MEMORANDUM FOR BRUCE REED

From: Andrew Rotherham

Date: December 13, 1999

Subject: <u>TITLE I SURPLUS PROPOSAL</u>

This memo describes four options to substantially increase investment in Title I while increasing the focus on accountability and fixing failing schools within the program. In addition, these options would allow the President to make a challenge to the nation that by 2005 all failing schools would either be becoming high performance schools or being shut down.

Politically, a Presidential challenge of this nature would shift the emphasis from "Florida style" voucher plans and Governor George Bush's Title I proposal which focus on choice rather than improvement, to a Democratic agenda of fixing failing schools by investing more and demanding more. A focus on Title I and accountability would ensure that more schools get the help they need to turn around or are closed down—currently only 47 percent of schools identified for school improvement receive assistance. The most modest option of the four would result in an average of $197,000 for each of the approximately 7,000 schools identified for school improvement and the most aggressive would result in an average of $250,000 per school over the next five years. Unfortunately, there is not data on the exact costs associated with turning around failing schools because it is a relatively new process. However, considering that schools receiving this funding would also already be receiving other Title I money it is reasonable to assume that investments of this magnitude would enable these schools to undertake more effective reform.

From a policy perspective, a focus on failing schools and accountability would allow us to give more structure to the accountability fund by highlighting activities in addition to technical assistance that school districts and states can undertake with the accountability funding. Mary Cassell at OMB has been developing a draft implementation plan for the Department of Education to help focus different resources there on the task of assisting failing schools. Ann O'Leary and I plan to work with Mary and Mike Cohen to broaden this implementation plan to ensure that the funding provided under the guise of "accountability" actually leverages effective practices at the school district level (for example curtailing the use of unqualified aides by promoting career ladders and high quality professional development). The plan we develop would serve as the policy supporting the President's goal and would link the different investments in the budget that are aimed at failing schools into a comprehensive strategy.

In addition, by substantially increasing the focus on failing schools and revenue targeted at that issue we would have more leverage to ensure that the dollars being provided for accountability are being used for effective strategies rather than simply reinforcing practices we know to be ineffective.

Senator Lieberman's ESEA bill sets the Title I authorization at $12 billion. This is currently the high water mark for ESEA proposals. The four options below are differentiated by two key questions:

- How aggressively to increase investment in Title I during the next 5 years;
- How closely to track the proposed 2.5 – 3.5 percent growth curve for the accountability set-aside.

Option 1: Moving beyond the 2.5 percent set-aside:

Fiscal Year	Total LEA Grants (Basic and Concentration)	Set-Aside
2000 Enacted	$7.94 Billion	$134 million*
2001	$8.64 Billion (+700)	$250*
2002	$9.34 Billion (+700)	$300*
2003	$10.04 Billion (+700)	$350*
2004	$10.74 Billion (+700)	$400*
2005	$12 Billion (+1.26)	$500*

*Not on a percentage basis.

Under this model, Title I would be increased $4.06 billion over 5 years and the set-aside for accountability would be increased from a current level of $134 million to $500 million over five years. Total investment in accountability from FY01-FY05 would be $1.8 billion and in FY05 the set-aside would equal 4.1 percent of the total appropriation.

Option 2: Growing into the 2.5 – 3.5 percent set-aside:

Fiscal Year	Total LEA Grants (Basic and Concentration)	Set-Aside
2000 Enacted	$7.94 Billion	$134 million*
2001	$8.64 Billion (+700)	$250*
2002	$9.34 Billion (+700)	$292*
2003	$10.04 Billion (+700)	$334*
2004	$10.74 Billion (+700)	$376 (3.5 percent)
2005	$12 Billion (+1.26)	$420 (3.5 percent)

*Not on a percentage basis.

In the appropriations end game for FY00, the final deal included $134 million for accountability. This funding was not based on any percentage of the underlying Title I appropriation. Under this model the set-aside would continue to be set on this basis until the Title I funding "grew into" the set-aside. Again, total investment in Title I would be $4.06 billion but the set-aside would account for $1.67 billion. In FY04 the set-aside of

$376 million would be 3.5 percent of the total appropriation and would continue to grow on this basis.

Option 3: Stay the course on 2.5 – 3.5 percent with aggressive investment:

Fiscal Year	Total LEA Grants (Basic and Concentration)	Set-Aside
2000 Enacted	$7.94 Billion	$134 million*
2001	$8.64 Billion (+700)	$216 (2.5 percent)
2002	$9.34 Billion (+700)	$234 (2.5 percent)
2003	$10.04 Billion (+700)	$251 (2.5 percent)
2004	$10.74 Billion (+700)	$376 (3.5 percent)
2005	$12 Billion (+1.26)	$420 (3.5 percent)

*Not on a percentage basis.

Under this model, total Title I investment increases $4.06 billion and accountability grows from $216 million to $420 million over 5 years. Total investment in accountability over the 5-year period would be $1.5 billion.

Option 4: Stay the course on 2.5- 3.5 percent and more modest investment.

Fiscal Year	Total LEA Grants (Basic and Concentration)	Set-Aside
2000 Enacted	$7.94 Billion	$134 million*
2001	$8.44 Billion (+500)	$211 (2.5 percent)
2002	$8.94 Billion (+500)	$224 (2.5 percent)
2003	$9.44 Billion (+500)	$236 (2.5 percent)
2004	$9.94 Billion (+500)	$347 (3.5 percent)
2005	$10.44 Billion (+500)	$365 (3.5 percent)

*Not on a percentage basis

Under this model total investment in Title I would increase $2.5 billion over the next five years with the set-aside growing from $211 million to $365 million. Total investment in accountability over 5 years would be $1.38 billion.

December 12, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING

CC: JOHN PODESTA

SUBJECT: THEMES AND PROPOSALS FOR THE STATE OF THE UNION

This memo outlines three things: first, the overarching theme we propose for the State of the Union; second, the "big ideas" initiative that should be the centerpiece of the speech and the budget; third, the eight signature policies that comprise the "big ideas" package.

I. THEME: RESPONSIBILITY FOR THE FUTURE

The theme we recommend for the State of the Union is "Responsibility for the Future." This theme brings together all the major elements of your agenda: strengthening Medicare and Social Security, and reducing the debt; investing in and reforming public education; bridging the digital divide; investing in scientific research; protecting the environment; promoting peace around the world; and closing the opportunity gap.

"Responsibility for the Future" reinforces both liberal convictions about equity (leave no one behind) and Third Way sensibilities about accountability (let no one fail to do his part). It is consistent with your longstanding theme of "responsibility, opportunity, and community," and sets forth a powerful message that will resound long after we're gone. The country has come a long way these seven years, enabling us to turn even more to challenges of the next generation.

II. BIG IDEA: CLOSING THE OPPORTUNITY GAP

We believe your "big idea" for the budget and the State of the Union should be a "Closing the Opportunity Gap" initiative. It is a package of eight signature proposals described in the next section, and would highlight three or four major budget pieces. We had considered other labels for this initiative ("Leaving No One Behind," "Every Child's Initiative," and "Education First") but advocate "Closing the Opportunity Gap" because it shows continuity with your core philosophy and values, suggests a sweeping challenge worthy of a sweeping response, and provides a framework that will energize the entire economic and domestic team, from Summers and Herman to Shalala, Riley, and Cuomo.

III. EIGHT SIGNATURE ELEMENTS OF "CLOSING THE OPPORTUNITY GAP"

Your final State of the Union should be more than a laundry list of worthy ideas (although we provide, for reference, such a list in three longer memos which are attached). Here, we outline a package of signature "Opportunity Gap" proposals. These proposals represent the core of your domestic vision; they are ambitious ideas that will stick in the public mind. They are bold enough to show that your imperative is action, and appealing enough to stand a chance of enactment this year. Together, they give purpose and principle to your final year's agenda.

The "Opportunity Gap" initiative consists of eight proposals: 1) universal pre-school to give all poor children a smart start; 2) universal after-school to help kids meet high standards; 3) a plan to turn around every failing school over the next decade; 4) measures to bridge the digital divide; 5) a set of new steps to help low-income students get into college and complete a degree; 6) proposals to encourage absent fathers to take responsibility for the support and love they owe their children; 7) a new bargain of tax cuts and other measures to reward work and family; and 8) a major expansion of New Markets to help all communities share in economic prosperity.

1. Early Childhood/Universal Pre-School. With a significant down payment in the FY2001 budget, you can lay the groundwork for achieving a goal that you, the Vice President, and the First Lady have talked about for some time: *universal access to pre-school for every 4-year-old in America*. There are a number of ways to do this:

- *Dramatic increase in Head Start funding.* Could expand by $1 billion over FY '00, to expand Head Start from 880,000 children to nearly 1,000,000 in FY '01. A path for future fund increases to make Head Start universal could also be established.

- *Early Childhood Learning Fund.* A dramatic increase in the Early Childhood Learning Fund combined with a path for future increases. Could expand to $1 billion for FY 01 – a $400 million increase – and aim for $10-$20 billion over 10 years.

2. Universal After-School. By doubling after-school funding in the FY 2001 budget (from $453 million in FY 2000 to at least $1 billion in FY 2001), you can meet an urgent goal, which is to *provide after-school and summer school to every student in a failing school.* You called on states and districts to end social promotion in this past year's State of the Union; this initiative will enable you to say we're giving them the resources to end social promotion the right way, and give every student in our worst schools the extra help they need. Over a ten year period, we can make after-school and summer school universal for every Title I school – and with a sliding scale for students above 200% of poverty, we could eventually make after-school available to every student. (Cost: $20-30 billion over 10 years).

3. Turning Around Every Failing School. To close the opportunity gap, we must close the achievement gap by focusing our efforts on the worst-performing schools. With a series of accountability and performance initiatives in the FY 2001 budget (and the after-school pledge outlined above), you can credibly set forth an ambitious, defining goal for strengthening public education: *turning around or shutting down every failing school in America over the next decade*. In addition to doubling after-school funding, the key steps include: expanding your accountability fund; reaching your goal of 3,000 charter schools before you leave office; funding a new performance bonus to reward states and school districts for increasing their percentage of qualified teachers, adopting statewide accountability systems and school report card; and requiring universal public school choice for students in failing schools. We could also reintroduce a version of education opportunity zones. (Cost: $3-5 billion over 10 years).

4. Closing the Digital Divide. If we are to close the opportunity gap in the next century, we must do all we can to *address the emerging digital divide*. Key elements could include:

- *Community Technology Centers.* A more than four-fold increase in funding – from $32.5 million in FY 2000 to $132.5 million in FY 2001 – as part of a major challenge to have Internet centers in all poor communities. We could challenge the private sector to contribute hardware, software and man-hours – and possibly give them tax incentives to donate used equipment.

- *Develop Universal Internet Access.* Reserve a $100 million fund for public-private partnerships to bring affordable Internet access to poor families.

