

## MEMORANDUM

TO: Commissioner Michael Williams

THROUGH: Executive Review Committee and Executive Management:  
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SUBJECT: Recommendations on Contracted Services for Student Assessment, Request for Proposal (RFP) #701-15-002

DATE: May 7, 2015

Recommendations regarding the contract award for each component specified in the RFP are presented for consideration. Following the recommendations is explanatory text that outlines the process and timeline for the RFP, identifies the reviewers of the proposals submitted in response to the RFP, presents the evaluation methodology, provides the results of the evaluations, and summarizes the results of contract negotiations to date with two of the five proposers.

### FINAL RECOMMENDATION FOR CONTRACT

Based on a thorough review of the written proposals, information provided during oral presentations, scoring of the proposals pre- and post-oral presentation/product demonstration, documentation provided during “best and final offer” negotiations, and an analysis of proposed costs compared to historical costs and available funds, the recommendation is to split the student assessment contract between two vendors. ETS and Pearson both provided thorough and high-quality proposals, and both vendors demonstrated the capacity and capability to fulfill the RFP requirements.

However, the review team determined that ETS provided a stronger response for the first three components of the RFP (Program Integration, STAAR 3–8, and STAAR EOC), while Pearson provided a stronger response for the last three components (STAAR Alternate, TELPAS, and TAKS).

The best value<sup>1</sup> recommendation to award components 1–3 to ETS and 4–6 to Pearson is contingent upon additional negotiations with ETS that result in sufficient alignment of the costs for components 1–3 with available funds by state and federal funding sources to cover the life of the contract. Reference checks for ETS must also be completed.

### Program Review

Appendix A shows the composite scores from the initial evaluation of the proposals, and Appendix B shows the final composite scores after the oral presentations/product demonstrations.

For the Program Integration component, ETS and Pearson have demonstrated experience in coordinating the work of multiple vendors, and both have professional and experienced staff who understand how to manage a large-scale assessment program as complex as Texas'. However, ETS' bid included a demonstration of the management system and data portal they are proposing, both of which have features that would provide substantial enhancements to the systems currently used for the state assessment program. While Pearson's proposal for Program Integration included proven tools that are capable of supporting the scheduling needed for this component, the technology platform proposed did not have the same functionality and level of access for TEA staff as the one proposed by ETS.

For STAAR 3–8 and STAAR EOC, ETS offered the most extensive access and real-time oversight of online systems by agency staff without having to rely on reports provided by the vendor. The item authoring and banking system ETS proposed would provide significant enhancements and efficiencies to the system currently used for the state assessment program by integrating multiple aspects of these testing programs. In addition, ETS' online testing system for both STAAR 3–8 and STAAR EOC is flexible, efficient, and user friendly.

Pearson's proposal for STAAR 3–8 and STAAR EOC demonstrated a comprehensive understanding of the scope of these two components. The proposal included a well-detailed plan to expedite delivery and receipt of testing materials. Although Pearson proposed advancements in the current item authoring and banking system that will provide greater flexibility and efficiencies, the proposed timelines for implementing these advancements were not acceptable, given that they are several years away. Until these advancements are made, the system cannot integrate the accommodation of items for STAAR A and STAAR L. In addition, the proposed timelines were not acceptable for implementing the next-generation interface of Pearson's online testing system for STAAR 3–8 and STAAR EOC.

Pearson's proposals for STAAR Alternate, TELPAS, and TAKS were determined to be superior to the ones proposed by ETS. Pearson's proposal for STAAR Alternate included technology enhancements to the current system that allow for a less burdensome administration. Pearson also provided a detailed, innovative option to transition STAAR Alternate to a new testing platform that supports technology-enhanced items. For TELPAS, Pearson presented a variety of alternate formats for test delivery that exhibited advancements in the online delivery of assessments to evaluate the progress ELLs are making in learning English, especially as it relates to listening and speaking. Pearson also offered significant improvements to the system currently used to train TELPAS raters that will be less costly and burdensome to districts. Pearson's bid on TAKS demonstrated the ability to manage and maintain the current program.

