Draft appropriations language for Small, Safe and Successful High Schools

Provided further, That $120,000,000 shall be available to support activities under section 10105 of Part A of Title X of the Elementary and Secondary Education Act of 1965, of which up to 5% may be available for evaluation, technical assistance, and school networking activities: Provided further, That funds made available to local educational agencies under this section shall be used only for activities related to establishing smaller learning communities in high schools: Provided further, That funds made available for section 10105 of Part A of Title X of the Elementary and Secondary Education Act of 1965 shall become available on July 1, 2001 and remain available through September 30, 2002.

TO: Barbara Chow, Bruce Reed, Frank Holleman, and Mike Cohen

FROM: OMB, DPC, and Education Staff

SUBJECT: Decisions on selected Department of Education programs and initiatives

DATE: January 18, 2000

This memo outlines decisions that need to be made on selected Department of Education programs before policy documents related to the FY 2001 Budget can be completed. In addition, it includes the status of the development of other programs for which decisions are not as crucial over the next few days, but which may require additional discussions over the coming two weeks.

We provide a brief description of the programs for which there are outstanding issues, followed by the issues and options for resolving them. Where possible, we indicate in parentheses who supports which options, although some of these are only marginal preferences. Behind the cover memo is a set of background papers on the programs addressed in this memo.

21st Century Community Learning Centers

Description: The President's FY 2001 Budget will include an initiative to provide high quality, universal after- or summer-school programs for every student in a failing school. The initiative will expand the existing 21st Century Community Learning Centers program to $1 billion, more than doubling the $453 million in the program this year. The requested level is sufficient to provide either after-school or summer-schools programs for 80% (the assumed participation rate) of the students in the 8,000 schools currently identified under Title I as being in need of improvement, and provide continuation awards to current grantees. As in our ESEA proposal, there is a 50% matching requirement on the new funds.

Outstanding Issues:

- **Which schools should be prioritized to receive grants?** Do we consider failing schools to be those in corrective action (the worst schools) or all those in school improvement? The ED and WH positions have come much closer together over the last few days. Both options below provide a competitive priority for targeted schools, meaning eligible schools get extra points in the competition, as opposed to an absolute priority, which requires certain conditions **must** be met to receive funds. This means that failing schools will have a leg up in the competition for funds, but will not be guaranteed money for an after-school program unless they submit a high quality application. This however, can be a strength as some funds will then be available for non-failing schools – which will help preserve the broad support for the program.

Option 1: Provide a strong competitive priority on the new money ($547 million) for any school in school improvement. (DPC, OMB)

Option 2: Provide a strong competitive priority on the new money ($547 million) for any corrective action schools, and a less strong competitive priority for the other schools in school improvement (ED)

- **Should the funds be administered competitively or on a formula basis from the Federal level?** If competitive from the Federal level, ED retains more control over the quality of the awards and we sidestep the issue that some States have only a few schools identified for improvement. Also, moving to a formula is something that could easily be negotiated with Congress and therefore may not be necessary to do now. However, ED has never administered a $1 billion competitive grant program. And, if Congress will likely adopt a formula model at this high of an appropriation, then the Budget proposal should provide the Administration's view of how such a formula should look. If changed to a formula grant, we would need to include appropriations language in the Budget.

Option 1: Retain the program as a competitive grant from the Federal level. (DPC, OMB marginal preference)

Option 2: Any funds not needed for continuation awards or national activities would be allocated to the States by formula. Each State would receive funds based on their share of Title I Grants to LEAs funds. States would structure their competitions to reflect priorities as decided in the question above. (ED)

Title I Accountability

Description: In the FY 2001 Budget, the Administration will pursue an appropriations language strategy, similar to last year's strategy, to ensure there is authorizing language for the Accountability Fund if the ESEA reauthorization does not pass, and to make modifications in the Fund's provisions. There is agreement that in FY 2001 the Fund should equal $250 million, that most of the money should be used to turn around failing schools, and that the language should include the strongest choice provision possible.

Outstanding Issues

- **Should the language include an earmark for "$250 million", or for "$250 million or 3%, whichever is greater"?** The argument for $250 million is that is the exact amount agreed to. The $250 million or 3% approach allows us to retain the idea of our reauthorization proposal.

Option 1: earmark $250 million (OMB)

Option 2: earmark $250 million, or 3%, whichever is greater (ED)

- **What percentage of funds should go to LEAs?** The ESEA reauthorization proposal allows States to keep up to 30% of the funds to implement accountability systems and to provide technical assistance and requires that at least 70% go to school districts with low-perfomring schools. At $250 million, at least $175 million would go directly to LEAs, $41 million more than last year). The FY 2000 appropriations bill requires all 100% to go to LEAs.

  Option 1: retain 30%/70% split between States and LEAs. (OMB, ED)

  Option 2: require that 100% of funds go directly to LEAs

- **Which schools should be required to implement a choice option?** The ESEA proposal allows LEAs to use a choice option for schools in corrective action, in conjunction with other corrective action activities. Option 1 strengthens that approach by requiring choice for all corrective action schools, the worst of the failing schools, but a small enough number of schools so that the requirement should not create a capacity problem. The Republican proposal requires all schools in school improvement to offer choice to all of their students, to be implemented within18 months of being placed in school improvement. The 2000 appropriations language requires all schools in school improvement to offer a choice option, unless the district shows the State that it does not have the capacity to do so, then choice must be offered on an equitable basis. In all cases, the choice requirement would apply only those schools that receive resources from the Accountability Fund.

  [illegible] must

  Option 1: all schools in corrective action (ED; OMB unless the number of schools in corrective action is very small)

  Option 2: all schools in school improvement

  Option 3: all schools in school improvement unless the LEA shows that it does not have the capacity to carry out that policy

- **Should transportation costs be limited to 10% of the Accountability Fund?** A concern with last year's choice provision was the lack of limit on transportation costs, which would possibly draw funds away from school improvement activities. However, a specified limit may have the unintended effect of raising the amount spent on transportation by giving a green light to spend on an activity that ED has tried to discourage.

  Option 1: yes (ED; OMB: include the 10% limitation on transportation if the choice provisions is expanded beyond corrective action schools)

  Option 2: no

- **Which schools should be prioritized for services?** The ESEA proposal places a first priority on schools in corrective action, and a second priority on other schools in school improvement. However, some States have identified few schools for school improvement and even fewer for corrective action. In that case it may make sense to allow funds to be used on other low-performing schools

Option 1: first priority on corrective action schools, second priority on school improvement schools, unless the State has identified very few, then the lowest-performing schools (should we define these?).

Option 2: all school improvement schools on an equal basis, unless the State has identified very few, then the lowest-performing schools (should we define these?).

Recognition and Rewards

Description: This initiative creates a $50 million rewards fund for states that make exemplary progress in student performance and close the achievement gap on the National Assessment of Educational Progress exams in 4th and 8th grade reading and mathematics. In FY2001, rewards would be given to states based on achievement gains on the 4th and 8th grade math exams between the 1996 and 2000 administrations. Fifteen states would not be eligible for rewards based on non-participation in either 1996 or 2000; the number is much smaller if earlier NAEP scores are allowed as the baseline. Based on state eligibility of 7-15 states for rewards, awards could range from $3.5 - $7 million. Currently NAEP subjects like math and reading are administered only every four years. Each administration of NAEP for math or reading in two grades costs $12 million. We may want to consider administer math and reading biennially, on alternating years.

- **Should NAEP scores be the only allowable basis for rewards, given that not all States participate in NAEP?** If any NAEP scores from 1994 on are allowed as the baseline, then six States would not be eligible for reading awards for at least four years, assuming additional administrations of NAEP (AK, ID, NV, OH, SD, VT), and two States would not be eligible for math awards for at least five years (PA, SD). However, NAEP tests are widely believed to be the most rigorous measure available of student achievement and the vast majority of States participate in it.

  Option 1: use NAEP only as the basis for the rewards, administer math and reading NAEP biennially, and encourage all States to participate.

