswalk documents by course and

grade). The State plans for all deliverables to be met through this adjusted timeline and there are no Race to the Top budget implications since State funds support the activities in this portion of the State's Scope of Work.

The State will also make adjustments to "Funding Subgranted to Participating LEAs" (line 14) in its overall budget summary table based on LEA expenditures through June 30, 2011 and the State's approval of LEA's updated Scopes of Work. The State will shift \$36,831,924 initially budgeted for Year 1 to Years 2-4. LEAs may request amendments to the State to adjust their Scopes of Work and budgets; however, the total four-year amount obligated to LEAs will remain at \$200,000,000.

Based on conversations with the State, the Department expects to receive an additional amendment related to the "STEM Anchor Schools and Network" project soon.

In addition, I approve the amendments described in the attached chart, which relate primarily to timeline and budget shifts, or other clarifications.

It is our understanding that the amendment will not substantially change the Scope of Work. Please note that this letter will be posted on the Department's website as a record of the amendments. If you need any assistance or have any questions regarding Race to the Top, please do not hesitate to contact North Carolina's Race to the Top Program Officer, Jessie Levin, at 202-453-6651 or Jessie.Levin@ed.gov.

Sincerely,

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Ann Whalen
Director, Policy and Program Implementation
Implementation and Support Unit

Cc: Dr. June Atkinson, Commissioner
Dr. William Harrison, State Board Chairman
Adam Levinson, Race to the Top Lead

Additional North Carolina amendments

Grant project area affected	Specific project	Description of change
(D)(2)	Educator Evaluation Tool	This project includes \$1,205,025 each year for a license to support the online Educator Evaluation System tool. All participating LEAs began using the online tool in SY 2010-2011, but expenditures were \$413,006 under budget. The State believes there are sufficient funds in the Year 2 budget for expanded functionality and will therefore shift unspent Year 1 funds to Years 3 and 4 for continued support.
(D)(2)	Performance Incentives	The State will make budget adjustments to account for the timing of payments to teachers in the fiscal year following the year incentives are announced. Additionally, awards based on performance in SY 2010-2011 were \$127,092 less than initially budgeted. The State will redirect these funds to support a STEM project coordinator for the remainder of the grant period.
(D)(2)	Educator Effectiveness	The State will shift \$200,000 based on the actual cost to validate a student academic growth factor to continue to engage North Carolina Technical Advisors in the design process of MSLs and the Educator Effectiveness Model.
(D)(3)	Regional Leadership Academies	The State will shift \$713,023 from Year 1 to Year 2 due to timing of invoices and lower costs related to the initial set-up design process, in part due to coordination among RLAs in this process.
(D)(3)	Teach for America	The State will shift \$625,650 from Year 1 to Year 2 based on timing of contractor invoices. Additionally, the State plans to make its performance measures more ambitious over the four-year grant period. Initially, the State planned to increase the number of TFA teachers in NC schools from 395 to 550; now, based on the final contract with TFA, the State expects to enable an expansion from 395 to 735.
(D)(3)	Induction Support	The State will shift \$1,069,323 from Year 1 to Years 3 and 4 due to deliverables not met in Year 1. It is the Department's understanding that the State has engaged with its contractor and believes that support for new teachers in lowest achieving schools in all eight regions of the State will now be provided as outlined in the Scope of Work.

Grant project area affected	Specific project	Description of change
(D)(3)	Strategic Staffing	<p>The State will shift \$75,000 unspent in Year 1 due to timeline delays in beginning this project to Year 3. Due to timeline delays in the RFP process, the State began this project late. The State expects that the contractor now identified through a second RFP process will be able to fulfill the commitment to provide technical support to low-performing schools on recruitment, retention, and performance-based pay in the remainder of the grant period. The vendor will provide short-term support in Year 2 in preparation for SY 2012-2013 and more comprehensive support in Year 3 for SY 2013-2014. Therefore, the State requests to shift Year 1 funds to enhance support available in Year 3.</p>
(E)(2)	Turning Around Lowest-Achieving Schools	<p>The State will refine its Scope of Work for the “Turning Around Lowest-Achieving Schools” (TALAS) project to provide additional clarity to the tasks and performance measure targets contained therein, including for example, when the duration of activities extends throughout the end of the grant period.</p> <ul style="list-style-type: none"> • To allow for analysis of student performance data, the State will change the task of formally documenting progress for each school from a semi-annual process to an annual process followed by recommended adjustments to the reform implementation at the school level and to the support provided by NCDPI’s District and School Transformation (DST) Division. DST will continue to review and record progress for schools during on-site support throughout the year. • To prioritize implementation of intervention models, the State is also clarifying its Scope of Work to reflect that the activity related to connecting schools with business and community partners is primarily an activity within the STEM Anchor Schools and Network project. One of the 118 TALAS schools utilizes a STEM focus in conjunction with its implementation of a “restart” intervention model.

ⁱ Beginning in SY 2010-2011, teachers receive an individual rating (not demonstrated, developing, proficient, accomplished, distinguished) on standards one through five. Beginning in SY 2011-2012, teachers will receive a rating on standard six (does not meet expected growth, meets expected growth exceeds expected growth). The elements included within and weights attributed to those multiple measures in standard six may change between SY 2011-2012 and SY 2012-2013 when the statewide approved set is determined. The State will calculate an overall status based on ratings on each individual standard. For more information on the North Carolina teacher evaluation system, see <http://www.ncpublicschools.org/recruitment/effectiveness/>; <http://www.ncpublicschools.org/ready/resources> and <http://www.ncpublicschools.org/profdev/training/teacher/>.

ⁱⁱ Data on standards one through five was reported in the aggregate in SY 2010-2011. SY 2011-2012 will be the first year including standard six based explicitly on student growth data. See <http://www.ncpublicschools.org/recruitment/effectiveness/>.

ⁱⁱⁱ This project budget is funded through the LEA 50 percent of funding. The State required participating LEAs to contribute a portion of their LEA allocation to this project.