- *Teacher Training for the Internet.* We could dedicate $100 million – perhaps from the existing technology literacy challenge initiative – to ensure all new teachers, or all middle-school teachers, receive training in how to use computers as a learning device.

- *School Internet Modernization Fund.* A discretionary counterpart to our school construction proposal to modernize schools for new teachers and Internet access.

5. Closing the Opportunity Gap for College. This element would focus on different aspects of closing the opportunity gap for college: helping more students aspire to and prepare for college, continuing to make college more affordable, and starting to address America's quiet crisis of declining college completion rates.

- *Keeping Students on Track to College.* We could increase access for impoverished young people through Youth Opportunity Grants, TRIO, GEAR UP, and Youth Build, increasing funding to a total of $500 million.

- *AP Courses Online.* Small and poor schools often lack the resources and teachers to offer challenging courses. This distance learning initiative aims to ensure that students in underserved areas get access to Advanced Placement and other high-quality academic courses and ESL programs online. Total funding for the initiative would be $225 million, including $50 million for grants, $25 million for course development, and $125 million in increases in existing programs.

- *Test Prep for Poor Kids.* This program would support partnerships among high schools, proven providers of college test prep courses (like Kaplan, Princeton Review), and community-based organizations to offer high-need students SAT/ACT preparation and other services related to college admissions. Grants of $30 million would serve approximately 50,000 students.

- *Refundable Hope Scholarship and Pell Grant Increase.* Expanding the maximum Pell Grant from $3,300 to $3,500 would cost $766 million in FY 2001. A complementary proposal would be to make the Hope Scholarship refundable.

- *Challenging Students to Complete College.* The above initiatives could also be organized to promote not just going to college, but also completing college. In addition, a new initiative of College Completion Challenge Grants would provide grants to deal with college completion with a comprehensive program including, pre-freshman summer programs, support services and increased grant aid to students.

6. Demanding Responsible Fatherhood. If we are going to close the opportunity gap, we must close the responsibility gap. Demanding and promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. Mothers should not bear the whole burden of welfare reform; *now we must make sure that every unemployed father who owes child support goes to work and provides that support.* To achieve this goal, we can: 1) focus the Welfare-to-Work program on putting low-income fathers to work, and propose that states use their welfare surpluses to require deadbeat fathers to work and pay the child support they owe; 2) propose new measures to collect more child support from parents who can afford to pay; 3) restore the child-support pass-through and revise outdated rules to ensure mothers and children receive more of the support the father pays; and 4) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society. (Cost: $100 million in discretionary costs in FY 2001 plus mandatory costs of $1.2 billion over 5 years and $2.6 billion over 10 years).

7. Rewarding Work and Family. You could propose *a new social contract for the working poor.* This element could be the organizing principle for further initiatives in housing, expanding health care coverage, and rewarding work through EITC expansion.

- *Expanding Housing Vouchers.* Expand to 100,000 housing vouchers in FY 2001, with a goal of 500,000 vouchers by the fifth year. With such a plan, you could realistically propose that within a decade, no poor family will be trapped in the projects. (Cost: $3-6 billion over five years, $10-15 billion over ten).

- *Expanding Health Coverage.*

  - *Extend CHIP to Parents.* Would provide states with the same incentives to cover parents as children under Medicaid and the Children's Health Insurance Program (CHIP). Costs range from $5 to $18 billion over 5 years.
  - *Outreach to Enroll Uninsured Children in Medicaid.* This could be done through school-based outreach at a cost of about $3 billion over 10 years. Another idea would be to simplify and unify the eligibility rules for Medicaid and CHIP, at a cost that is likely to be less than $500 million over 5 years.

- *Restore Option to Cover Legal Immigrants.* This proposal would restore state benefits for certain pregnant women, children, and SSI-recipient legal immigrants. The cost is about $3 billion over 10 years.
- *Progressive Savings Accounts.*

- *Rewarding Work and Family Through the EITC and Child Care.*

  - *Making the EITC Even More Pro-Work.* The EITC could be expanded by (1) increasing the phaseout so that more families get the maximum amount; (2) lowering the phaseout rate so that marginal tax rates are reduced; and (3) easing the marriage penalty by making these phaseouts more favorable for married couples. The third component would cost $11 billion over 10 years.
  - *EITC Increase for Three Children.* Alternately, the EITC could be expanded by raising the maximum EITC with families with three or more children (which would benefit all families with three children), at $8 billion/10 years.
  - *Child Care Block Grant in Discretionary Budget.* We stand a better chance of increasing child care subsidies poor if we move it to the discretionary side.
  - *Making the Dependent Care Tax Credit Refundable.* Our child care tax package provides significant relief for families earning $30-60,000. But working poor families who need help the most earn too little (under $18,000) to be eligible. Making the DCTC refundable costs $4 billion over 5 years.

8. New Markets Initiative and Empowerment Zones. Help include communities that have not fully shared in our prosperity by expanding the New Markets initiative and including empowerment zones within the initiative.

- *Expanded New Markets Tax Credit.* Double the new markets tax credit, costing $4 billion over 10 years.

- *Expanded Empowerment Zones Credit.* The goal would be to increase existing incentives, include empowerment zones in the new markets framework, and compromise with Talent-Watts' American Community Renewal Act.

- *Expanded Low-Income Housing Tax Credit.* The FY 2000 budget proposed expanding the Low-Income Housing Tax Credit (LIHTC) from $1.25 per capita to $1.75 per capita at a cost of $1.6 billion over 5 years. In light of housing shortages in many parts of the country, we may want to expand this credit even further.

- *Making Homeownership More Affordable.* A new homeownership tax credit could help boost homeownership rates for lower income families by subsidizing the interest rate for income-qualified, first-time homebuyers at 15 to 30 percent below conventional rates. The cost of this proposal could be scaled to the desired level.

- *Expanding Faith-Based Involvement.* Propose to allow federal substance abuse treatment, juvenile justice, and after-school funds to be used by faith-based organizations.

PRELIMINARY COST OF THE "CLOSING THE OPPORTUNITY GAP INITIATIVE"
(billions of dollars above passback)

	FY 2001	2001-10
Early Childhood / Universal Pre-School	**0.8**	**30-40**
Increase in Head Start	0.4	
Early Childhood Learning Fund	0.4	
Universal After-School for Poor Children	**0.55**	**20-30**
Turning Around Failing Schools	**0.3**	**3-5**
Closing the Digital Divide	**0.77**	**10**
Community Technology Centers	0.07	
Universal Internet Access	0.1	
Teacher Training for the Internet	0.1	
School Internet Modernization Fund	0.5	
Closing the Opportunity Gap for College	**0.42**	**10**
Keeping Students on Track to College	0.25	
Stanley Kaplan and AP Online for Poor Kids	0.07	
Refundable Hope Scholarship and Pell Grant Increase	??	
Challenging Students to Complete College	0.1	
Fathers Responsibility	**0.25**	**5**
Rewarding Work and Family	**1**	**10-15**
Expanding Housing Vouchers	0	
Expanding Health Coverage		
Extend CHIP to Parents	??	*10-35*
Outreach to Enroll Uninsured	0.2	??
Restore Benefits for Certain Legal Immigrants	??	3
Make the EITC More Pro-Work	??	??
EITC Increase for Three Children	??	*8*
Progressive Savings Account	??	??
Move CCDBG to Discretionary	0.8	
Making DCTC Refundable	??	*8*
New Markets Initiative and Empowerment Zones		
Expanded New Markets Tax Credit	??	*4*
Expanded Empowerment Zone Credit	??	??
Expanded Low-Income Housing Tax Credit	??	*3.2+*
Making Homeownership More Affordable	??	??
DISCRETIONARY TOTAL	**4.09**	**88-113**

Fixing Failing Schools

Key programs that relate to fixing failing schools

	2000		2001		
	Proposed	Enacted	Agency Request	Passback	Appeal
Title I	7,996	7,941	8,800	8,194	8,507
Title II	1,206	1,206	1,700	503	1,473
After-School	600	454	1,000	525	700
Class Size	1,400	1,300	1,700	1,500	----
CSRD	150	170	200	170	----
Reading Excell.	286	260	386	286	----
S&E	386	383	427	383	427

Proposal: Work with ED to implement an action strategy to ensure that Federal funds are used effectively by States and districts to turn around failing schools. Programs related to fixing failing schools would receive additional program funds, above the passback level, if ED agrees to implement a feasible but aggressive school improvement plan.

Background: A number of ED programs support the goal of improving achievement of disadvantaged students, specifically Title I, Reading Excellence, Class Size Reduction, after-school programs, special education, bilingual education, and Comprehensive School Reform Demonstrations. ED's "strategy" for turning around failing schools has been to produce an idea book and provide additional funds for accountability efforts, without developing ways of improving program quality and integration. By focusing on a clear goal, in particular one that is the foundation for most other learning, the Administration can leave a legacy that is defined in results, not dollars, while also developing better methods of improving program effectiveness through a more strategic use of ED's resources.

A great deal of groundwork on accountability issues has been laid, but much more needs to be done. All States are required to develop systems for identifying schools in need of improvement, and are supposed to provide assistance to help them turn around. The $134 million accountability set-aside in Title I supports these efforts. However, most schools currently identified for school improvement report that they have not received assistance, and many States will have difficulty meeting the FY 2000 deadline for having final student assessment tied to high standards in place.

Action Components

Any implementation initiative would need to be developed collegially with ED. However possibilities for action might include the following components. Unless otherwise noted, these actions could be taken without amending statutory language.

For All States:

- Negotiate State-by-State **goals for turning around failing schools** so that by a date certain, all schools in school improvement will either improve or be closed. These goals must include achievement goals for population subgroups, and State plans must address how each of the targeted programs will contribute to meeting these goals. By seeking to improve failing schools, the initiative would support the work of the Hispanic Education Action Plan and its goal of improving educational outcomes for Hispanic students. The State goals should be benchmarked against the top performing States on NAEP reading and math tests, based on both State averages and scores of subpopulations. This could be accomplished by either amending the consolidated application provision in ESEA, or by issuing guidance on the program application provisions.

- Work with every State on establishing its **data collection system** and on using data to implement policy. A great deal of groundwork has already been laid in this area and it is an area in which ED has expertise. ED has identified data collection and the use of data to improve schools as a high priority. ED is developing a system to access State data if State systems are compatible. Connecticut, the State with the highest NAEP reading scores and a conscious strategy for improving them, has used data to inform policy decisions as a key strategy in its dramatic reading improvement over the past six years. In addition, 36 States already produce report cards, one of the key forms of using data to monitor performance and improve instruction, and all States would be required to produce them under the Administration's ESEA proposal.

- Set high-visibility, **national goals for turning around failing schools** and issue public statements when key milestones are met. Or, implement a **national report card**, similar to the one required of States in Title XI of the ESEA proposal, but include factors addressing accountability systems.