  Option 2: use NAEP as the basis for the rewards, administer math and reading NAEP biennially, and in the first few years of the program, allow non-NAEP States to provide an independent assessment of the quality of their standards and assessments, and if they are determined to be rigorous, allow those States to use state assessments as the basis for the rewards. By 2004, NAEP would be the only basis for the rewards. States that have not participated in NAEP would provide an independent assessment of their standards and assessments that attests to their rigor, and then could qualify for an award if they show substantial improvements in achievement and closing the learning gap as measured by their State assessments

- **Should having a high school exit exam be a requirement for receiving a reward?** Given that the rewards are based on 4th and 8th grade performance, this would include an accountability mechanism at the graduation level. It would place an incentive on having an accountability system in place that includes graduation. However, it is a departure for the "reward for performance" construct and it would reward states for having exams in place for graduation that include 8th grade standards. At present, there are reported to be only 8 states that have graduation exams that use a 10th grade standard. The emphasis would be on inputs rather than outcomes, which would be contradictory to the rewards message and incentives.

  Option 1: States must have a high school exit exam with at least 10th grade standards in order to receive a reward, even if they show the required gains in student achievement. (DPC)

  Option 2: Do not require a high school exit exam as a condition for receiving an award.

- **How much does a State need to improve in order to get a reward?** These issues may not need to be decided now in great detail right now. The current proposal suggests that a State that increases its mean by 3 points on NAEP and decreases the learning gap by 3 points, without a drop in scores for higher performing students would receive a reward. (Ten points is approximately equal to a grade level). Is this a sufficient increase? Also, should the rewards system be designed to reward improvements or high scores, or both?

(Do we need to spell out options for this, or just assume that we will need to discuss it further?)

School Renovation Program

Description: The Administration has proposed a $1.3 billion school repair grant and loan program. This program will support small (under $1 million) urgent need repairs for school districts with little or no capacity to fund renovation.

Outstanding issues:

- **Should our appropriations language amend the existing Title XII, or should it be freestanding?** Amending the existing Title XII of ESEA would be more attractive to some members of Congress, however, Title XII would need to be changed considerably in order to allow for loans and to change the allocation of funds based on school districts. Using appropriations language that does not tie to any existing authorization may allow for more flexibility in creating the program.

Option 1: Use existing Title XII authorization.

Option 2: Do <u>not use</u> existing Title XII authorization, and instead include a freestanding provision in the Budget.

Status of Other Programs with Outstanding Issues

The following programs have either been developed to the point that there are no outstanding controversies, or need further development, but not immediately. Background papers on all of these are attached.

Hometown Teachers: In general, there is policy agreement on this issue. OMB, DPC and ED are still addressing a few details of the program including a possible name change. (see page... in attachment)

Teacher Quality Incentive Award: In general, OMB, DPC and ED have reached consensus on policy issues. Details of this program, including the exact targets a district must reach to receive an award and the measuring tools to be used, still must be determined. (see page... in attachment)

Higher Standards, Higher Pay: Significant policy work remains to be done on this program. ED and OMB have expressed many concerns regarding the most recent proposal. Among these concerns are (1) Under the current proposal, all teachers will receive a $5,000 salary increase, regardless of quality, until a peer review is in place (2) Under the current proposal, the federal government would pay for teachers' salary increases indefinitely, and (3) The current proposal does not necessarily insure that districts will use rigorous peer reviews -- a district could provide all teachers an additional $5,000 (above the first $5,000). Additional concerns are listed in the attached document. (see page... in attachment)

Background Papers
Table of Contents

After-School

Universal After-School

SOTU MESSAGE: EVERY CHILD WHO IS ATTENDING A FAILING SCHOOL WILL HAVE THE OPPORTUNITY TO PARTICIPATE IN QUALITY AFTERSCHOOL OR SUMMER SCHOOL PROGRAMS.

Question I: **The Universal After-School initiative pledges to make after-school or summer school available to every child in a failing school. What is the definition of failing schools that we want to use: all schools in school improvement (approximately 8,000 schools) or all schools in corrective action (560-4800 schools)?**

Option A:

All children in failing schools, defined as schools identified under Title I as in need of improvement, will have access to after school and/or summer school.

$1 billion in FY 01--$453 million in continuation grants, $547 new money of $547 million would be targeted to schools in Title I school improvement. A requirement of a 50% match would be added to the new money to help extend the program to more students in failing schools.

Competitive priority would be first given to the approximately 8,000 schools in Title I school improvement. A competitive priority would not guarantee that all 8,000 schools received after-school funding, but it would help to drive quality whereas an absolute priority would be an assurance for funding with no guarantee that there would be a quality standard.

If every school came in with a quality application and 80% of students from each school were to participate, then the $547 million would allow us to fund quality programs in every Title I school in school improvement. If not, which is more likely, there would be additional money available. In any event, funding would also be available to non-Title I failing schools, they just would not have the benefit of a competitive priority. This would allow us to continue to make the claim that the program is not targeted only to failing schools.

The issue of CBOs would be addressed in the context of ESEA reauthorization – a proposal of 10% of the funds for CBOs as fiscal agents. If the authorization language were opened up in appropriations, we would relitigate the CBO issue by seeking to increase the percentage set-aside with a focus on quality and accountability to help best serve the children in the worst schools.

Option B: **To be provided by the ED (focus on schools in corrective action)**

Question II: **Should the 21st Century CLC program be run as a competitive or formula program?**

Option A: *Competitive*

The program could continue to be run as a competitive grant program from the

After-School

feds to the LEAs. This makes some sense from a quality control and targeting perspective in the first year of sending money to failing schools. It also leaves us with a bargaining chip for negotiations—i.e., Republicans would like to make this a formula program anyway and it would constitute a "concession" with which we could live.

Option B: *Formula*

Make the 21st Century program a formula grant program to the states with the states running a competitive grants process to the districts. States could then create a priority for targeting failing schools (either school improvement or corrective action schools). The Department believes that given that we know Congress wants to turn this into a formula program, we would be in a better bargaining position to go to the Hill with this as part of the plan.

Question III: What should our "out-years" policy be on the continuation grant money ($453 in FY2000)?

Option A: ***Focused on failing schools***

This option would roll over current continuation money into the "failing schools pot" as that money became available. The 21st Century program would have a competitive priority for schools in school improvement or corrective action. The total amount available would be straightlined at $1 billion. Under a formula grant to states, the program would require states to create a competitive priority for schools in school improvement or corrective action.

Option B: ***Continue dual focus on failing schools and all schools***

This option would continue to focus the existing FY2000 money on "all schools" and the new money for FY2001 on "failing schools." The failing schools pot would have a competitive priority for school improvement or corrective action schools. Under a formula program, states would receive two pots of money—failing schools and all schools.

After-School

Option For Competitive Priority For Low-Performing Schools
(Department of Education proposal)

This proposal would promote high-quality extended learning programs and provide a competitive priority to low-performing schools, such as schools identified for corrective action or as in need of improvement under Title I.

Under this proposal:

- The Department would reserve funds for the continuation awards and would continue to administer those grants.

- Any funds not needed for continuation awards or national activities would be allocated to States by formula. Each State would receive the same share of 21st Century Community Learning Centers funds as they received under Part A of Title I in the previous fiscal year.

- States would award funds competitively to LEAs, giving a priority to schools identified for corrective action. States would provide a smaller priority for schools identified as in need of improvement. In making awards, States would use a rigorous peer review process.

- Each State would have to provide the Department with a plan for its awards process. States would have to describe: (1) its process for making awards, including which schools would receive a priority and how the priority would be provided; and (2) the steps it would take to ensure that programs supported with program funds provide students with high-quality extended learning opportunities. To help ensure quality, the Department would subject State plans to a peer-review process.

- LEAs would apply on behalf of schools. Applications would have to demonstrate that the LEA and school had developed a plan for providing high-quality extended learning programs. Applications on behalf of schools receiving a priority would have to identify an entity with expertise in extended learning programs to serve as a partner in providing services. This entity would be responsible for operating the extended learning program at the center. Possible partners would include community-based organizations, IHEs, or high-performing districts.

- The Department's proposal would allow States to use up to 10 percent of their allocations for subgrants to CBOs. To receive an award, a CBO would have to show that the affected LEAs concurred with the project and agree to conduct the program in public elementary or secondary school buildings.