They also demonstrated a well-established system for program delivery and precoding/ preloading services of student information. Overall, Pearson's proposal for STAAR Alternate, TELPAS, and TAKS was stronger than ETS' proposal with regard to quality, detail, innovation, thoroughness, and cost-effectiveness. In particular, the ETS proposal for STAAR Alternate and TELPAS provided few details or suggestions for innovation, and the costs for delivery were prohibitive.

### Financial Review

Analyses were conducted by the Financial Review Team relative to the financial information submitted by the five proposers. Appendix C shows the pricing information each vendor provided at the time of the oral presentations. Appendix D shows a comparison of pricing after best and final offer negotiations with ETS and Pearson.

Appendix D shows that for the first three components (Program Integration, STAAR 3–8, and STAAR EOC), the pricing is comparable for the two vendors. ETS' price is \$277,737,681 while Pearson's price is \$277,621,447. ETS' price for these three components is \$116,234 more for the four-year contract period.

In contrast, Appendix D shows a significant difference in the pricing for the last three components (STAAR Alternate, TELPAS, and TAKS). ETS' price is \$96,474,860 while Pearson's price is \$59,379,786. ETS' price for these three components is approximately \$37 million more for the four-year contract period.

The projected budget for the student assessment program in the 2016/2017 biennium is \$85,029,462 for each year. Assuming this budget amount remains constant for the 2018/2019 biennium, approximately \$340 million is available to support the student assessment program over the next four years. If the first three components were awarded to ETS and the last three to Pearson, the combined costs (\$337,117,467) would be less than the funding available by approximately \$3 million. However, the source of the funds (federal or state) will need to be reconciled as federal funds may be used only for specific assessments. This reconciliation could result in less than \$340 million available to support the assessment program.

Pursuant to Texas Government Code §2155.074(b), the purchase price and whether the goods or services meet specifications are the most important considerations in determining best value for the state. Here, both ETS and Pearson provided discounted costs if they were awarded all six components of the student assessment program. ETS' costs for all six components is \$341,653,291 for four years. Pearson's costs for all six components is \$315,665,083. In contrast, the split recommendation for the six components totals \$337,117,467. The difference in costs for an existing vendor versus a new vendor to transition to a new contract for the Texas assessment program is affected by the change-over costs that would be incurred by each. There would be fewer changes required for an existing vendor but substantial changes for a new vendor given the need to adapt its existing systems for Texas. Splitting the contract between two vendors will also increase costs due to the added expense of coordination and the need to support separate systems used by individual vendors to develop, review, score, and report on various assessments within the state assessment program. However, as stated earlier, the ETS proposal for STAAR 3–8 and STAAR EOC offers significant enhancements and efficiencies over the Pearson systems currently used by the state assessment program for STAAR 3–8 and STAAR EOC by integrating multiple aspects of these testing programs. In addition, ETS' online testing system for both STAAR 3–8 and STAAR EOC is flexible, effective, and user friendly.

## Process, Timeline, Proposals, and Reviewers

Appendix E contains the Assessment RFP Development Schedule/Timeline for the above referenced procurement of contracted services for the Texas Education Agency (TEA). The following five vendors submitted qualified proposals in response to the RFP:

- CTB/McGraw Hill
- Data Recognition Corporation (DRC)
- Educational Testing Service (ETS)
- Measured Progress
- Pearson

Appendix F lists the members of the Evaluation Team, which included three review groups as well as the Executive Review Team. The Initial Review Team included TEA internal program reviewers and external program reviewers who evaluated the proposals referenced above. Each internal and external reviewer was selected based on his/her program expertise related to the Texas assessment program. In addition, four TEA staff with expertise in contract pricing independently analyzed the initial cost proposals as well as a second document submitted by each proposer showing cost breakdowns for each component included in the RFP. A TEA staff attorney with expertise in contract law also reviewed the contract terms and conditions submitted by each proposer.