For Low-Performing States:

If in any year a State does not meet its negotiated targets, ED would play a more intensive role in program improvement. In particular, ED would address how the States uses its proposed 2.5% Title I accountability set-aside, and possibly take away some State discretion in its choice of improvement strategies. The trigger for Federal involvement would be based on objective data and be somewhat automatic to shield ED from accusations of unnecessary intervention at the State level. Currently, there are eight States with a very high portion of Title I schools that are low performing (over 30%); these might be the type of States that require increased attention.

If identified as needing improvement, States could receive assistance or interventions in several ways:

- States making little progress in turning around failing schools could be partnered with high-performing States, which would receive a small grant to provide on-going technical assistance on policies and strategies for school improvement.

- ED could provide a peer review team to re-evaluate State accountability plans, goals and timelines, and help low-performing States work with districts to develop a strategy for implementing programs that research shows work.

- If after one to two years satisfactory improvement is not made, ED could make a portion of State administrative funds contingent upon the State adopting strategies for improving low-performing schools from one of the high-performing States, or other research-based strategies.

<u>ED's Internal Systems</u>

ED could take a number of actions internally to improve implementation:

- Link ED's data systems to State data systems. ED is currently working on a data collection system to improve GRPA reporting. ED should work with States to ensure that it can be linked to State systems.

- Develop an analysis of where each State stands on its establishment of the components of an accountability system including standards, tests, and support for research-based programs, in order to tailor technical assistance to the needs of each State.

- Increase integrated monitoring for low-performing States. ED has instituted a monitoring system in which teams comprised of representatives from each major program office work with regional groupings of 6-8 States and complete site visits to each of those States every three years. The site visits could be redesigned so that low-performing States are visited every year; with ED and the partner States alternating in conducting the reviews.

- Identify specialists within each regional team to work on a more consistent basis with low-performing States and their partner States. Train those specialists in utilizing data to improve performance.

- Develop a strategy for training and enhancing State Title I school support teams. Each State has established a team of distinguished educators that provides technical assistance to low-performing schools. These teams provide a crucial network of practitioners whose work will be supported by the State accountability set-aside. ED should play a role in training these teams, and possibly expanding their membership, to ensure the teams are capable of helping low-achieving schools use data for program improvement and implement proven reading strategies.

Dissemination

- Produce practical, analytical profiles of the most effective State strategies for turning around low-performing schools. The National Education Goals Panel recently released such a report on the impressive reading gains in Connecticut, including the State and district policies and approaches that led to improvements, which could easily be used by other States to replicate effective practices.

- The technical assistance provisions in the ESEA reauthorization proposal provide States and districts with the most students in poverty the ability to purchase technical assistance from providers of their choosing. ED should play an aggressive role in identifying high quality technical assistance services and providers for turning around low-achieving schools, possibly providing States and districts an accepted menu of providers who meet a high standard of effectiveness.

Enforcement

- ED would include the details of its strategy in its GPRA plan to be made public in March and, in general, be held accountable for implementing the components of its fixing failing schools plan through reports to Congress, the White House, and the public.

Budget Implications

Option 1: Tie increases in base programs to an aggressive ED implementation plan

At the settlement level, provide additional funds to key base programs if ED agrees to an aggressive and comprehensive accountability implementation strategy that is at least as strong as the components described in this paper. If ED devises and commits to such a plan, then the Budget would provide the following above the guidance level:

Base Program Increases:

- **+$XXX increase for Title I**

- **+$XXX increase for Title II**

- **$XXX increase for 21st Century Community Learning Centers**, and set competitive priorities in this program so that funds help turn around failing schools.

- **$XXX small increase in S&E** for 1) grants to high performance States for partnering efforts; 2) implementation of ED's integrated performance and benchmarking data bank and its work with States on their data systems; and 3) a slight increase for other staffing needs to implement this plan.

Option 2: Create an incentive program for the States

The implementation proposal could be strengthened further if there were a financial incentive for States to set and achieve accountability and school improvement goals. One type of incentive would be to make some portion of new funds in Title I (and possibly Title II) above the prior appropriations year, or all of the State's portion of the Title I accountability set-aside (30% of the total), contingent upon a State implementing its accountability system and meeting its goals for turning around failing schools.

FY 2001 OMB Passback
Department of Education
(BA in millions)

	FY 2000 Base	Add to FY 2000 Base	Passback ~~FY 2001 OMB Staff Rec.~~
FY 2000 ~~Likely~~ Enacted ~~(Current Conference Level)~~		**35,703.235**	**35,703.235**
Recommended Cuts to FY 2000 Likely Enacted:			
Teaching to High Standards	1,206.000	(703.000)	503.000
School to Work	55.000	(55.000)	0.000
Star Schools	51.000	(51.000)	0.000
Ready to Learn television	16.000	(9.000)	7.000
Telecommunications demonstration for math	8.500	(6.500)	2.000
Capital expenses for private school children	12.000	(12.000)	0.000
Title I Evaluation	8.900	(8.900)	0.000
Ellender fellowships	1.500	(1.500)	0.000
Impact Aid	910.500	(180.500)	730.000
Public Telcom. Info/Training Dissemination	1.500	(1.500)	0.000
Vocational Education Basic State Grants	1,055.650	(172.967)	882.683
Occupational and Employment Information	9.000	(9.000)	0.000
State Grants for Incarcerated Youth Offenders	19.000	(7.000)	12.000
Fund for the Improvement of Postsecondary Education	77.658	(46.458)	31.200
Learning Anytime Anywhere Partnerships	23.940	(8.940)	15.000
Interest Subsidy Grants	12.000	(2.000)	10.000
Community scholarship mobilization	1.000	(1.000)	0.000
Fund for the Improvement of Education	249.525	(121.525)	128.000
Total, Cuts to FY 2000 ~~Likely~~ Enacted	**3,718.673**	**(1,397.790)**	**2,320.883**
Increases to Base Programs:			
Technology Literacy Challenge Fund	425.000	100.000	525.000
After School	453.710	71.290	525.000
Title I Grants to LEAs	7,941.397	200.000	8,141.397
Class Size	1,300.000	200.000	1,500.000
Troops to Teachers	0.000	10.000	10.000
America Reads	260.000	26.000	286.000
Bilingual Education Professional Development (HEAP)	71.500	3.500	75.000
Adult Education Nat'l Activities incl. ESL/Civics (HEAP)	14.000	25.000	39.000
Pell Grants	7,700.000	480.000	8,180.000
Work Study	934.000	77.000	1,011.000
GEAR UP	200.000	40.000	240.000
Subtotal, Base Programs	**19,299.607**	**1,232.790**	**20,532.397**
New ESEA Initiatives			
High School Reform	0.000	125.000	125.000
Early Childhood Professional Development	0.000	20.000	20.000
OPTIONS	0.000	20.000	20.000
Subtotal, New ESEA Initiatives	**0.000**	**165.000**	**165.000**
Other ED Programs	16,403.628	0.000	16,403.628
Total	**35,703.235**	**0.000**	**35,703.235**

Summary of the Department of Education's FY 2001 Budget Request

As shown in the table below, the Department of Education requests a total of **$41.5** billion in discretionary program level in FY 2001, an increase of **$6.8 billion** or 19.5 percent from the FY 2000 President's Budget level of $34.7 billion.

The Department of Education's FY 2001 Request All Numbers in Comparable Program Level					
($'s in Billions)	**FY 1999 Enacted**	**FY00 Budget**	**FY 2001 ED Request**	**(+/-) FY 1999 Enacted (%)**	**(+/-) FY00 Budget (%)**
BA	$33.3	$34.7	$41.5	$8.2 (25%)	$6.8 (20%)
OL	$28.7	$31.8	$36.4	$7.7 (27%)	$4.6 (14%)

ED's request increases funding for programs across the board. About $4.2 billion or about 60 percent of ED's requested budget authority increases are for the following six programs (all increases from the FY 2000 Budget): (1) Pell Grants (+$1,252 million in BA, +$803 million in program level); and (2) Teaching to High Standards (+$904 million); (3) Title I Grants to LEAs (+804 million); (4) Special Education Part B State Grants (+$500 million); (5) After School (+$400 million); and (6) Class Size (+$300 million).

Below are highlights of ED's budget submission.

Mandatory Programs: The Department is not proposing any new policy initiatives in the FY 2001 request for **FFEL/FDSL** owing to the recentness of the Higher Education Amendments. Mandatory **Section 458** funding for ED's loan administration (including amounts paid to guaranty agencies) will increase nearly 5 percent between FY 2000 and FY 2001 to accommodate increasing direct loan volume, from $735 million to $770 million. The payments to guaranty agencies are scheduled to decrease in FY 2001 by $10 million, to $170 million. These levels are consistent with the HEA.

Discretionary Programs -- New Programs:

* **Over $1.7 billion for Teacher Professional Development.** ED's request includes $1.7 billion for a new Teaching to High Standards program, a professional development program that consolidates Goals 2000, Eisenhower, and Title VI as proposed in the Administration's ESEA reauthorization bill. This amount is $904 million (114%) more than last year's request for the three consolidated programs and $529 million (45%) more than the FY 1999 level for these programs. The request also includes two other professional development initiatives: (1) $40 million for a Principal Leadership Initiative; and (2) $20 million for professional development for pre-school teachers.
* **$125 million for High School Reform;** a new program in the ESEA reauthorization proposal. This initiative, which would serve 1,000 high schools in FY 2001, supports research-based, comprehensive reform for high schools such as schools-within-schools.

* **$50 million for Higher Education for Individuals with Disabilities,** a new initiative to help State Vocational Rehabilitation agencies to increase the number of individuals with disabilities who attend college, and help them succeed in college.

* **Other noteworthy initiatives include:** $60 million for Strengthening Technical Assistance Capacity Grants, new formula grants to States and high-poverty LEAs to procure technical assistance. $30 million for Opportunities to Improve our Nation's Schools (OPTIONS), a new initiative supporting innovative public school choice models, such as worksite schools.

Discretionary Programs -- Increases to Base Programs:

* **$8.8 billion for Title I Grants to LEAs**; nearly $804 million (10%) more than last year's request and over $1 billion (13.8%) more than the FY 1999 appropriation. Approximately $215 million (2.5%) of this request would be available to States and school districts for accountability and school improvement activities.

* **$225 million for the Comprehensive School Reform Demonstration program** (Title I and FIE funds); $75 million (50%) more than last year's request and $105 million (87.5%) more than the FY 1999 appropriation.

* **$1.7 billion for Class Size**; $300 million (21.4%) more than last year's request and $500 million (41.6%) more than the FY 1999 appropriation. The request, and the matching requirement included in the ESEA proposal, would support a total of 49,000 teachers, 18,000 more than in FY 1999.