Title I
Accountability

DRAFT
JANUARY 14, 2000
8:10 AM

Department of Education Appropriations Act, FY 2001
ESEA, Title I accountability
(with 10% limit on transportation)

[#1-A] Provided, That $250,000,000 of such funds [i.e., the Title I-A account] shall be allocated among the States in the same proportion as funds are allocated among them under section 1122, to carry out sections 1116(c), 1116(d), and 1117 of that Act; [ED would allocate these funds to the States]

OR

[1-B] Provided, That the Secretary of Education shall ensure that, in the aggregate, States use at least $250,000,000 of such funds [i.e., the Title I-A account] to carry out sections 1116(c), 1116(d), and 1117 of that Act; [ED would let each State know what its pro-rata minimum would be so that the national total would be $250 million, similar to what we do under Eisenhower to ensure that the national minimum is spent on professional development in math and science]

[#2] Provided further, That each State shall allocate at least 70 percent of those funds to local educational agencies to carry out section 1116(c);

[#3] Provided further, That in allocating those funds [i.e., the 70%], each State shall give priority first to local educational agencies with schools identified for corrective action under section 1116(c)(5) and second to local educational agencies with schools identified for program improvement under section 1116(c)(1) that are farthest from meeting State standards, which those agencies shall use for the benefit of students in those schools;

[#4] Provided further, That a State educational agency shall require any local educational agency receiving those funds [the 70%], except where prohibited by State or local law or a policy adopted by a local school board, to permit as many students as possible (selected, if that is necessary, on an equitable basis) attending any school identified for corrective action under section 1116(c)(5) to transfer, at no cost to the student, to another public school, if any, of the agency that has not been so identified, in addition to taking at least one other action described in section 1116(c)(5)(B), except that no agency may use more than 10 percent of those funds for the costs of transportation; and

[#5] Provided further, That each State shall use the remainder of those funds [i.e. the other 30% or less], first to take corrective action, under section 1116(c)(6)(B), with respect to schools and local educational agencies described in that section; second to take corrective action with respect to local educational agencies in accordance with section 1116(d)(6); and third, to provide technical assistance, on request, to remaining schools that are farthest from meeting State standards.* * *

Title I
Accountability

Comparison of School Choice provisions in School Improvement and Accountability Sections

	Administration ESEA	H.R. 2 (House-passed Title I)	2000 Appropriations Language
General Description	If a school is in **corrective action**, an LEA must intervene in or close the school, and, in conjunction with those actions, **may allow** students in those schools to transfer to another public school. Title I funds may be used for transportation costs.	Not later than 18 months after a school is identified for **school improvement**, the LEA must provide all students in those schools with the option to transfer to another public school in the LEA, or in another LEA if an agreement is made between the two LEAs, unless this is prohibited by State or local law. Title I funds may be used for transportation costs. Choice remains an option for these students for at least two years after a school is no longer in need of improvement.	Schools in **school improvement that receive funds under the Accountability earmark** (according to ED's draft guidance) must provide all their students with the option to transfer to another public school, unless the LEA shows the State that it does not have the capacity to provide all affected students with the transfer option. In that case, the LEA must allow as many students as possible to transfer on an equitable basis.
<u>Comparison</u>			
How is it funded?	through the State Accountability or administrative set-aside or through LEA Title I funds	through State administrative set-aside or through LEA Title I funds	through the $134 million Accountability earmark
Which schools must offer a choice option?	schools in corrective action, if the LEA chooses to allow such transfers	schools in school improvement	schools in school improvement that receive Accountability Funds (this is ED's interpretation of the appropriations statute)

Title I Accountability

Which students can transfer?	all students in the identified schools, if the LEA chooses to allow such transfers	all students in all schools in school improvement	all students in all schools that receive Accountability funds to the extent that the LEA has the capacity to place them
Timeframe for implementing choice option	immediately, if the LEA exercises this option	within 18 months of a school being identified as being in school improvement	immediately in schools that receive Accountability funds (since this language is in an appropriations act, having a longer implementation timeline was not an option).
How long can students exercise choice option?	undefined	for at least two years after a school is no longer in school improvement	undefined
Can transportation be funded?	Yes	Yes	Yes

DRAFT DRAFT DRAFT
01/17/00

Recognition & Rewards

Rewarding High Performance and Closing the Achievement Gap

Summary

This initiative creates a $50 million rewards fund for states that make exemplary progress in student performance and close the achievement gap on the National Assessment of Educational Progress exams in 4th and 8th grade reading and mathematics. In FY2001, rewards would be given to states based on achievement gains on the 4th and 8th grade math exams between the 1996 and 2000 administrations. Fifteen states would not be eligible for rewards based on non-participation in either 1996 or 2000. Based on state eligibility of 7-15 states for rewards, awards could range from $3.5 - $7 million.

Background

The current statutory language that authorizes rewards to states for demonstrating significant statewide achievement gains is predicated on an annual administration of NAEP exams in math and reading. However, NAEP is not given every year in the same subject areas. In fact, NAEP exams are administered every two years and individual NAEP subjects like math and reading are administered only every four years.

In order to develop a rewards package based on performance for FY2001, awards could only be made for state performance in 4th and 8th grade math and 4th grade science (8th grade science was not tested in 1996. While 4th and 8th grade reading exams were given in 1998, they will not be given again until 2002.

A FY2001 Rewards Program

For the purposes of the budget, a Rewards Program for FY2001 would have the following components.

State Eligibility

State would have to have participated in the 1996 and 2000 administrations of the 4th and 8th grade math NAEP exams.

Under this criteria, 15 states would be ineligible for rewards: Idaho, Illinois, Kansas, Ohio, Oklahoma, Pennsylvania, South Dakota, Arkansas, Colorado, Delaware, Florida, New Hampshire, New Jersey, Washington and Michigan. Included at the end the memo is a table provided by ED on state participation since 1994.

Options:

- The program could include the 4th grade science exam. This would provide another ~~achievement indicator. At the same time, the focus on~~ math is cleaner and it is likely that the rewards program will be based on reading and math performance only.

Recognition 4 Rewards

Also, although OMB has talked about allowing states to use exams that have standards on par with NAEP to get more states into the process, the fact is, according to the NRC, there are no states that meet that standard.

Reward Criteria

States would have to achieve the following on the 2000 NAEP exam in 4th and 8th grade math as compared with their performance on the 1996 exams:

1. Increased student achievement overall (mean score).

2. Progress in closing the achievement gap between high-performing and low-performing students in the state. The gap could only be closed by increases at the bottom and increases or flat scores at the top (and not by decreases at the top).

For example, progress could be benchmarked at increases in the state mean of 3 points and decreases in the gap of 3 points, without decreases in the mean for the 75th percentile.

In addition, the state would have to show that it was including students with limited English proficiency and/or disabilities to the greatest extent possible.

Options:

- Include a requirement that states must put in place a high school exit exam.
  Pros: Given that the rewards are based on 4th and 8th grade performance, this would include an accountability mechanism at the graduation level. It would place an incentive on having an accountability system in place that includes graduation.
  Cons: It is a departure for the "reward for performance" construct and it would reward states for having exams in place for graduation that include 8th grade standards. At present, there are reported to be only 8 states that have graduation exams that use a 10th grade standard. The emphasis would be on inputs rather than outcomes, which would be contradictory to the rewards message and incentives.

- Provide two sets of rewards: high achievers and exemplary growth: 1) those that make significant progress and close the achievement gap and 2) those that make significant progress, close the gap and that surpass some absolute standard (such as "having more students at the proficient level than the national average" or "50% or more of the state's students at a basic level).
  Pros: Provides for rewards for high flyers that might not have as much room to grow (although they would also have to make progress and close the achievement gap). Would avoid a situation where all the rewards could go to states that are making progress but have low overall scores.
  Cons: Opposing arguments is that we should be rewarding progress and focus on those who are making the greatest strides, irrespective of scores.

Recognition & Rewards

- Provide rewards for those 1) making exemplary progress and 2) making satisfactory progress. Again, these states would also have to close the achievement gap.
  Pros: This would allow anyone moving forward to receive an award, but would reward more highly those making great strides.
  Cons: Finite funds should only be used to reward top performers so that rewards can be as large as possible.

Size of Rewards

Contingent upon how you structure the rewards program and assuming 7-15 awards each year, awards could range from \$3.5 - \$7 million per state.