## Scoring Methodology

The Initial Review Team completed the evaluation scoring matrix for each proposal submitted. The scoring matrix allowed a maximum of 100 points per component bid. The six components were as follows:

- Program Integration
- STAAR Grades 3–8 Assessments
- STAAR End-of-Course Assessments
- STAAR Alternate
- TELPAS
- TAKS

Within the scoring matrix for each component, there were four categories with the following point values, which totaled a maximum of 100 points per component bid.

- Quality of Technical Component (30 points)
- Quality of Management Component (20 points)
- Quality of Task/Activity Plan ( 20 points)
- Cost-Effectiveness and Appropriateness of Financial Resources Dedicated to Project (30 points)

Appendix A contains the results from the evaluation scoring matrix that was completed by the external and internal reviewers.

After the scoring matrices were submitted by the Initial Review Team, the five respondents to the RFP were invited to oral presentations. In addition to the submission of the evaluation scoring matrix for each proposer, the internal Initial Review Team members were instructed to submit comments with their scores

as well as questions requiring further clarification. Scoring forms for external reviewers were also reviewed for additional questions that needed further explanation during oral presentations. The facilitator received (1) a list of questions requiring additional clarification of particular aspects of each proposal and (2) specific systems, tools, and/or platforms requiring demonstration during oral presentations. The questions from the Initial Review Team were sent to each proposer. Proposers were required to submit written responses to the questions and demonstrate identified systems, tools, and/or platforms during oral presentations.

The Oral Presentation/Product Demonstration Evaluation Team included TEA internal reviewers as well as three staff members from purchasing and contracts, the member of the legal staff referenced previously, and executive sponsors. All voting members were present for the five oral presentations. After the oral presentations, the voting members of the Oral Presentation/Product Demonstration Evaluation Team rescored the proposals on the technical and functional project requirements, taking into account the additional information proposers provided during the oral presentations, including demonstrations of systems, tools, and/or platforms, and the written responses proposers submitted to the Initial Review Team's questions (see Appendix B). The evaluation team did not score the pricing proposals, given that "best and final" pricing would be submitted later in the process.

### Results of Scoring

A number of different analyses were conducted relative to the scoring matrices. Appendix A shows the scores of the Initial Review Team for the original proposals submitted for all four scoring categories (technical, management, task/activity plan, and cost-effectiveness/financial resources). However, given that the expertise of the internal and external reviewers is programmatic rather than financial and that "best and final" pricing would be submitted later in the process, a second evaluation of the scoring matrices after the oral presentations was conducted separately for the three program categories (technical, management, and task/activity plan without inclusion of the cost-effectiveness/financial resources category). Appendix B shows the composite scores without pricing for the six components after the Oral Presentation/Product Demonstration.

The scores and tables show that ETS and Pearson had the stronger proposals across all six components of the RFP. Prior to the oral presentations, Pearson's overall scores were higher than ETS' on the first three components (Program Integration, STAAR 3–8, and STAAR EOC). After the oral presentations, ETS' scores on these three components exceeded those of Pearson. Both prior to and after the oral presentations, Pearson's scores on the last three components (STAAR Alternate, TELPAS, and TAKS) were the highest.

The results from the scoring of the proposals, both pre- and post-oral presentations, indicated that ETS and Pearson were ranked either first or second. Both of these vendors have the ability to fulfill the requirements specified in the RFP for the six components of the Texas assessment program.

### Recommendation to Commence Contract Negotiations

After consideration of the program review and financial analyses described above, the Executive Review Team recommended commencing contract negotiations with both ETS and Pearson for all six components of the program, requesting a "best and final offer." CTB/McGraw Hill, DRC, and Measured Progress were eliminated from further consideration.