* **$691 million for Safe and Drug-Free Schools and Communities**, $100 million (16.9%) more than last year's request and $125 million (22%) more than the FY 1999 level. This includes $109 million for Safe Schools/Healthy Students, an increase of $49 million (82%)over last year's request, and $50 million for drug and violence prevention coordinators, the same as last year's request and $15 million (43%) more than the FY 1999 level.

* **$8.72 billion for Pell Grants to raise the maximum award to $3,525,** an increase from $7.5 billion in BA and a $3,250 maximum grant in the FY 2000 Budget request and from $7.7 billion in BA and a $3,125 maximum grant in FY 1999. The maximum award would be 8.5% higher than in the FY 2000 Budget and 12.8% higher than in FY 1999.

* **$6.7 billion for Special Education**, an increase of $1.2 billion over the FY 2000 Budget level of $5.5 billion. Most notably, ED requests a $500 million increase for Grants to States, +$90 million for State Improvement Activities (a 200% increase), and +$50 million to double funding for last year's Primary Education Intervention initiative.

* **$1 billion for 21st Century community learning centers**; $400 million (66.7%) more than last year's request and $800 million (400%) more than in FY 1999.

* **$360 million for GEAR UP (HEAP Component),** up from $120 million in FY 1999 enacted and $240 million in the FY 2000 Budget. Funding would increase 50% over the FY 2000 Budget, which was a 100% increase over FY 1999 enacted.

* **$52 million for Research:** ED requests $250 million for the National Institute for Education Research, $52 million more than last year's request among the programs consolidated under this new authority.

* **Hispanic Education Action Plan (HEAP):** See Attachment

* **Other Noteworthy Base Program Increases:**
    * $150 million for **Charter Schools**; $20 million (15.4%) more than last year's request and $50 million (50%) more than the FY 1999 appropriation.
    * $40 million for **Advanced Placement** Incentives program; $20 million (100%) more than last year's request and $36 million (400%) more than the FY 1999 appropriation.
    * $386 million for **America Reads**; $100 million (35%) more than last year's request and $126 (48.5%) more than the FY 1999 appropriation. This request would permit an additional 12 States to create programs that use scientifically based reading research to improve the reading skills of elementary school students.

· **$601 million in discretionary funds for Salaries and Expenses,** $50 million or 9% over the FY 2000 request. Compared with the FY 2000 request level, this represents an increase of $41 million or more than 10% for Program Administration; $5.3 million or 7% for OCR; and $3 million or 9% for the Inspector General. It would support an additional 109 FTE, of which 66 are for Program Administration, 36 are for OCR, 5 are for the Inspector General and 2 are for VocEd.

Bruce N. Reed
12/03/99 01:03:49 PM

Record Type: Record

To: Andy Rotherham/OPD/EOP@EOP

cc: See the distribution list at the bottom of this message
Subject: Education Budget ideas

Thanks for the very thorough briefing book y'all put together on budget proposals. You put a lot of good stuff together in a hurry.

Here are my thoughts on next steps:

1. After-school:

A. Failing Schools: I asked Ann to figure out how we can pledge to make after-school universal for any kid in a failing school. She's going to get numbers on how many kids are in failing elementary and middle schools, and run cost estimates. We should work out a couple of design issues: I assume we give an absolute priority to programs for failing schools, but what definition should we use for failing school? Ann suggested that we say any elementary or middle school that is failing either by Title I measures or by the state's own accountability system.

B. Faith-based/CBO: I'm all for allowing faith-based groups to compete for the 10% of funds set aside for CBOs, and I'd be open to raising that % to 15 or 20. But I don't think we can just open up all the money to CBOs. OK policy, but hopeless turf battle, and besides, it's somewhat inconsistent with our message that we want after-school to reinforce our standards focus. You should focus your efforts on figuring out how much of a lift it will be to open the door to faith-based groups (consistent with Justice's admonition that they can't be pervasively sectarian, of course). Eric Liu and Cynthia have plenty of battle scars on this issue; you should check with them.

2. Teachers

You've got a $380 million increase to bring Title II up to current levels, which is sensible, but that's a lot of money for an initiative we never really say much about because it's just a block grant whether it's funded at 800m or 1.2b. I'd rather spend that $380m on our new teaching initiatives -- recruitment, performance pay, etc. Is there a way we could make these new initiatives earmarks within Title II, either at the state or federal level?

For example, I don't know the full details of OMB's teacher academies proposal, but perhaps we could earmark 50m or more of the Title II total for every state to try it. Pay for performance is more complicated, because we've envisioned that as a 10-city demo and it might rattle folks to make it a 50-state deal. But if we were sufficiently tight on the rules and limited the amount of money, it would be a more powerful proposal. Or we could make it a federal earmark, which may not make much sense but we might get away with in this limited circumstance. We could do the same with Troops to Teachers.

So a revised Title II proposal might look like this:

Teacher Academies: 50m (or whatever) set-aside to states

Troops to Teachers: 18m set-aside to feds

Pay for Performance: 80m (not 20m) set-aside to feds. You need to spend more $ on this than 20m to be credible. Also, you may want to make these 3-year grants, since gains in performance won't be immediate.

2001 Performance Bonus for Qualified Teachers: 60m (5%) set-aside to feds to give to states that meet certain goals for certification and teaching-out-of-field by the beginning of the 2001-02 school year.

Increase in combined Eisenhower/Goals number: 170m (to bring that total to 1 billion).

TOTAL for TITLE II: $1.2 billion

Can you explore whether this construction would work? (And flesh out some of the details, like how the 5% set-aside for performance might work.)

3. Performance/Report Cards

Your proposal is very detailed on report cards, but we need to flesh out the other components. I envision an incentives pot for 2001 that includes:

* the 5% set-aside for teacher quality (60m). The $ would be appropriated in fall 2000, but awarded to states based on the qualifications of their teachers at the beginning of the 01-02 school year. 2 measures: % qualified by state stds; and % teaching in-field.

* $ for high-quality report cards (50m). The way you describe -- funds to carry out the new ESEA rqmt.

* $ for adopting 2 other accountability measures (50m): (1) a high school exit exam (which serves as a proxy for social promotion, and is harder for Repubs to oppose; and (2) a statewide failing schools program that identifies and intervenes in failing schools.

This regime would stay in place for FY2001 and FY2002, to be replaced in 2003 by actual student performance measures based on NAEP or comparable state stds. The size of the bonus fund would grow from 110m in FY2001 to 150m in 02, 200m in 03, 250m in 04, and 300m in 05, for a 5-year total of $1 billion.

4. Schools for the Future

This needs better definition in order to survive the budget process. It might be better cast as a high school reform initiative. That's what we talked about in ESEA, that's what the Secy wants, and it will reinforce what we're pushing on HS exit exams.

Can you also look at the pay-for-performance element of our HS reform proposal in ESEA, which gave teachers the prospect of a $3000 bonus?

5. Distance Learning

I really like this idea. It needs a better name, like schoolsofthefuture.com or something. (If you're interested in going into business, the domain name "www.aponline.com" appears to be unclaimed, but most variations of school.com and .org are taken.)

But you need to make sure that what's new here (AP, course content, etc.) is getting enough money. Big increases in teacher training and the tech literacy challenge are all well and good, but if we're going to make a lot out of our new proposal, it shouldn't just be some underfunded pilot. Also, it's important to be able to say this will be universal, or at least universal for kids trapped in poor schools. I'm not sure just posting an AP course on the Web makes it universal -- you need to be able to get online, and you may need access to a warm body (or at least an 800 number) to help you through it.

Also, is there a way to make college test prep part of this proposal? It's not imperative, but it seems like that idea would be on a stronger footing in the digital divide context than as a stand-alone affirmative action idea.

6. School Leadership

This, too, seems like a well-designed orphan in need of a champion. We might be able to get it as a little stand-alone program, because Barbara's open to it, the Dept's open to it, and it's not much money. But you should make sure it's consistent with what we proposed in ESEA, so it has a chance of being authorized.

[As a general matter, can you make sure we've looked at every sensible authorization in the House-passed Title I bill?]

7. Small schools

I don't know if our money should go for building new schools. That's what we have a school construction tax proposal for. I want to fund this at $200m, it's a good issue, but we need more clarity on what the $ COULD be used for. Also, is there some link to charters here?

Sorry for all the questions. We need to sort out these issues by COB Monday. I'm happy to meet if necessary. Thanks!

Message Copied To:

John B. Buxton/OPD/EOP@EOP
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Ann O'Leary/OPD/EOP@EOP
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John B. Buxton

12/21/99 11:22:14 AM

Record Type: Record

To: Kendra L. Brooks/OPD/EOP, Bethany Little/OPD/EOP@EOP, Andy Rotherham/OPD/EOP@EOP

cc:
Subject: Cinncincinnati teacher survey

FYI: Cinn. teachers pick smaller classes over pay raises as most important investment in recent survey. Also, check polling on pay for performance. Let's keep in back pocket for January roll-out.

Tuesday, December 21, 1999

Teachers: Smaller class No. 1 priority

BY DANA DiFILIPPO
The Cincinnati Enquirer

Cincinnati Public Schools teachers say reducing class size is the most crucial change administrators can make to boost student achievement, according to a survey the teachers union released Monday.

Teachers gave priority to smaller classes over pay raises in the survey, which the Cincinnati Federation of Teachers commissioned to gauge the mood of the district's 3,300 teachers.

School administrators last weekend offered a contract proposal that would reduce class sizes; they plan to pursue a tax increase in March to pay for it. The union and administration disagree on hiring details.

The union is negotiating a new contract; the current three-year contract expires Dec. 31.

Survey used to bargain

Union President Tom Mooney aims to use the survey as a tool at the bargaining table.

The most effective classes have 15-18 students, and 90 percent of teachers polled felt that small class size helps raise achievement, Mr. Mooney noted.

Nearly one-third of respondents said they had more students in their classes this year than last, probably because of districtwide budget cuts since last spring.

"Children come in with so many special needs, and in order to address those needs, the children need smaller class size," said Betty Hill, who teaches at Millvale School in Cumminsville.

After class size, teachers' priorities included focusing on academic standards, increasing parental involvement, improving school discipline and inviting more teacher input into program and policy decisions, according to the poll.

Pay-performance link

Other findings included:

• Nearly two-thirds of teachers support linking pay to performance, but 90 percent oppose linking evaluation and pay directly to student test scores. CPS teachers have the second-highest starting salaries in Hamilton County; Sycamore is first. Starting salary at CPS for rookies with bachelor's degrees is $29,299, while veterans with master's degrees top out at $60,642.

After announcing budget cuts last spring, Superintendent Steven Adamowski asked CPS employees to accept a pay freeze and said he wouldn't put money in the budget for teachers' pay raises. Monday, Mr. Mooney said the union would seek cost-of-living raises.

• Eighty-five percent of teachers said creating more charter schools won't help students learn. The school board last spring adopted a policy allowing schools to convert to charter schools to free them from state, district and union regulations.

• About 37 percent said students' behavior problems have increased in the past year.