The Department applied the above reward eligibility and achievement criteria to 4th grade reading exams in 1994 and 1998. They found that 11 states would be eligible (CA, CO, CT, DE, FL, KY, MD, NY, TX, VA, and WA). An evenly divided \$50 million (with no money for dissemination or evaluation) would yield roughly \$4.5 million per state.

Use of Funds

Consistent with the President's ESEA reauthorization proposal, reward funds could be used to provide supplementary grants or administrative funds to States to carry out the purposes of the ESEA. Alternatively, states could be required to use funds to further close the achievement gap and/or to allocate the funds to low-performing LEAs within the State.

Plan for the Out-Years

In the out-years, the Rewards Program would offer awards for performance, as described above on 4th and 8th grade reading and math NAEP exams. At present the exams are each given every four years—at two-year intervals. Thus, reading exams will be given in 2002 and awards could be given based on progress since 1998 in FY2003. Math exams will be administered again in 2004 and rewards could be given based on progress since 2000.

Alternatively, the NAEP administrations could be changed from every four years to every two years, allowing rewards to be given each year alternately for math and reading performance. In addition, rewards could also be given for performance on science and writing exams. Including them would provide a more well rounded rewards program and create incentives for states to continue their focus on each of these subject areas. At the same time, not including them would focus rewards on acknowledged core subject matters: math and reading and would be consistent with the Administration's focus on these areas (including the President's call for national tests).

According to NCES, administering state NAEP on annual, rather than biennial basis would cost NCES an estimated \$12 million for state and \$9 million for National NAEP per subject for 2 grades.

Recognition & Rewards

NAEP Year	Reward Year	Subject and Grade	States not participating or did not meet guidelines for reporting
1994		Reading, 4	10 states: AK, DoDEA, ID, IL, KS, NV, OH, OK, OR, SD, VT, VI
1996		Math, 4 & 8; Science 4	7 states: ID, IL, KS, OH, OK, PA (participated in 4th grade math only), SD, VI
1998		Reading & Writing, 4 & 8	13 states: AK, GM, ID, IN, KS (no grade 8 writing), MA (4th grade reading only), NV, NH (4th grade reading only), NJ, ND, OH, PA, SD, VT,
2000	FY01	Math & Science, 4 & 8	9 states: AK, CO, DE, FL, NH, NJ, PA, SD, WA, MI?
2002	FY03	Reading & Writing, 4 & 8	
2004	FY05	Math & Science, 4 & 8	
2006	FY07	Reading & Writing, 4 & 8	

School Renovation

For grants and loans to carry out school renovation under Title XII of the Elementary and Secondary Education Act of 1965, $1,300,000,000, which shall become available on July 1, 2001 and shall remain available until expended, of which (1) $50,000,000 shall be for grants to local educational agencies (as defined in section 8013(9) of such Act) in which the number of children determined under section 8003(a)(1)(C) of such Act constituted at least 50 percent of the number of children who were in average daily attendance in the schools of such agency during the preceding school year; (2) $125,000,000 shall be for grants to high-poverty local educational agencies (other than those under (1)); and (3) $1,125,000,000 shall be for the costs of loans to high-poverty local educational agencies; *Provided,* That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974; *Provided further,* That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed $7,000,000,000; *Provided further,* That notwithstanding any provision of Titles XII and XIV, the Secretary shall make these grants and loans subject to such terms and conditions as the Secretary shall establish.

School Renovation Appropriation language **not** using Title XII Authorization

For grants and loans to carry out school construction, $1,300,000,000 for grants and loans to carry out a school renovation program, which shall become available on July 1, 2001 and remain available until expended, of which (1) $50,000,000 shall be for grants to local educational agencies (as defined in section 8013(a) of such Act) in which the number of children determined under section 8003(a)(1)(C) of such Act constituted at least 50 percent of the number of children who were in average daily attendance in the schools of such agency during the preceding school year; (2) $125,000,000 shall be for grants to Local Education Agencies (other than those under (1)) and (3)$1,125,000,000 shall be for the costs of direct loans, Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed $7,000,000,000: Provided further, That grants and loans under this heading shall be made to high-poverty local educational agencies and shall be subject to such terms and conditions as the Secretary shall establish.

Independent School Leadership Centers: Training Leaders 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 independent 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.

Hometown Teachers Proposal

This new initiative would help high-poverty school districts to address teacher shortages by developing long-term, pipeline-style programs to recruit teachers. In addition, these grants will complement existing and proposed programs that offer short-term solutions to teacher shortages such as Title II State Grants, Transition to Teaching, and Teacher Quality Enhancement Grants, and programs that aid in the retention of teachers such as Title I and Title II State Grants.

The cornerstone of this program is a competitive grant to high-poverty school districts to develop "grow your own" programs to address long-term shortages of qualified teachers. Programs supported by this grant would begin to cultivate students as early as middle school and would intensify the recruitment efforts as participants move through high school. Upon high school graduation, participants would attend colleges to gain expertise and teacher certification. After college, the students would become teachers in high-poverty districts. Throughout the program, students would receive exposure and training experiences through programs such as summer camps and tutoring experience. Hometown teachers could also receive salaries for work during high school and college, scholarships for tuition, recruitment signing bonuses, and high quality professional development. A district should shape its Hometown program to suite its needs, possibly using some of the ideas suggested here and adding additional activities as needed. In addition to helping districts to address long-term teacher shortages and helping districts to further address short-term need and recruitment concerns, this program would help high-poverty school districts steer students from high-poverty districts toward college and a career.

Program Structure: Competitive grants for the Hometown teacher program, averaging $1 million would be made to high-poverty school districts with shortages of qualified teachers. In order to be competitive, a district must demonstrate that it has developed a pipeline-style method of teacher recruitment, is addressing short-term teacher recruitment needs and has developed a means to retain its current teachers. Districts should also show how other district, state and federal programs would complement the Hometown teachers program.

In addition, because the pipeline activities within the Hometown teachers program will be most effective if they are complemented by both short-term teacher recruitment programs and teacher retention programs, a portion of each district's grants may be used to enhance programs with these aims.

While an application should demonstrate four stages of the teacher pipeline, a district can implement all of these stages concurrently during the first year of the program.

Middle School: This stage entails exposing middle school students to the teaching profession and building a spirit of community and teamwork amongst participants. In middle school, Hometown teachers could serve as aides to master teachers or help tutor elementary school students. Middle school students might also participate in activities such as a special student advisory board to the principal, or a school improvement committee. Participants could be offered special opportunities such as field trips to elementary schools to offer them more opportunities to learn the skills needed for teaching. During this stage, Master teachers would provide excellent role models in teaching to Hometown teachers.

In order to retain student's interest over the summer and build students' connection to their community, districts could sponsor summer camps during which middle school students, under the guidance of older students and teachers, could participate in activities that identify and solve a particular challenge to their community. These camps would not only help build skills needed to be a successful teacher, such as teamwork and problem solving, but also help build a bond between the Hometown teachers and their community.

High School: As students progress to high school, the program will provide increased incentives and opportunities as well as an intensification of the cultivation and selection process of Hometown teachers. High school students could serve as tutors, earning them course credit or pay. Students could also be offered summer employment at the same Hometown teacher summer camps that they attended as middle school students.

In addition to cultivating an interest in teaching, districts should help students and their families to select, apply to and prepare for college. This might involve school districts partnering with colleges and universities. At the end of high school, the most promising students could receive college scholarships, contingent upon service commitments either to the home district or another high-poverty district participating in the Hometown program. At this point, districts could also make arrangements with students to offer summer employment while the student is in college and to recruit the student for a position on the faculty once the student completes college.

College: During this stage, Hometown teachers, with the assistance of their school district, could be accountable for maintaining a minimum grade point average and completing needed courses in college. Districts could offer participants extra support during the first two years of college, guaranteed summer employment, and if possible, part-time jobs helping after school programs during the school year. During the summers, students could earn entry-level salaries as teaching assistants to summer school teachers or as counselors for the districts' summer camps.

Post-College: Participants successfully completing college could be guaranteed a job in their own or another school district that participates in the Hometown program. Districts could develop employment packages that would be used to encourage Hometown teachers to accept teaching positions. These packages could include signing bonuses in exchange for a service commitment, stipends for classroom materials, and professional development to become master teachers. Other increased responsibilities might include gaining national certification or serving as the school's professional development coordinator or lead teacher.