### Vendors Invited to Contract Negotiations

Both ETS and Pearson provided thorough and high-quality proposals and oral presentations for the six components specified in the RFP. Both vendors demonstrated the capacity and capability of fulfilling the RFP requirements for each of these components.

ETS' bid for Program Integration included a demonstration of the management system and data portal they are proposing, both of which would provide the effective and efficient integration of the processes and data associated with each assessment component. ETS provided evidence of their experience in coordinating the work of multiple vendors. They also demonstrated a corporate commitment to the program and a strong understanding of the needs of the Texas Assessment Program. It was clear from ETS' presentations that their staff was both professional and experienced.

Pearson's proposal for Program Integration included proven tools that are capable of supporting the scheduling needed for this component. Pearson demonstrated the ability to coordinate with other vendors to develop timely scoring and reporting schedules. The proposal included a team of professionals who are experienced with the Texas assessment program.

ETS' bid for STAAR 3–8 and STAAR EOC focused on its systems related to item development and test delivery. For example, ETS demonstrated the functionality of their authoring and item banking system and the way in which the accommodation of items for STAAR A and STAAR L is integrated into this system. In addition, ETS demonstrated the highly functional interface of their online testing systems for both STAAR 3–8 and STAAR EOC.

Pearson's proposal for STAAR 3–8 and STAAR EOC demonstrated a comprehensive understanding of the scope of these two components. The proposal included a well-detailed plan to expedite delivery and receipt of testing materials. Pearson proposed enhancements to the current technology platform for item development and test authoring that will provide greater flexibility and efficiency. However, some of these enhancements are not currently available.

Pearson also bid on STAAR Alternate, TELPAS, and TAKS. Pearson's proposal for STAAR Alternate included technology enhancements to the current system and a new testing platform that supports technology-enhanced items and mobile devices. For TELPAS, Pearson presented a variety of alternate formats for test delivery that will enhance the online delivery of assessments. In addition, Pearson provided TEA staff with a hands-on demonstration of technology that has been successfully implemented in other states to assess the listening and speaking of ELLs. Pearson's bid on TAKS demonstrated the ability to manage and maintain the current program. They also demonstrated a well-established system for program delivery and precoding/preloading services.

ETS also bid on STAAR Alternate, TELPAS, and TAKS. In ETS' proposal for STAAR Alternate, they were able to show strong technical expertise and experience with this type of assessment. However, the proposal did not sufficiently address the unique nature of alternate assessments. In addition, ETS' proposed content leads have no documented experience with the alternate student population. In their proposal for TELPAS, ETS did a good job presenting the strengths and challenges of potential innovations to standardize listening, speaking, and writing assessments. However, these enhancements require additional development and funding and will not be available for several years. ETS' proposal for TAKS was similar to the current process, but their details for implementing the program seemed flawed.

In summary, ETS' proposals for these last three components did not demonstrate the same level of commitment and strength as their proposals for the first three components specified in the RFP.

#### Vendors Not Invited to Contract Negotiations

CTB/McGraw Hill bid only on the STAAR Alternate component. Their proposal demonstrated experience with developing psychometrically sound assessments and included experienced personnel. However, their overall proposal was weak in that it did not demonstrate an understanding of the current process used for STAAR Alternate development and contained errors in sample materials.

DRC bid on Program Integration, STAAR 3–8, STAAR EOC, and TELPAS. For the Program Integration component, DRC appeared to have established business partners, tools, and operating systems. However, they did not demonstrate the level of experience necessary for coordinating the work of multiple vendors, and their proposal lacked specific details for implementation and development of key deliverables. DRC's proposal for STAAR 3–8 and STAAR EOC included a high-quality item banking system and online testing platform. However, the proposal lacked some key requirements of the RFP, e.g., costs associated with obtaining unsecured web rights for permissioned pieces, separate educator committees for each grade/subject and course, and sufficient plans and time frames for online accommodations. DRC has experience developing large-scale assessments, such as TELPAS, for ELLs. However, their proposal contained few suggestions for improvement of the current TELPAS processes. In summary, DRC's proposals provided insufficient evidence that they can meet the high demands of the Texas assessment program.