The union paid Fallon Research and Communications Inc. of Washington, D.C., $19,000 to survey its teachers. Researchers polled 625 teachers by telephone Dec. 9-12. The margin for error is plus or minus 5.65 percentage points.

12/21/99

U.S. DEPARTMENT OF EDUCATION—FY2001 EDUCATION BUDGET PASSBACK AND APPEAL

(Amounts in Thousands of Dollars)

Selected Education Programs	Current Budget	OMB Passback For FY2001	FY 2001 Appeal Difference From Passback	FY2001 Appeal
IMPROVING TEACHING AND RECRUITING QUALITY TEACHERS				
Teacher Recruitment and Preparation *Presidential initiative passed in 1998*	$98,000	$98,000	+$102,000	$200,000
Teaching to High Standards: *Combines Goals 2000, Eisenhower Professional Development, Title VI into President's new ESEA initiative.*	$1,173,000	$503,000	+$970,000	$1,473,000
ACCOUNTABILITY AND HELPING STUDENTS MEET HIGH STANDARDS				
Extra Help in the Basics (Title I LEA Grants) *Includes President's accountability initiative passed in 1999 to turn around failing schools.*	$7,941,397	$8,141,397	+$366,003	$8,507,400
Special Education *Includes funds for accountability and state improvement efforts.*	$6,036,646	$6,035,146	+$603,265	$6,638,411
21st Century Community Learning Centers *Extremely popular after-school and summer program*	$453,710	$525,000	+$175,000	$700,000
COLLEGE OPPORTUNITY AND ACCESS				
Pell Grants *With this increase, the value of Pell grants will have risen by 50% under the President's watch.*	Budget Authority $7,700,000 [Max Grant: $3,300]	Budget Authority $8,180,000 [Max Grant $3,350]	Budget Authority +$286,000 [Max Grant +$150]	Budget Authority $8,466,000 [Max Grant $3,500]
SEOG Supplemental grants for low-income students *A high priority among college leaders*	$631,000	$631,000	+$100,000	$731,000
TRIO Programs *Includes new Presidential initiative for college completion grants.*	$645,000	$645,000	+$100,000	$745,000
GEAR UP *Third year of new presidential initiative*	$200,000	$240,000	+$60,000	$300,000
Sub-total:	$24, 878,753	$24,998,543	+$2,762,268	$27,760,811
OTHER CRITICAL INITIATIVES (ie: *expanding President's safe schools/healthy students initiative, increasing advanced placement courses, expanding comprehensive school reform models, providing teacher training in bilingual education, expanding President's literacy and civics initiative, providing loan cancellations for teachers.)*	$10,824,482	10,737,692	+$996,215	$11,733,907
Total:	**$35,700,000**	**$35,700,000**	**+$3,800,000**	**$39,500,000**
School Construction Package: New Discretionary Initiative	--	--	+$500,000	$500,000

Schools without Walls: Access to Challenging Coursework for All Students

Summary

This proposal is designed to ensure that students have access to challenging high school coursework regardless of the location of their school. The initiative would fund a competitive grant program under our High School Reform Package to help schools and districts increase access to challenging coursework and a course development through on-line courses and a project that would subsidize the cost of high quality Web-based course development. The DPC recommends tying this initiative to increases in existing support for three key technology access programs: E-Rate, the Technology Literacy Challenge Fund, and the Technology Teacher Training Program.

Background

Students in many high schools in poor rural and inner city school districts lack access to the challenging coursework that students deserve in a quality education—and need to enter college. Faced with higher proportions of unlicensed and out of field teachers, especially in areas like math and science, little in the way of community financial and professional resources, and smaller numbers of students interested or prepared to take challenging courses, these schools are unable to provide challenging courses in areas such as Advanced Placement and English as a Second Language.

- Fewer than 60% of high schools offer AP courses to their students.
- In 1997, whites were more likely than blacks or Hispanics to take AP examinations in all subject areas, with the exception of foreign languages.
- By participating in the AP program, high school students may acquire college credit for their knowledge of college-level subjects.
- From 1990 to 1997, the number of LEP students increased by 57% to roughly 3.4 million.
- Over the past 10 years, the LEP population more than doubled in 18 states, placing enormous budgetary demands and burdens on these state systems of education.
- In the last school for which data was available, 1993-1994, 27 percent of all schools with bilingual/ESL teaching vacancies found them very difficult or impossible to fill.

One way to bridge this gap is through distance learning technology. Schools and states across the country are beginning to develop the capacity to offer coursework via the Web or other distance learning technologies. For example, Florida, Kentucky and Iowa have created Virtual High Schools; the Massachusetts-based Concord Consortium (federally funded) offers courses nationally and trains teacher to develop and teach courses for the Web; and universities around the country are partnering with states and school districts to offer college level and credit courses to high school students. The University of Nebraska has created a for-profit subsidiary to develop and offer on-line courses.

Not only is the delivery mechanism for this coursework becoming more roundly available to schools, but also the instructional resources being developed are suitable for teaching these courses over the Internet. According to the Office of Science and Technology Policy, computers and communication systems becoming available in even the smallest and most remote school systems in the US are capable of being used much more effectively than they are today.

The problem remains that course content quality is lacking. To remedy that, the DPC proposes a course development project that would subsidize Web-based AP, ESL and other challenging course content. The project would take bids and pick three winners to receive development funding. The program would help companies with existing products in AP and ESL improve their products and help innovative firms develop new products. The most important incentive provided by the program would, of course, be the potential to capture large school markets with a single product.

DPC Proposal

1. **A competitive grant program for states and districts that would provide tuition assistance for schools to purchase on-line courses and support efforts to prepare schools and students to offer AP and other challenging courses**. The program would authorize allow states and districts to use funds to pay tuition (not more than 50%) for on-line Advanced Placement, ESL and other challenging high school courses. Grant funds could be also used to purchase on-line curriculum, train teachers to use on-line curriculum or purchase course materials; prepare students for taking AP courses, and other needs to increase student access and participation in challenging courses. Tuition assistance dollars could be used for non-profit or for-profit companies.

2. **Course Development Program**. Providers would bid to qualify their courses. OSTP recommends a two-stage process whereby developers for the ESL course, AP courses, and other challenging courses would receive planning grants to prepare proposals. The best three proposals for each course would receive about $1 million in funding to develop full instructional course or improve existing courses. After the year of development, the courses would be evaluated by an independent group (College Board or an organization recommended by the **Web-Based Education Commission)** to determine if they satisfy set criteria. Companies receiving funding would agree to offer some number of their resulting courses at a steep discount for students in poor school districts. APEX (company founded by Microsoft co-founder, Paul Allen), which creates and sells web-based AP courses, has expressed interest in such a partnership.

Cost

The cost of the package would be $25 million for course development and grants and $50 million for the grant program.

Political Considerations

- Sen. Kennedy is the major supporter for the Star Schools Program, a distance learning initiative that will only fund existing commitments next year.
- Republicans and Democrats have supported AP fee assistance and would likely support this effort to increase access to AP courses and other challenging coursework. The College Board's government relations shop reports that Sen. Bingaman (D-NM), Rep. Cunningham (R-CA), and Sen. Hutchison (R-TX) are among the program's most ardent supporters.
- Potential opposition from two areas: those who see this as a move towards national standards and curriculum and 2) those who see this as a move towards faceless education that might support home schooling and the like.

School Leadership for 21st Century Schools

Summary

Without quality school leaders, school reform is destined to fail. To address this, our initiative would fund independent School Leadership Centers at the state and regional level. The Centers would focus on leadership development opportunities for existing schools leaders (principals, superintendents, etc) in areas such as effective management, school design, technology, and district governance. In addition, recruiting and training nontraditional candidates for school and district leadership would also be part of the Center's mission.

Independent nonprofits or public-private partnerships would run centers on a state or regional basis and they would be required to partner with leadership from the public and private sector. Just as Presidential leadership has increased the national focus on improving teacher quality, federal leadership is needed to push states to make greater investments in developing quality school leaders prepared for accountability, the devolution of decision making, and the focus on school-based reform. At present, there is no federal program focused solely on school leadership and only a handful of programs allow funds to be used for it. There is broad political support for a focus on improving school leadership, as evidenced by the inclusion of a smaller provision in the House-passed ESEA bill.

We recommend $40 million in competitive grants to fund approximately 20 state-level or regional centers.

Background and Rationale

The one area central to all school reform strategies is school leadership. The devolution of decision making—from budgets to curriculum to instruction—has brought much greater responsibility for superintendents, principals and other school leaders. It has also meant greater accountability for results. In these new systems, school leaders are being asked to play much bigger roles in crafting instructional approaches, restructuring their organizations, working with the local community, and using resources strategically than they have previously.

To support the development of school leadership, the DPC recommends a program that would seed regional and state-level partnerships that focus on the needs of school leaders and provide ongoing development opportunities for the current ranks. The federal government would serve as a catalyst for bringing nontraditional partners into the effort, such as the business community, to disseminate its lessons in leadership to those in charge of improving the public schools.

DPC Proposal

The Department of Education would run a competitive grant program that would provide seed/capacity-building funds to state or regional School Leadership Centers under the "national activities" section of the reauthorized Title II of ESEA. Multi-year grants would be made to nonprofit public-private partnerships composed of alliances of business groups, education stakeholders, and other relevant partners such as existing nonprofits or the armed services.

The centers would be focused on providing training and networking school leaders (ie, principals, superintendents, assistant principals, assistant superintendents, and select teachers), and attracting nontraditional candidates into the profession and constructing alternate pathways. Centers could not be run by state departments of education, university or college schools of education, or the federal government's regional education labs, although these organizations could be partners in the effort.

Funds would be awarded on a 3-5 year basis. Centers would be expected to offer training and services to support school leaders in areas such as instructional leadership, management practices, school organization, use of technology, school design, community engagement, and school board relationships. Centers would also be expected to involve leaders and best practices from fields other than education. An Advisory Board to the Secretary, made up of national leaders in the areas of education, business, nonprofits and the armed services, will be assembled to advise the Secretary on choosing grants.

The grant program would provide $40 million for funding leadership centers around the country. Grants would range from $250,000 to $1 million per year for three to five years. At an average grant of $500,000 for three years, funding could support 25 state-level or regional centers. In addition, the program would provide $2.5 million for rigorous evaluation of the centers and their impact. Grant recipients would be required to provide a 50% match, 30% of which could be in-kind.

Political Considerations

1. The issue of school leadership engenders broad political support across political parties with Republicans being traditionally very receptive of a focus on leadership.
2. Creating independent centers will likely be strongly opposed by the higher education administrator preparation programs and other groups who are setting national standards for administrators. They will see this as undermining their role in states.

The Backyard Teacher Recruitment Initiative

Summary

This proposal would fund grants to states and districts to provide bonuses and tuition assistance to teachers who agree to be recertified in shortage subject areas such as math, science, special education. Participating teachers would commit to teaching those subjects in the districts for no less than three years. Teacher recruitment is a critical issue across the country and could attract broad bipartisan support. The proposal cost is $30 million.