In addition, Hometown teachers would serve as role models for their students in high-poverty districts by coordinating activities such as the summer camp for the next generation of Hometown teachers.

District-Level Teacher Quality Rewards Program

Summary

Under the President's Title II proposal, this initiative creates a $50 million Rewards Program for high-poverty LEAs (as defined by Title I-A concentration grants) that make demonstrated progress in improving teacher quality. Rewards would be given to districts in three categories (based on student population) in rank order of progress.

Rewards Program for FY2001

Rewards Criteria

Rewards would be given to high-poverty districts based on their progress on two criteria. A composite score of the percentage increases on certification and in-field indicators would be developed. Districts would have to

1. Increase the percentage of certified teachers
2. Decrease the percent of secondary teachers teaching out-of-field.

To be eligible for a reward, LEAs would have to provide the following:

- State assurance that it has not made any policy changes that have lowered the standard for initial teacher certification or licensure.

- Baseline data on indicators of teacher quality. This data would include information on:
  - Percent of teachers who are either fully certified, working towards full certification, or fully certified in another state and meeting state requirements
  - In-field/Out-of-field teaching for secondary teachers. Consistent with proposed ESEA language, teachers would have full certification, "have had academic training or can demonstrate competence in the field they teach." The program would use an NCES-defined or other standard definition for out-of-field teaching.

- Status data demonstrating progress on teacher quality indicators reported in baseline.

In addition, districts would be asked to provide the strategies they employed to improve teaching quality. These would not be used as review criteria, but to expand understanding and disseminate promising practices.

Award Categories

The Rewards program would include three categories of districts:

- **Fewer than 1,500 students**, representing 11% of all students and 8,921 LEAs
- **1,500 to 24,999 students**, representing 59% of students and 5,552 LEAs

- **25,000 students and above**, representing 30% of students and 216 LEAs.

Size and Range of Awards

The Rewards Fund would make $50 million available to districts. Awards would be given to the top scoring districts by category. Awards could be provided as follows:

LEA size	Share of overall allocation	Range of award	Number of awards
25,000+ (30% of students)	$15 million	$2-3 million	5-7
1,500-24,999 (60%)	$30 million	$500,000-2 million	15-60
<1,499	$5 million	$25,000-$500,000	10-200

Use of Funds

LEAs receiving reward money would be allowed to use it as supplementary, not supplanting funds for carrying out the purposes of further teacher quality efforts, including expenditures on ESEA, Title II (and HEA, Title II programs?).

Outstanding Issues for Teacher Rewards

The following are issues that are not critical for resolution prior to the budget roll-out, but which will need attention at a later stage.

1. **Baseline data.** What can serve as baseline data on teacher quality for rewards based on a composite percentage in FY2001? LEAs can't start now to gather the baseline data needed for a comparison to FY 2001.
2. **Definition of "In-Field."** The NCES data collection definition defines "in-field" as full-time teachers in grades 7-12, with an undergraduate or graduate major or minor in their main teaching assignment field. This option will not capture teachers who spend less than the majority of their day teaching in an area for which they are not trained. Is there a better definition?

DRAFT

Higher Standards, Higher Pay

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.

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 make it easier to let professionals from other fields teach. 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.

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.

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 have a voice in the development of the performance indicators. Teacher buy-in is essential for program success.

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.

DPC proposal:

This initiative would award competitive grants to high-poverty school districts to help them ensure that all teachers meet high standards, and attract and retain high-quality teachers and principals through better pay. In order to receive funding, partnerships involving school districts, local businesses, and teacher's unions, would take aggressive steps to raise teacher standards including: regular, rigorous peer evaluations of every teacher; professional development and intensive support to help all teachers and principals succeed; and streamlined but just systems to improve or remove teachers identified as low-performing by their peer evaluation or otherwise. Participating partnerships would agree on steps to test new teachers (including in the subject they will teach), 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 regular, rigorous peer evaluations of every teacher to 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. All teachers in participating school districts would receive up to a $5,000 salary increase when their district implemented the program, and could be eligible for an additional salary increase when they successfully completed a rigorous peer review (up to $5,000). Master teachers, reaching an advanced professional standard or who get advanced certification through the National Board for Professional Teaching Standards Certification, could receive an additional bonus of up to $5,000. 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.

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.

Cost:

Including a substantial independent evaluation component, ten to fifteen Higher Standards, Higher Pay sites (depending on the size of the districts that apply) could be funded adequately for $50 million in the first year, assuming a 25 percent local match. The match would be "open", meaning it could be provided with LEA dollars, state dollars or dollars raised from the private sector. This estimate also assumes $1 million per site to invest in developing a good peer review system, guaranteed salary increases of $5,000 for each participating teacher and an average of 800 teachers per site. An additional $2 million is set aside for national activities to attract potential grantees and to conduct rigorous evaluation of programs.

ED and OMB Concerns Regarding the Higher Standards, Higher Pay Proposal

1. On what basis would ED be making the grants? The paper states that $1 million per site will be used to develop the peer review system. Does this mean that we need to award grants before systems are developed? What will we require of districts before they get any funding?

2. As a superintendent, I would be very tempted to develop a system that almost all of my teachers would pass. This would allow me to essentially give all of my teachers raises. How will we prevent this from happening?

3. Does your formula provide for districts to hire subs or staff as needed to enact the peer review?

4. Does this program facilitate the dismissal of low quality teachers? If it is not a real possibility that low quality teachers will lose their jobs, why do we give all teachers so much money before they even pass the peer review?

5. We are spending a lot of money on teachers before any peer reviews takes place. What is the rationale behind this decision? It seems to run counter to the premise of this proposal to provided raises to teachers who have only passed a minimum standard.

6. There is not enough money in this proposal to do what it proposes. When we start supplementing teacher salaries at the tune of $5000 per teacher, that's a huge amount of money in large school districts. If we want to reach the high-poverty urban areas, this won't go too far. What happens when our program ends? Who makes up the difference in salary?

7. Would districts that have already done this be eligible? For example, Cincinnati and Columbus, Ohio, Rochester, NY, and Seattle already have this kind of system in place.

8. I don't think we want to be suggesting that districts start testing new teachers. States are the ones who administer tests for state licensing. Districts should not be adding to this. We might want to encourage districts to develop rigorous performance-based assessments for their new teachers that includes peer review, but we should not use the word "test" new teachers.

9. This proposal should make reference to the proposal that the Secretary put on the table in his State of American Education speech last February. He called on States to rethink their licensing and certification system to make them more rigorous, but also more flexible. To start a national dialogue, the Secretary outlined a three-tiered licensing system for initial, professional, and advanced certification, with appropriate jumps in salary for each stage. The professional license required a rigorous assessment of performance in the classroom judged by a panel of peers. To ignore the Secretary's proposal would be a serious mistake. We got lots of press attention to this when he made his speech. (The proposal is spelled out in our latest Information Kit on the Teaching Initiative and it's on our web site.)

10. I'd also like to see us continue to push the concept of knowledge and skills-based pay. The Secretary has been pushing this concept since his Back to School Address in 1998. It does a similar thing to this proposal, but does not just give across the board raises to everyone. Again, we elaborated on this concept in the State of American Ed last year.

11. If we wanted to be really bold, we should be looking at the proposal that the Milliken Foundation put forward this fall on differentiated teaching salaries based on knowledge, skills, and responsibilities of teachers on a faculty. Their proposal includes a description of a typical elementary and high school and how this might work without having to pour a tremendous amount of new money into the system. It's based on the medical field model. I don't know how the unions have reacted to this proposal, but I thought it was quite interesting.

12. Competitive grants to high-poverty districts (suggesting that urban and rural are competing against each other, no priority for districts in teaching staff crisis) How long are these grants for, particularly if they include salaries?

13. Application that includes plan (as described before) for testing of new teachers (Is this just the test for initial certification/licensure? What benefit does it have besides ensuring compliance with state teaching standards?) professional development and mentoring, streamlined system for teacher evaluation and removal

14. Salary increases--there seem to be three intervals at which teachers can earn up to $5,000 in salary increases. Are these to be added together, meaning up to $15,000 in salary increases per teacher? Is there any way of ensuring that our dollars do not supplant local dollars for salaries and salary increases? One increase is based on successful completion of "a rigorous peer review." Does this mean when the district has put in place such reviews, or when the teacher has undergone some peer implemented performance assessment?