Measured Progress bid on STAAR EOC, STAAR Alternate, and TELPAS. For their STAAR EOC proposal, Measured Progress provided innovative approaches to some tasks and solutions for improved reporting. Their proposal for STAAR Alternate included project team staff with experience teaching this student population. Measured Progress's proposal for TELPAS included suggestions for improving the rater training activities. However, all three of these proposals lacked the clarity and detail needed to demonstrate that Measured Progress can meet the high demands of the Texas assessment program.

#### Contract Negotiations

On April 7<sup>th</sup> TEA notified both ETS and Pearson of their selection as finalists for the Student Assessment RFP, and each vendor was sent a set of questions and requests for clarification. In addition to identifying their best and final offer, TEA requested bottom-line costs for all six components together, for each component separately, and for components 1–3 together and 4–6 together. Both ETS and Pearson provided better pricing if awarded all six components. Transition costs outside the contract award timelines were not considered. The vendors were asked to include specific impact statements for any reductions in the funding levels initially provided so that TEA staff could understand exactly how these reductions would be accomplished and whether the cost reductions would significantly decrease program quality and services. Appendix D presents a comparison of final “best and final offer” pricing from both ETS and Pearson for all six components, for components 1–3, and for components 4–6. Appendix G provides vendor-specific questions that needed to be addressed by ETS and Pearson when submitting best and final offers. ETS and Pearson sent responses to its vendor-specific questions and a best and final offer on the due date, April 13<sup>th</sup>.

Separate negotiation meetings with Pearson and ETS were subsequently scheduled on April 16<sup>th</sup> and April 20<sup>th</sup>, respectively. During the meetings TEA asked for additional clarifications and a revised best and

final offer. Based on the information provided, TEA sent a final request for clarifications and revised best and final offers on April 30<sup>th</sup> (see Appendix H). Responses from each vendor were received on May 4<sup>th</sup>.

Office of Legal Services—Negotiating Exceptions to the RFP

As stated in the RFP: "Proposers must indicate in writing and offer alternative language to any Contract Terms and Conditions that are not feasible with the submission of the proposal to this RFP. If a proposal is signed and submitted without including a specific identification of all Contract Terms and Conditions to which Proposer takes exception, TEA will not negotiate the Contract Terms and Conditions and reserves the right to commence negotiations with other Proposers." The proposers to the Student Assessment RFP were allowed to submit proposed changes to the RFP's Contract Terms and Conditions (exceptions). ETS submitted exceptions to three contractual provisions regarding (1) Intellectual Property Ownership, (2) Penalties and Liquidated Damages, and (3) Sanctions. When ETS received notice that it had been chosen to move forward as one of the two finalists for the Student Assessment RFP, Legal Services discussed these exceptions with ETS. After negotiations, ETS has now agreed to withdraw all three of these exceptions and accept the original language in the RFP for the Contract Terms and Conditions. Pearson did not submit any exceptions to the RFP. Therefore, Legal Services did not negotiate any changes to the Contract Terms and Conditions with Pearson.

Approval to Proceed

Approval is being requested from the Commissioner of Education and the Chief Deputy to commence contract development with ETS for components 1–3 of the assessment program and with Pearson for components 4–6.

Signature:

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Michael Williams  
Commissioner of Education

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Date



List of Appendices to the Student Assessment RFP Recommendation Memorandum

Appendix A: Initial evaluation scoring matrix

Appendix B: Oral presentation/product demonstration scoring matrix

Appendix C: Results of the financial review of the pricing proposals from all five vendors

Appendix D: Comparison of Pearson and ETS pricing

Appendix E: Assessment RFP Development Schedule/Timeline

Appendix F: Evaluation team members

Appendix G: Initial clarification needed for best and final offer, ETS and Pearson

Appendix H: Final clarification needed for best and final offer, ETS and Pearson