Background

The problems of teacher recruitment and out-of-field teaching are issues that loom large for public education. For schools and districts in rural areas and inner cities across the country they are especially difficult. Despite federal and state efforts, these areas continue to have great difficulty finding qualified candidates in areas such as math, science and special education. This proposal aims to help high-need poor school districts with large percentages of out-of-field teaching by paying for high-quality teachers in non-shortage and shortage fields to be trained and certified in shortage areas. **This program would focus on teachers who have already made the decision to teach in high-need areas**. Recognizing that they already have teaching expertise, the program would provide bonuses and tuition assistance for content training in a high-need subject area for roughly 10,000 teachers across the country. In return, they would commit to teach for at least three years in their district.

While this can certainly not be considered a fix for teacher recruitment, it can provide some immediate relief for districts with chronic teacher shortages in critical subject areas. And by focusing on a population already in schools, it adds a needed dimension to a federal recruitment effort that 1) focuses largely on efforts to bring new people into the profession and 2) focuses on elementary schools through the 100,000 teachers initiative.

DPC Proposal and Cost

The US Department of Education would run a competitive grant program for states and districts that would offer funding for developing programs to tap licensed teachers for recertification in a shortage field within the district/state. States could target teachers within or outside of districts with shortages. Participating teachers would receive tuition assistance for content training in the new field, as well as bonuses (could be straight bonuses, relocation funding, mortgage money, etc). Participants would make a commitment to teach in the district and in the shortage field for no less than three years.

Cost assumptions include a $1,000 bonus and $2000 in tuition assistance. States and would be required to add a match and could increase the value of both components. At these cost assumptions, 10,000 teachers could be retrained and committed to shortage areas in high-need districts for $30 million.

Raising the CBO Limit in 21st Century Community Learning Centers

Summary

This proposal would allow 30% of funds to be granted directly to non-profit community-based organizations (CBOs)—including faith-based organizations—which operate programs in partnership with public schools at the public school building. At present, no funds can be granted to CBOs, although the President's ESEA reauthorization proposal would allow them to receive up to 10% of funds. This change would recognize the central role that CBOs can play in delivering services to school, spurring innovative practices, and creating greater community involvement in the local school throughout the school year. This change to the current program would incur no additional cost.

Background: Why Allow CBOs to run programs?

- **Experience**. CBOs are running after-school programs across the country. In fact, CBOs have more experience running after-school programs than do public schools.
- **Offer New Educational Approaches**. CBOs can provide a new vision for educational enrichment and change in schools that have difficulty looking beyond current practices.
- **Connections to the Community and Capital**. Nonprofits can bring connections to the business, philanthropic and nonprofit sector that many schools often lack.
- **Personnel Issues**. With CBOs as the grantees, the hiring of instructors for after-school will be more flexible and less tied to union bargaining agreements (where applicable).

The DPC also proposes that programs be run at the public school site. Doing so 1) creates a more solid connection between the regular day academic program and the after-school program, 2) ensures student access to the program, 3) uses existing and needed facilities and equipment, and 4) meets licensing requirements for child care and educational activities.

The Track Record with CBOs

Head Start provides a good track record for the capacity of CBOs to run educational programs for children. Head Start grantees may be public or private, for-profit or nonprofit organizations or public school systems. The grantees are accountable for certain administrative, fiscal and program expectations and requirements. In the area of after-school, CBOs are running programs for school-age children across the country. In New York City, CBOs are receiving public and private funding to run programs at schools. For example, The After-School Corporation provides funding for 85 programs that are run by CBOs at public schools and the Virtual Y program offers after-school programs at over 200 New York City schools.

DPC Proposal

A redesigned 21st Century Community Learning Centers grant program would operate as follows:

- The grant competition would be opened up to allow 30% of funds to be granted directly to CBOs, in partnership with public schools, with proven track records in education.
- To be eligible for a grant award, programs must be run at public school sites.
- CBOs awarded a grant would have to demonstrate administrative, financial and program accountability for funds received (much in the same way public school recipients do now).
- Private companies could be partners with CBOs or schools, but would not be eligible to receive direct grants.
- Grants would be required to have a clearer focus on academic achievement than in the current 21st Century program.

<u>Political Considerations</u>

1. The support for this will likely be soft, given that fiscal agent status is a little bit of inside baseball. That said, Republicans and New Democrats should support the proposal as a way to inject flexibility into the process and allow local communities to deploy best resources for the job. The Congressional Hispanic and Black Caucuses might line up behind this as their constituents will be likely to support and have confidence in CBOs and they are more likely to represent districts where schools need community help in developing new approaches to working with kids.
2. The proposal would run into politically rocky ground with the inclusion of private companies as eligible bidders and the contentious issue of firms making private profits from public funds. Private companies would be allowed to partner, however, with CBOs and/or public schools.

Rewarding Leaders and High Performance

Summary

This proposal would create a State Rewards for Progress program that would award funds to states who meet federal standards ahead of the schedule for implementation in the President's ESEA reauthorization proposal and, in a separate program, to teachers in a Denver-style pay-for-performance system. Rewards would be granted for meeting three performance criteria ahead of schedule:

- meeting teacher quality standards
- developing and disseminating statewide report cards on state, district, and school performance
- implementing a statewide accountability system for all schools, not just Title I schools, that includes a high school exit exam.

The reward program would continue until FY2004 when it would be replaced by a system based on actual student performance measures, as originally envisioned but not yet workable. The program would provide incentives for states to move on these issues. Rewards would also be given in a teacher pay for performance program (explained in another memo). The program would budget a total of $1 billion over five years.

Background

The current statutory language that authorizes rewards to states for demonstrating significant statewide achievement gains as measured by the NAEP is not a workable plan. NAEP is not given every year in the same subject areas. The statutory language needs to be changed to allow the use of other nationally reliable standardized tests and to reward efforts to meet federal performance criteria specified in the Education Accountability Act ahead of the statutory deadlines.

However, rewards can and should be used to provide incentives for states to move forward with implementing the teacher quality, report card, and accountability system requirements in the President's ESEA reauthorization proposal. In nearly all of these areas, state progress has been woefully slow and could use the "carrot" of federal funds.

Teacher Reward Criteria: 1) 95% of all teachers were either fully certified, working towards full certification, or fully certified in another state and meeting state requirements; and 2) 95% of all secondary teachers have had academic training or can demonstrate competence in the field they teach.

State of the States. The most recent data on secondary school competency reveals that no state has 95% of its secondary teachers with a degree in the subjects they teach. Nationally, only 63% of secondary teachers do. The data on certification is better: 18 states have 95% or more of their teachers fully certified and others will meet the standard given the allowances in the criteria.
Report Card Criteria. Require states on an annual basis to distribute report cards on state, district and school-level performance to all parents and the public within one year. Report cards would include information on student achievement, teacher qualifications, class size, school safety, and, where appropriate, the academic achievement of ethnic and racial subgroups, students with limited English proficiency and students with disabilities.

State of the States. 41 states will publish annual report cards on individual schools or require schools or districts to do so by 2001. However, just over half of the report cards produced by states offers information on state tests scores, attendance rates, and dropout rates; only 20 states compare schools performance v. districts and only 25 compare school v. state; and only 13 will require that parents receive them at home.

Accountability Criteria. The Education Accountability Act would require states to develop a single accountability system for all schools which assessed students and schools at key transition points, including an exit exam for high school graduation.

State of the States. Although 48 states have assessments in place for measuring student achievement, only 19 have a system in place that assigns overall ratings to schools or identifies low-performing schools. Twenty-six states report that they will have exit exams in place by 2003.

DPC Proposal and Cost

Beginning in FY2001 and ending in FY2003, states that have met federal performance criteria for teacher quality and accountability systems would receive rewards for doing so ahead of the FY2004 deadline. Report card awards would be given to those states with satisfactory programs in place for the 2000-2001 school year. Assuming ESEA reauthorization in 2000, states must comply for the 2001-02 school year.

After the statutory deadlines for compliance with these provisions are reached the awards should become entirely performance based on overall score gains and closing the achievement gap. States that receive awards should have discretion over the use of the funds so long as they are used to improve education in the state's public schools and supplement, not supplant, existing efforts.

Year	Rewards	Total
FY2001	$25 million for report cards $25 million for teacher quality $25 million for accountability systems $50 million for teacher performance	$125 million
FY2002	$50 million for teacher quality $50 million for accountability systems $50 million for teacher performance	$150 million
FY2003	$50 million for teacher quality $50 million for accountability systems $75 million for teacher performance	$175 million
FY2004	$250 million for student performance	$250 million
FY2005	$300 million for student performance	$300 million
TOTAL	---	**$1 billion**

Closing the Achievement Gap:
Providing Free, High Quality Test Preparation Courses to
High Need Students

Summary

SAT scores are an important component of college admission and historically, minority and low income students have not scored as well as their white and more affluent classmates for many reasons including not having access to high-quality test preparation activities that are common in many communities. Under the model we are proposing, partnerships of high schools, leaders in the test prep industry and community based organizations would compete for a grant to offer college test preparation as well as other related services.

Background/Rationale

Quality test preparation courses are important to success on college exams but are often beyond the financial reach of most families adding to the disadvantages many financially needy students face when competing with privileged students in college admissions. Free and low cost college test preparation courses meets a need of students with college aspiration, who have demonstrated through coursework that they are capable of succeeding in college. While this program should be aimed at low-income students, by default through this criteria, it will target minority students.

Key Components

Partnerships

The program would require the high school to partner with a test preparation program with a proven track record and established curriculum with an option to add least one community based organization. Commercial test preparation companies involved would have to demonstrate an established curriculum and have a proven track record. Programs would have to offer a minimum of 25 hours of instruction over no less than 4 weeks to ensure rigor and quality and discourage one-time preparation activities which research shows are ineffective.

Eligibility

This initiative would offer competitive grants to high schools or LEA's based on the California model. Grants would be given to schools with a low college attendance rate, high numbers of low-income pupils, and demonstrated school-based efforts to improve the school's college preparatory curriculum and college attendance rates. Eligible students would receive the free college test prep courses through traditional methods as well as on-line courses. Students in the top 50% of their class who fall under 200% of the poverty line would be eligible.

Priority

A competitive priority would be given to schools that couple test preparation with other relevant services including counseling, college application and financial aid assistance.

Cost

$25 million would serve about 60,000 students assuming a cost of up to $400 per student assuming partnerships provide the remaining balance for program services.

Transition to Teaching:
Expanding Troops to Teachers to Recruit Other Mid-Career Professionals into Teaching

Background and Rationale for Initiative

As a result of increasing enrollments, the retirement of many teachers and other attrition, this country will have to hire over 2 million teachers in the next decade. The problem of attrition is particularly acute among new teachers, 22 percent of who leave the profession after teaching for three years or less. Mid-career professionals interested in changing jobs are an important and largely untapped resource for addressing teacher shortages. Recent studies have shown that a significant number of mid-career professionals who possess strong subject matter skills are interested in beginning a teaching career.