15. Size and Number of Awards. Considering the estimated costs of peer review ($1 million per site) and salary costs ($5-15,000 per teacher), these awards would be for $4 million-$12 million for each LEA, and not serve Leas with more than 800 teachers. (5 awards to medium size districts?) I would guess that the top 100 largest districts have easily a couple of thousand teachers each. For which districts is this intended (Does it exclude big districts?) How many awards could be made? At what size?

16. Matching Requirement of 25%. Most of our matches are in-kind, is that the case here as well? Otherwise, which districts will contribute the $1-4 million? Do we have evidence to suggest that districts will do this?

Recruitment

Hometown Teachers Proposal

This new initiative would help high-poverty school districts to address teacher shortages by developing long-term, pipeline-style programs to recruit teachers. In addition, these grants will complement existing and proposed programs that offer short-term solutions to teacher shortages such as Title II State Grants, Transition to Teaching, and Teacher Quality Enhancement Grants, and programs that aid in the retention of teachers such as Title I and Title II State Grants.

The cornerstone of this program is a competitive grant to high-poverty school districts to develop "grow your own" programs to address long-term shortages of qualified teachers. Programs supported by this grant would begin to cultivate students as early as middle school and would intensify the recruitment efforts as participants move through high school. Upon high school graduation, participants would attend colleges to gain expertise and teacher certification. After college, the students would become teachers in high-poverty districts. Throughout the program, students would receive exposure and training experiences through programs such as summer camps and tutoring experience. Hometown teachers could also receive salaries for work during high school and college, scholarships for tuition, recruitment signing bonuses, and high quality professional development. A district should shape its Hometown program to suite its needs, possibly using some of the ideas suggested here and adding additional activities as needed. In addition to helping districts to address long-term teacher shortages and helping districts to further address short-term need and recruitment concerns, this program would help high-poverty school districts steer students from high-poverty districts toward college and a career.

Program Structure: Competitive grants for the Hometown teacher program, averaging $1 million would be made to high-poverty school districts with shortages of qualified teachers. In order to be competitive, a district must demonstrate that it has developed a pipeline-style method of teacher recruitment, is addressing short-term teacher recruitment needs and has developed a means to retain its current teachers. Districts should also show how other district, state and federal programs would complement the Hometown teachers program.

In addition, because the pipeline activities within the Hometown teachers program will be most effective if they are complemented by both short-term teacher recruitment programs and teacher retention programs, a portion of each district's grants may be used to enhance programs with these aims.

While an application should demonstrate four stages of the teacher pipeline, a district can implement all of these stages concurrently during the first year of the program.

Middle School: This stage entails exposing middle school students to the teaching profession and building a spirit of community and teamwork amongst participants. In middle school, Hometown teachers could serve as aides to master teachers or help tutor elementary school students. Middle school students might also participate in activities such as a special student advisory board to the principal, or a school improvement committee. Participants could be offered special opportunities such as field trips to elementary schools to offer them more opportunities to learn the skills needed for teaching. During this stage, Master teachers would provide excellent role models in teaching to Hometown teachers.

In order to retain student's interest over the summer and build students= connection to their community, districts could sponsor summer camps during which middle school students, under the guidance of older students and teachers, could participate in activities that identify and solve a particular challenge to their community. These camps would not only help build skills needed to be a successful teacher, such as teamwork and problem solving, but also help build a bond between the Hometown teachers and their community.

High School: As students progress to high school, the program will provide increased incentives and opportunities as well as an intensification of the cultivation and selection process of Hometown teachers. High school students could serve as tutors, earning them course credit or pay. Students could also be offered summer employment at the same Hometown teacher summer camps that they attended as middle school students.

In addition to cultivating an interest in teaching, districts should help students and their families to select, apply to and prepare for college. This might involve school districts partnering with colleges and universities. At the end of high school, the most promising students could receive college scholarships, contingent upon service commitments either to the home district or another high-poverty district participating in the Hometown program. At this point, districts could also make arrangements with students to offer summer employment while the student is in college and to recruit the student for a position on the faculty once the student completes college.

College: During this stage, Hometown teachers, with the assistance of their school district, could be accountable for maintaining a minimum grade point average and completing needed courses in college. Districts could offer participants extra support during the first two years of college, guaranteed summer employment, and if possible, part-time jobs helping after school programs during the school year. During the summers, students could earn entry-level salaries as teaching assistants to summer school teachers or as counselors for the districts' summer camps.

*Post-College: P*articipants successfully completing college could be guaranteed a job in their own or another school district that participates in the Hometown program. Districts could develop employment packages that would be used to encourage Hometown teachers to accept teaching positions. These packages could include signing bonuses in exchange for a service commitment, stipends for classroom materials, and professional development to become master teachers. Other increased responsibilities might include gaining national certification or serving as the school=s professional development coordinator or lead teacher.

In addition, Hometown teachers would serve as role models for their students in high-poverty districts by coordinating activities such as the summer camp for the next generation of Hometown teachers.

Rewarding High Performance and Closing the Achievement Gap: The budget includes a $50 million initiative to build on the President's Elementary and Secondary Education Act reauthorization proposal and reward states that make exemplary progress in improving student performance and closing the achievement gap between different demographic groups of students. States would be eligible for high performance bonuses based on substantial overall improvements in student performance test and significant narrowing of the achievement gap as indicated by the National Assessment of Educational Progress (NAEP). States receiving the bonuses could use the funds for educational purposes allowed under the Elementary and Secondary Education Act but could not supplant current effort.

Higher Standards and Higher Pay for Teachers: The budget includes a $50 million teacher peer review initiative to encourage school districts to pay teachers more and increase the quality of their teaching force. Peer review programs, a process by which expert teachers evaluate other teachers and help them improve, have proven to be a successful tool to help improve teacher quality by rewarding excellence, helping low-performing teachers improve, and when necessary removing low-quality teachers from the classroom. This initiative would provide competitive grants to school districts that work in partnership with local businesses and other local education stakeholders to design a system to reward high quality teaching and help or remove low-performing teachers. This process would include a rigorous, content-based exam for new teachers, a regular peer-review process for all teachers, a program to help teachers in need of assistance improve, and a streamlined system to remove low-performing teachers in a fast but fair manner. All teachers in participating districts would be eligible for salary increases of up to $5000 and all teachers receiving exemplary evaluations through the peer review process would be eligible for salary increases of up to an additional $5000. In addition, teachers becoming master teachers through the National Board for Professional Teaching Standards would be eligible for bonuses of up to $5000.

C:\work\wp\linda\2001 budget writing\Sec. 4 Initiatives\1 - Education\ed&training initiatives-Mary.wpd
January 11, 2000 (4:29PM)

WRONG

2003, States would receive awards for adopting strong Statewide accountability systems, including high school exit exams, and developing and disseminating report cards ahead of the time line called for in the Elementary and Secondary Education Act reauthorization proposal. After FY 2003, the Reward Fund would ~~incorporate~~ Focus on student performance measures ~~as well~~.

SMALL SCHOOLS
~~*High School Reform:* High schools have lagged behind elementary and middle schools in implementing high academic standards; almost half of all students who graduate do not have the knowledge or skills to complete college or climb a career ladder from an entry-level job.~~ The Administration requests $120 million for a new ~~high school~~ Small Schools reform program within the Elementary and Secondary Education Act to ~~support~~ comprehensive, research-based reform in high schools, in particular those serving high-poverty urban and rural areas. The new program will ~~incorporate~~ BUILD ON the Small Schools initiative, for which $45 million was provided in 2000. (NOTE: Small schools policy in play)

Class Size Reduction: The budget provides $1.75 billion, $450 million over 2000, for the third installment of the President's initiative that began in 1999 to reduce class size in the primary grades the early grades. Research suggests that children, particularly those from disadvantaged backgrounds, benefit from the additional attention they receive in small classes. The program's goal is to hire 100,000 qualified teachers by 2005, and reduce class size in ~~grades 1 to 3 to~~ an average of 18 students. The budget increase will support as many as 49,000 teachers, almost half the number required to meet the 100,000 goal. Every State and nearly all school districts participate in the program. In schools that received funds under this program, primary grades have been reduced ~~by an average office students per classroom. (Is there an average number to which it has been reduced? We've often talked publicly about need to bring it down to 18; how far have we come?)~~ TO AN AVERAGE OF 18 STUDENTS FROM 23

Mary wants a sentence about what Native American schools get for class size red.

FOCUS ON FAILING SCHOOLS

21st Century Community Learning Centers: The budget includes $1 billion, more than double the 2000 level, for the ~~"after-school" program of~~ grants to public schools and community-based organizations to establish or expand after-school and other extended learning time opportunities. These centers are part of a comprehensive approach to fix failing schools by providing low-achieving students the extra help they need to meet challenging academic standards. From a $1 million demonstration program in 1997, this program grew to $453 million in 2000, serving over 850,000 students. The Budget provides sufficient funds for this program to make after- or summer school programs universally available to help turn around all Title I schools identified as low performing.

CHECK #'S WITH ED BLANK

Special Education: The budget includes $6.4 billion for Special Education, an increase of $333 million, to maintain the President's commitment to improving educational outcomes of disabled

C:\work\wp\linda\2001 budget writing\Sec. 4 Initiatives\1 - Education\ed&training initiatives-Mary.wpd
January 11, 2000 (4:29PM)

children. Included in this total is an additional $290 million for grants to States to help ensure that all students with disabilities receive a free appropriate public education, and a $10 million increase for grants to infants and families to identify disabilities early in life and provide essential early intervention services to these children. The budget also includes $15 million to help schools implement research-based practices to serve children with disabilities in the early grades.

Enhancing Teacher Quality

Because trained and skilled classroom teachers ~~can make all the difference~~ to a child's success in school, high-quality professional development is ~~an essential tool~~ to improve ~~education.~~ In the next decade, 2.2 million new teachers will be needed to fill the shortage created by teacher retirement and population growth, with high poverty schools facing the greatest shortages. In the FY 2001 Budget, the President ~~strengthens~~ his commitment to teacher recruitment and training programs to ensure schools have the highly qualified teachers needed to improve student performance.

Title II: Teacher Quality and Recruitment: The budget requests $1 billion for the new Title II program, a component of the Administration's Elementary and Secondary Education Act reauthorization proposal, that consolidates the Goals 2000, and Eisenhower Professional Development programs. This program will assist States and districts in coordinating/developing sustained, content rich teacher professional development with challenging standards. Within this broad program authority, the budget proposes several new initiatives to address the most pressing teacher quality needs:

$75

- *Teacher Recruitment and Retention:* In order to increase the number of skilled teachers serving high-poverty school districts, the budget proposes $175 million in competitive grants. ~~These funds would~~ encourage the development and recruitment of teachers for disadvantaged areas by cu~~ltivating and recruiting students~~ as early as middle school and provide ~~training~~ experiences throughout high school and college. Upon college graduation, participants would return to ~~guaranteed~~ teaching positions in high-poverty districts. Participants could receive ~~salaries~~ for work during high school and college, scholarships for tuition, recruitment signing bonuses, and high quality professional development.
- *Early Childhood Education Professional Development:* Research has demonstrated that effective early childhood education programs can help eliminate reading problems, as well as improving cognitive and social competence. The budget provides $30 million to

C:\work\wp\linda\2001 budget writing\Sec. 4 Initiatives\1 - Education\ed&training initiatives-Mary.wpd
January 11, 2000 (4:29PM)

offer competitive grants to partnerships including school districts, institutions of higher education, Head Start programs and child care programs. Approximately 15,000 early childhood educators would receive training in literacy development, limited English proficiency instruction, and instructional methods for disabled students.

THIS IS CRITICAL

- SCHOOL ~~*Principal*~~ ***Leadership:*** The budget includes $40 million STATE/REGIONAL for competitive grants to non-profit, public- private partnerships to develop SCHOOL ~~Principal~~ Leadership Centers FOR PRINCIPALS, SUPERINTENDENTS AND OTHER SCHOOL LEADERS. These training centers will help ~~principals~~ SCHOOL LEADERS develop critical skills to improve school performance AND WILL HELP ATTRACT QUALIFIED CANDIDATES INTO SCHOOL LEADERSHIP POSITIONS.
- ***Transition to Teaching:*** ~~***Troops to Teachers:***~~ NOT ***(~~Duplicate title~~??)*** The budget proposes $25 million to recruit and train retiring military personnel and other mid-career professionals to serve as new teachers in public schools IN HIGH NEED AREAS. BUILD ON THE TROOPS-TO-TEACHERS
- **Teacher Quality Incentive Award - This $50 million initiative would reward states for making exceptional progress toward teacher quality improvement goals set forth in the Administration's Elementary and Secondary Education Act reauthorization bill, such as increasing certification rates and the percentage of teachers working in-field.**

ADD PEER REVIEW

Preparing Tomorrow's Teachers to Use Technology: While many schools have access to technology, some teachers are not prepared to use this technology effectively. The budget includes $150 million, double the 2000 level, to provide pre-service teacher training in technology so that students will be able to make the most of tools that are critical to their education and their future.

Teacher Quality Enhancement: The budget provides $98 million for the Teacher Quality Enhancement Grants program. Created in FY 1999, this program supports: state grants to improve teacher licensing and certification; partnerships of exemplary teaching colleges and universities, urban and rural schools, and subsidiary colleges and universities; and recruitment grants, including scholarships, to help attract teachers to high priority areas.

Teachers Serving Special Populations: To meet professional development needs of teachers serving populations with special needs, the budget proposes $100 million for Bilingual Education Professional Development, $116 million specifically for Special Education professional development, $10 million for the American Indian Teacher Corps, and $5 million to create a new American Indian Administrator Corps.

Acquiring Better Technology and Repairing Schools

- Provide rewards for those 1) making exemplary progress and 2) making satisfactory progress. Again, these states would also have to close the achievement gap.
  Pros: This would allow anyone moving forward to receive an award, but would reward more highly those making great strides.
  Cons: Finite funds should only be used to reward top performers so that rewards can be as large as possible.

Size of Rewards

Contingent upon how you structure the rewards program and assuming 7-15 awards each year, awards could range from $3.5 - $7 million per state.

The Department applied the above reward eligibility and achievement criteria to 4th grade reading exams in 1994 and 1998. They found that 11 states would be eligible (CA, CO, CT, DE, FL, KY, MD, NY, TX, VA, and WA). An evenly divided $50 million (with no money for dissemination or evaluation) would yield roughly $4.5 million per state.

Use of Funds

Consistent with the President's ESEA reauthorization proposal, reward funds could be used to provide supplementary grants or administrative funds to States to carry out the purposes of the ESEA. Alternatively, states could be required to use funds to further close the achievement gap and/or to allocate the funds to low-performing LEAs within the State.

Plan for the Out-Years

In the out-years, the Rewards Program would offer awards for performance, as described above on 4th and 8th grade reading and math NAEP exams. At present the exams are each given every four years—at two-year intervals. Thus, reading exams will be given in 2002 and awards could be given based on progress since 1998 in FY2003. Math exams will be administered again in 2004 and rewards could be given based on progress since 2000.

Alternatively, the NAEP administrations could be changed from every four years to every two years, allowing rewards to be given each year alternately for math and reading performance. In addition, rewards could also be given for performance on science and writing exams. Including them would provide a more well rounded rewards program and create incentives for states to continue their focus on each of these subject areas. At the same time, not including them would focus rewards on acknowledged core subject matters: math and reading and would be consistent with the Administration's focus on these areas (including the President's call for national tests).

According to NCES, administering state NAEP on annual, rather than biennial basis would cost NCES an estimated $12 million for state and $9 million for National NAEP per subject for 2 grades.