Troops to Teachers was created in 1994 to help improve public education by injecting the talent, skills and experience of military and other federal civilian personnel into high-poverty schools. Since 1994 over 3,300 former military personnel have been hired as teachers in 48 states and the District of Columbia. The average program participant is 41 years old, and more than 83 percent of those hired have stayed in the classroom. Teachers recruited through Troops to Teachers are twice as likely as traditional public school teachers to teach science or math and three times as likely to be minorities.

DPC Proposal

The Transition to Teaching initiative was included as part of the Administration's ESEA proposal – the Educational Excellence for All Children Act of 1999. This initiative would build on the successes of the Department of Defense's Troops to Teachers program by recruiting, preparing and supporting talented mid-career professionals from diverse fields as teachers of high-need subjects areas in high-need schools. The initiative would preserve the Troops to Teachers initiative by requiring the Secretary of Education to allocate the necessary funding to DANTES (the Defense organization that runs the Troops to Teachers program) before funding other programs. Additional grants would then be awarded to public agencies, institutions of higher education, and nonprofit organizations to recruit, prepare and support career-changing professionals whose knowledge and experience could help them become teachers of high-need subjects in high-poverty schools. Funds could be used for stipends, training, or other costs, with a spending limit of $5,000 per participant.

Cost

The Administration requested $18 million for this initiative in our FY 2000 budget request, but we did not receive those funds specifically. There is some discussion about using FIE funds to fund the program anyhow, but it is unclear if that will happen. We would probably request a similar amount in FY 2001.

Second-Chance Schools

One prominent legislative and policy measure to ensure a safe school environment has been to require removal of disruptive and dangerous students through expulsions and long-term suspensions. For example, the Federal Gun-Free Schools Act of 1994 requires a minimum 1-year expulsion for any student found to have carried a firearm on school grounds, which resulted in the expulsion of 6,000 students in a single school year. Most of these students were not offered alternative education, counseling or other services to help modify their behavior and continue their learning. Without such services, students generally return to school no better disciplined, behind in their studies and more likely to drop out of school.

School systems across the country are turning to "second-chance schools" to deliver educational and other services to expelled students, often in collaboration with social agencies or nonprofit service organizations. The programs typically differ from the expelled students' regular schools in these dimensions: the ratio of students to teachers, the way academic subject matter is presented, the setting of the program, the linkage of the school to the community or workplaces, the emphasis on behavior modification, the emphasis on counseling for conflict resolution and anger management, and the availability of comprehensive support services. Some seek to prepare students to return to their regular schools, and others prepare students to graduate and enter the workforce or postsecondary education directly from the alternative program.

The Administration could support the creation of more of these effective second-chance schools through an infusion of additional funds to the Department of Education's Charter Schools program earmarked for the development of second-chance schools. The initiative would build on the existing charter schools program, maintaining its priority for funding states with well-designed charter school laws that hold schools accountable for results. Governance and staffing for the schools would remain subject to state charter laws, although minimum criteria for a grant might include:

- Low student-to-staff ratio.
- Highly trained and carefully selected staff.
- Intensive counseling and monitoring.
- A vision and set of objectives for the program that are shared by all staff and integrated into an engaging and challenging curriculum with an emphasis on real-life learning.
- Collaboration with the school system and other agencies that provide critical services to youth.

There is some consensus that creating a second-chance school is generally more expensive than a typical elementary or secondary charter school. Currently the average charter school grant is about $100,000 a year for three years. An effective program would probably have to offer more money to ensure that schools are well designed and implemented. This second-chance schools initiative could probably expect to make grants averaging $250,000 a year for three years, with the possibility of smaller continuing grants for services not funded by the state or district (such as additional counselors and teachers). Allowable uses of federal funds could include professional development, team building, minimal facility renovation, additional planning time, extended learning time, additional counselors and teachers, legal and accounting consulting, supplies and other start-up costs. $50 million in FY '01 would provide seed money for about 150 schools.

Bigger Isn't Better

Improving Student Achievement with Smaller High School Learning Environments

Background and Rationale for Initiative

Incidents of school violence, like the recent tragedy in Littleton, Colorado, have caused serious alarm among parents and students who are unsure what has caused such tremendous alienation and aggression in our teenagers. Although there have been calls for tougher gun control laws and stricter discipline policies, more and more educators are pointing to a systemic problem -- the model of the American high school, one of the most enduring and unchanging institutions in our society. One indicator of our failure to adjust high schools to the changing needs of the population is the alarmingly high Hispanic dropout rate (30 percent for students born in the United States and 44 percent for those born outside the country). Hispanics are the fastest growing segment of our society, yet our high schools are clearly not engaging or serving these students. Finally, we are failing to prepare many students for the academic challenge of higher education and lifelong learning. While record numbers of high school graduates are going on to college, almost half of entering college freshmen drop out by the end of their second year. Close to thirty percent of students entering a four-year college have to take remedial courses.

Although experts cite a variety of factors that contribute to the decline of our high schools, including academic mediocrity, poor teaching, insufficient counseling services and waning parental involvement, most cite the same remedy for these ills – create smaller schools with smaller classes. Research shows that small schools can offer a strong core curriculum and, in most cases, a level of academically advanced courses comparable to large schools. Smaller schools also have better attendance records, lower dropout rates and fewer discipline problems. A 1996 study found that students in smaller schools were more likely to be involved in extracurricular activities and to hold positions of responsibility. Finally, research backs up the conventional wisdom that smaller schools are safer and more productive because students feel less alienated, more nurtured and more connected to caring adults, while teachers feel that they have more opportunity to get to know and support their students.

DPC Proposal

This proposal would build on an initiative introduced by Congressman Obey to establish smaller learning communities in America's high schools. The program would offer competitive grants to school districts that submit a plan to create smaller learning environments for students by building smaller schools or by breaking up larger schools using strategies such as creating schools-within-schools, establishing career academies, restructuring the school day and other innovations that allow schools to ensure that every student receives personal attention and support. A competitive priority could be offered to do not just create smaller schools, but also build those schools around the *Small Schools Workshop* criteria detailed above. Allowable uses of federal funds could include planning and implementation costs, professional development, team building, facility renovation, additional planning time, extended learning time, legal and accounting consulting, supplies and other relevant costs.

Cost

The Obey initiative is funded at $45 million in the FY 2000 budget, however the FY 2001 request would probably be for $200 million.

DRAFT

Peer Review

Background:

Despite considerable attention to the issue of teacher quality, teacher pay still remains far below other professions with the national average starting salary only approximately $25,000, average teacher salary overall only approximately $38,000, and the average maximum teacher salary in any state only about $51,000. After adjusting for inflation, the 1997-98 average teacher salary of $39,347 is just $1,924 more than the average salary recorded in 1972—a real increase of only about $75 per year.

During the DPC's discussions with local school officials this fall, the issue of teacher salary structure was raised on two fronts. First, local officials complained that because teacher pay was not competitive, particularly in high need areas such as math and science, they were having trouble attracting qualified candidates. Second, local officials pointed out that because teacher compensation systems are so rigid and based on input measures rather than output measures, they are likely to hurt motivation and incentive to perform in the long run. They also highlighted the problems that they have dismissing poor performing teachers and acknowledged that often they simply assign these teachers where they can do the least damage rather than attempting to get them out of the school district.

In addition, the Vice President and others have called for developing more equitable and expeditious ways to improve teacher quality, reward good teachers and get low-performing teachers out of the classroom. Specifically, in his May 16th speech at Graceland College, the Vice President called for rewards for good teaching, testing for new teachers, and teacher evaluations by experienced peers and administrators every 5 years, along with faster but fair ways to identify, improve, and when necessary remove low performing teachers. Several large school districts and the state of California have programs similar to what the Vice President proposed.

California Governor Gray Davis and New York Governor George Pataki recently unveiled agendas heavy on education and focused on teacher recruitment in their State of the State addresses. Pataki proposed attracting teachers by covering the tuition costs for students in New York public colleges who agree to teach for four years in public schools with teacher shortages; to provide tuition assistance to help uncertified teachers achieve certification; and to let professionals from other fields teach without having to meet the current. In California, Davis proposed providing cash bonuses, scholarships and down payments for houses for teachers who agree to teach in weaker schools. He also proposed granting $30,000 bonuses to teachers who achieve National Board certification.

England is now introducing pay for performance for teachers as well. This Spring the first component of the Blair proposal will be put in place. In the "Green Book" published in December of 1998 outlining school improvement strategies, the Blair Administration proposed rewarding teachers for high performance as a way to reward successful teachers.

While teachers' unions remain opposed to merit pay, they are open to the idea of peer evaluations and rewards for effective teaching. One of the main complaints about merit pay schemes is that they are too subjective and based more on relationships with supervisors than performance. The institution of rigorous peer evaluations of multiple measures, including student performance would be a more acceptable option for many unions, assuming teachers were involved in designing the peer review system.

A second complaint about performance rewards for teaching is that the resources for compensation rarely exist. For example, several New York school districts that experimented with merit pay had to suspend the program after it became fiscally impossible to reward all eligible teachers. A common complaint from teachers about reform efforts is a lack of sustainability. Federal resources for sustained salary increases would mitigate this concern.

Critics of performance pay also argue that teaching is a collegial profession and that efforts to reward individual performance detract from this atmosphere. There is little data upon which to judge this argument lending credence to the need to pilot such programs and evaluate them.

One area of agreement about pay for performance plans and higher standards for teachers is that teachers should have a voice in the development of the performance indicators. Teacher buy-in is essential for program success.

This spring, California passed a statewide peer review program that could result in dismissals for low-performing teachers. Boston, Cincinnati, Columbus, Minneapolis, Rochester, and Toledo also have peer review programs in place; however, often these programs focus on professional development rather than tenure issues. Cincinnati is a noteworthy exception and reviews teachers every 5 years and is probably the best example of a successful program.

<u>DPC proposal:</u>

Our initiative is designed to support the commitment laid out in the Action Plan from the 1999 National Education Summit to pilot pay-for-performance initiatives in 10 states or school districts and also to encourage districts to develop equitable and expeditious ways to evaluate teachers.

This initiative would award competitive grants to high-poverty urban and rural school districts to help them attract and retain high-quality teachers and principals through better pay and higher standards. In order to receive funding, partnerships involving school districts, local businesses, and teacher's unions, would take aggressive steps to raise teacher standards and provide professional development and intensive support to help all teachers and principals succeed. Participating partnerships would agree on steps to reward good teaching, provide mentors for new teachers and principals, recruit talented new teachers, and adopt faster, but fair ways to identify, improve, and when necessary remove low performing teachers. School districts would require rigorous peer evaluations to identify potential master teachers, provide advice and extra help to all teachers, and identify those few who should be placed into a program to improve, or when necessary remove low-performing teachers. Under this proposal, all teachers in participating school districts would receive up to a $5,000 salary increase. Master teachers, reaching an advanced professional standard, would receive an additional $5,000 salary increase – for example, given to those who get advanced certification through the National Board for Professional Teaching Standards Certification or those who pass a rigorous peer evaluation demonstrating high-quality teaching based on clearly defined and objective standards. Teachers should be treated and paid like professionals, and held to high professional standards. No teaching contract or license should provide a lifetime job guarantee, but we must provide all our teachers the intensive support and training needed to succeed.

Although there will be pressure from constituency groups and within the Administration to explicitly define every aspect of the program for local school districts, it would be a mistake to do so. First, by specifically defining programs we would stifle innovation and limit the value of data from this pilot. For example, the 1999 National Education Summit pledge was deliberately vague as to whether pay for performance plans had to have an individual teacher component or could be school-site-based. Second, entangling the federal government too much in the area of teacher pay raises numerous political problems that can be avoided with a more flexible program design. The proper federal role in supporting this type of initiative is to provide leadership and resources, broad parameters for participation, and to measure, compare, and disseminate results. The ideal initiative would provide resources to 10 sites within a context of broad discretion as to program design.

However, to ensure both sound policy and political viability, any program funded under this initiative should have the following characteristics:

- No teacher should receive less compensation as a result of participating in the program;
- Teachers should be involved in the development of performance indicators, evaluation criteria and systems;
- Evaluations should be based on more than a single indicator;
- Student performance must be an indicator.

<u>Cost:</u>

Including a substantial independent evaluation component, ~~10~~ 5 sites for pay for performance could be funded adequately for $~~60~~ 50 million annually. With guaranteed salary increases of $5,000 for participation and assuming that all 10 sites enroll the maximum of 500 teachers, the bonus component will cost $2.5 million. For an additional $7.5 million we can support pay increases for performance, strong peer evaluations or additional credentials (such as National Board for Professional Teaching Standards) of up to $5,000 per qualifying teacher for a total program cost of $32.5 million for the actual bonus component. Each local site will need additional resources for development and implementation including legal and administrative expenses. At least an additional $2.5 million should be included for national activities to attract potential grantees and to conduct rigorous evaluation of programs.

The peer review component will cost approximately $25 million. Most districts that have implemented a peer review system have taken experienced classroom teachers out of the classroom to help develop it. Therefore, funding for the participating sites must be sufficient to allow for this reallocation of staff (essentially hiring teachers in their place), design and implementation of the plan and ongoing efforts. The Cincinnati public schools spend approximately $2.5 million annually on their model system and estimate that it took about $2.5 million to develop it initially. With approximately 50,000 students Cincinnati is one of the nation's largest school districts. Smaller districts could develop proposals that are less costly and so $25 million annually could adequately fund 10 sites and evaluation.

Barbara Chow
01/07/2000 01:07:06 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Andy Rotherham/OPD/EOP@EOP

cc: Wayne Upshaw/OMB/EOP@EOP, Peter A. Weber/OMB/EOP@EOP, Jennifer E. McGee/OMB/EOP@EOP, Cathy R. Mays/OPD/EOP@EOP

Subject: Teaching to High Standards Rack Up

Below is our final (hopefully) proposed distribution of the Title II funding. The rationale for the state grants level remains roughly the same (LEA hold harmless). I'd like to close this out with ED today if possible. Please tell me as soon as you can, if this is problematic. I believe that ED will still balk at the low state grants level but we should hold firm.

---------------------- Forwarded by Barbara Chow/OMB/EOP on 01/07/2000 01:04 PM ---------------------------

Wayne Upshaw
01/07/2000 12:39:30 PM

Record Type: Record

To: Barbara Chow/OMB/EOP@EOP

cc: Jennifer E. McGee/OMB/EOP@EOP, Larry R. Matlack/OMB/EOP@EOP, Peter A. Weber/OMB/EOP@EOP

Subject: Teaching to High Standards Rack Up

Current Teaching to High Standards grid:

State Grants	$690
Other Programs	
Troops to Teachers/Transition to Teaching	$25
Early Childhood Professional Development	30
Principal/Leadership PD	40
Home Grown Teachers (National Activities)	75
Eisenhower Federal Activities	25
Eisenhower Math and Science Consortia	15
Teacher Quality Incentive Award	50
Peer Review	50
Other Programs Subtotal	$310
Total	**$1 billion**

Summary of the Department of Education's FY 2001 Budget Request

As shown in the table below, the Department of Education requests a total of **$41.5** billion in discretionary program level in FY 2001, an increase of **$6.8 billion** or 19.5 percent from the FY 2000 President's Budget level of $34.7 billion.

The Department of Education's FY 2001 Request All Numbers in Comparable Program Level					
($'s in Billions)	**FY 1999 Enacted**	**FY00 Budget**	**FY 2001 ED Request**	**(+/-) FY 1999 Enacted (%)**	**(+/-) FY00 Budget (%)**
BA	$33.3	$34.7	$41.5	$8.2 (25%)	$6.8 (20%)
OL	$28.7	$31.8	$36.4	$7.7 (27%)	$4.6 (14%)

ED's request increases funding for programs across the board. About $4.2 billion or about 60 percent of ED's requested budget authority increases are for the following six programs (all increases from the FY 2000 Budget): (1) Pell Grants (+$1,252 million in BA, +$803 million in program level); and (2) Teaching to High Standards (+$904 million); (3) Title I Grants to LEAs (+804 million); (4) Special Education Part B State Grants (+$500 million); (5) After School (+$400 million); and (6) Class Size (+$300 million).

Below are highlights of ED's budget submission.

Mandatory Programs: The Department is not proposing any new policy initiatives in the FY 2001 request for **FFEL/FDSL** owing to the recentness of the Higher Education Amendments. Mandatory **Section 458** funding for ED's loan administration (including amounts paid to guaranty agencies) will increase nearly 5 percent between FY 2000 and FY 2001 to accommodate increasing direct loan volume, from $735 million to $770 million. The payments to guaranty agencies are scheduled to decrease in FY 2001 by $10 million, to $170 million. These levels are consistent with the HEA.

Discretionary Programs -- New Programs:

* **Over $1.7 billion for Teacher Professional Development.** ED's request includes $1.7 billion for a new Teaching to High Standards program, a professional development program that consolidates Goals 2000, Eisenhower, and Title VI as proposed in the Administration's ESEA reauthorization bill. This amount is $904 million (114%) more than last year's request for the three consolidated programs and $529 million (45%) more than the FY 1999 level for these programs. The request also includes two other professional development initiatives: (1) $40 million for a Principal Leadership Initiative; and (2) $20 million for professional development for pre-school teachers.
* **$125 million for High School Reform;** a new program in the ESEA reauthorization proposal. This initiative, which would serve 1,000 high schools in FY 2001, supports research-based, comprehensive reform for high schools such as schools-within-schools.

* **$50 million for Higher Education for Individuals with Disabilities,** a new initiative to help State Vocational Rehabilitation agencies to increase the number of individuals with disabilities who attend college, and help them succeed in college.

* **Other noteworthy initiatives include:** $60 million for Strengthening Technical Assistance Capacity Grants, new formula grants to States and high-poverty LEAs to procure technical assistance. $30 million for Opportunities to Improve our Nation's Schools (OPTIONS), a new initiative supporting innovative public school choice models, such as worksite schools.

Discretionary Programs -- Increases to Base Programs:

* **$8.8 billion for Title I Grants to LEAs**; nearly $804 million (10%) more than last year's request and over $1 billion (13.8%) more than the FY 1999 appropriation. Approximately $215 million (2.5%) of this request would be available to States and school districts for accountability and school improvement activities.

* **$225 million for the Comprehensive School Reform Demonstration program** (Title I and FIE funds); $75 million (50%) more than last year's request and $105 million (87.5%) more than the FY 1999 appropriation.

* **$1.7 billion for Class Size**; $300 million (21.4%) more than last year's request and $500 million (41.6%) more than the FY 1999 appropriation. The request, and the matching requirement included in the ESEA proposal, would support a total of 49,000 teachers, 18,000 more than in FY 1999.

* **$691 million for Safe and Drug-Free Schools and Communities**, $100 million (16.9%) more than last year's request and $125 million (22%) more than the FY 1999 level. This includes $109 million for Safe Schools/Healthy Students, an increase of $49 million (82%)over last year's request, and $50 million for drug and violence prevention coordinators, the same as last year's request and $15 million (43%) more than the FY 1999 level.

* **$8.72 billion for Pell Grants to raise the maximum award to $3,525,** an increase from $7.5 billion in BA and a $3,250 maximum grant in the FY 2000 Budget request and from $7.7 billion in BA and a $3,125 maximum grant in FY 1999. The maximum award would be 8.5% higher than in the FY 2000 Budget and 12.8% higher than in FY 1999.

* **$6.7 billion for Special Education**, an increase of $1.2 billion over the FY 2000 Budget level of $5.5 billion. Most notably, ED requests a $500 million increase for Grants to States, +$90 million for State Improvement Activities (a 200% increase), and +$50 million to double funding for last year's Primary Education Intervention initiative.

$140 million

* **$1 billion for 21st Century community learning centers**; $400 million (66.7%) more than last year's request and $800 million (400%) more than in FY 1999.

* **$360 million for GEAR UP (HEAP Component),** up from $120 million in FY 1999 enacted and $240 million in the FY 2000 Budget. Funding would increase 50% over the FY 2000 Budget, which was a 100% increase over FY 1999 enacted.

* **$52 million for Research:** ED requests $250 million for the National Institute for Education Research, $52 million more than last year's request among the programs consolidated under this new authority.

* **Hispanic Education Action Plan (HEAP):** See Attachment

* **Other Noteworthy Base Program Increases:**
    * $150 million for **Charter Schools**; $20 million (15.4%) more than last year's request and $50 million (50%) more than the FY 1999 appropriation.
    * $40 million for **Advanced Placement** Incentives program; $20 million (100%) more than last year's request and $36 million (400%) more than the FY 1999 appropriation.
    * $386 million for **America Reads**; $100 million (35%) more than last year's request and $126 (48.5%) more than the FY 1999 appropriation. This request would permit an additional 12 States to create programs that use scientifically based reading research to improve the reading skills of elementary school students.

* **$601 million in discretionary funds for Salaries and Expenses,** $50 million or 9% over the FY 2000 request. Compared with the FY 2000 request level, this represents an increase of $41 million or more than 10% for Program Administration; $5.3 million or 7% for OCR; and $3 million or 9% for the Inspector General. It would support an additional 109 FTE, of which 66 are for Program Administration, 36 are for OCR, 5 are for the Inspector General and 2 are for VocEd.