NAEP Year	Reward Year	Subject and Grade	States not participating or did not meet guidelines for reporting
1994		Reading, 4	10 states: AK, DoDEA, ID, IL, KS, NV, OH, OK, OR, SD, VT, VI
1996		Math, 4 & 8; Science 4	7 states: ID, IL, KS, OH, OK, PA (participated in 4th grade math only), SD, VI
1998		Reading & Writing, 4 & 8	13 states: AK, GM, ID, IN, KS (no grade 8 writing), MA (4th grade reading only), NV, NH (4th grade reading only), NJ, ND, OH, PA, SD, VT,
2000	FY01	Math & Science, 4 & 8	9 states: AK, CO, DE, FL, NH, NJ, PA, SD, WA, MI?
2002	FY03	Reading & Writing, 4 & 8	
2004	FY05	Math & Science, 4 & 8	
2006	FY07	Reading & Writing, 4 & 8	

Rewarding High Performance and Closing the Achievement Gap

Summary

This initiative creates a $50 million rewards fund for states that make exemplary progress in student performance and close the achievement gap on the National Assessment of Educational Progress exams in 4th and 8th grade reading and mathematics. In FY2001, rewards would be given to states based on achievement gains on the 4th and 8th grade math exams between the 1996 and 2000 administrations. Fifteen states would not be eligible for rewards based on non-participation in either 1996 or 2000. Based on state eligibility of 7-15 states for rewards, awards could range from $3.5 - $7 million.

Background

The current statutory language that authorizes rewards to states for demonstrating significant statewide achievement gains is predicated on an annual administration of NAEP exams in math and reading. However, NAEP is not given every year in the same subject areas. In fact, NAEP exams are administered every two years and individual NAEP subjects like math and reading are administered only every four years.

In order to develop a rewards package based on performance for FY2001, awards could only be made for state performance in 4th and 8th grade math and 4th grade science (8th grade science was not tested in 1996. While 4th and 8th grade reading exams were given in 1998, they will not be given again until 2002.

A FY2001 Rewards Program

For the purposes of the budget, a Rewards Program for FY2001 would have the following components.

State Eligibility

State would have to have participated in the 1996 and 2000 administrations of the 4th and 8th grade math NAEP exams.

Under this criteria, 15 states would be ineligible for rewards: Idaho, Illinois, Kansas, Ohio, Oklahoma, Pennsylvania, South Dakota, Arkansas, Colorado, Delaware, Florida, New Hampshire, New Jersey, Washington and Michigan. Included at the end the memo is a table provided by ED on state participation since 1994.

Options:

- The program could include the 4th grade science exam. This would provide another achievement indicator. At the same time, the focus on math is cleaner and it is likely that the rewards program will be based on reading and math performance only.

Also, although OMB has talked about allowing states to use exams that have standards on par with NAEP to get more states into the process, the fact is, according to the NRC, there are no states that meet that standard.

Reward Criteria

States would have to achieve the following on the 2000 NAEP exam in 4th and 8th grade math as compared with their performance on the 1996 exams:

1. Increased student achievement overall (mean score).

2. Progress in closing the achievement gap between high-performing and low-performing students in the state. The gap could only be closed by increases at the bottom and increases or flat scores at the top (and not by decreases at the top).

For example, progress could be benchmarked at increases in the state mean of 3 points and decreases in the gap of 3 points, without decreases in the mean for the 75th percentile.

In addition, the state would have to show that it was including students with limited English proficiency and/or disabilities to the greatest extent possible.

Options:

- Include a requirement that states must put in place a high school exit exam.
Pros: Given that the rewards are based on 4th and 8th grade performance, this would include an accountability mechanism at the graduation level. It would place an incentive on having an accountability system in place that includes graduation.
Cons: It is a departure for the "reward for performance" construct and it would reward states for having exams in place for graduation that include 8th grade standards. At present, there are reported to be only 8 states that have graduation exams that use a 10th grade standard. The emphasis would be on inputs rather than outcomes, which would be contradictory to the rewards message and incentives.

- Provide two sets of rewards: high achievers and exemplary growth: 1) those that make significant progress and close the achievement gap and 2) those that make significant progress, close the gap and that surpass some absolute standard (such as "having more students at the proficient level than the national average" or "50% or more of the state's students at a basic level).
Pros: Provides for rewards for high flyers that might not have as much room to grow (although they would also have to make progress and close the achievement gap). Would avoid a situation where all the rewards could go to states that are making progress but have low overall scores.
Cons: Opposing arguments is that we should be rewarding progress and focus on those who are making the greatest strides, irrespective of scores.

DRAFT

Higher Standards, Higher Pay

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.

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 make it easier to let professionals from other fields teach. 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.

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.

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 have a voice in the development of the performance indicators. Teacher buy-in is essential for program success.

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.

DPC proposal:

This initiative would award competitive grants to high-poverty school districts to help them ensure that all teachers meet high standards, and attract and retain high-quality teachers and principals through better pay. In order to receive funding, partnerships involving school districts, local businesses, and teacher's unions, would take aggressive steps to raise teacher standards including: regular, rigorous peer evaluations of every teacher; professional development and intensive support to help all teachers and principals succeed; and streamlined but just systems to improve or remove teachers identified as low-performing by their peer evaluation or otherwise. Participating partnerships would agree on steps to test new teachers (including in the subject they will teach), 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 regular, rigorous peer evaluations of every teacher to 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. All teachers in participating school districts would receive up to a $5,000 salary increase when their district implemented the program, and could be eligible for an additional salary increase when they successfully completed a rigorous peer review (up to $5,000). Master teachers, reaching an advanced professional standard or who get advanced certification through the National Board for Professional Teaching Standards Certification, could receive an additional bonus of up to $5,000. 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.

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.

Cost:

Including a substantial independent evaluation component, ten to fifteen Higher Standards, Higher Pay sites (depending on the size of the districts that apply) could be funded adequately for $50 million in the first year, assuming a 25 percent local match. The match would be "open", meaning it could be provided with LEA dollars, state dollars or dollars raised from the private sector. This estimate also assumes $1 million per site to invest in developing a good peer review system, guaranteed salary increases of $5,000 for each participating teacher and an average of 800 teachers per site. An additional $2 million is set aside for national activities to attract potential grantees and to conduct rigorous evaluation of programs.

District-Level Teacher Quality Rewards Program

Summary

Under the President's Title II proposal, this initiative creates a $50 million Rewards Program for high-poverty LEAs (as defined by Title I-A concentration grants) that make demonstrated progress in improving teacher quality. Rewards would be given to districts in three categories (based on student population) in rank order of progress.

Rewards Program for FY2001

Rewards Criteria

Rewards would be given to high-poverty districts based on their progress on two criteria. A composite score of the percentage increases on certification and in-field indicators would be developed. Districts would have to

1. Increase the percentage of certified teachers
2. Decrease the percent of secondary teachers teaching out-of-field.

To be eligible for a reward, LEAs would have to provide the following:

- State assurance that it has not made any policy changes that have lowered the standard for initial teacher certification or licensure.

- Baseline data on indicators of teacher quality. This data would include information on:
  - Percent of teachers who are either fully certified, working towards full certification, or fully certified in another state and meeting state requirements
  - In-field/Out-of-field teaching for secondary teachers. Consistent with proposed ESEA language, teachers would have full certification, "have had academic training or can demonstrate competence in the field they teach." The program would use an NCES-defined or other standard definition for out-of-field teaching.

- Status data demonstrating progress on teacher quality indicators reported in baseline.

In addition, districts would be asked to provide the strategies they employed to improve teaching quality. These would not be used as review criteria, but to expand understanding and disseminate promising practices.

Award Categories

The Rewards program would include three categories of districts:

- **Fewer than 1,500 students**, representing 11% of all students and 8,921 LEAs
- **1,500 to 24,999 students**, representing 59% of students and 5,552 LEAs

- **25,000 students and above**, representing 30% of students and 216 LEAs.

Size and Range of Awards

The Rewards Fund would make $50 million available to districts. Awards would be given to the top scoring districts by category. Awards could be provided as follows:

LEA size	Share of overall allocation	Range of award	Number of awards
25,000+ (30% of students)	$15 million	$2-3 million	5-7
1,500-24,999 (60%)	$30 million	$500,000-2 million	15-60
<1,499	$5 million	$25,000-$500,000	10-200

Use of Funds

LEAs receiving reward money would be allowed to use it as supplementary, not supplanting funds for carrying out the purposes of further teacher quality efforts, including expenditures on ESEA, Title II (and HEA, Title II programs?).

Outstanding Issues for Teacher Rewards

The following are issues that are not critical for resolution prior to the budget roll-out, but which will need attention at a later stage.

1. **Baseline data**. What can serve as baseline data on teacher quality for rewards based on a composite percentage in FY2001? LEAs can't start now to gather the baseline data needed for a comparison to FY 2001.
2. **Definition of "In-Field**." The NCES data collection definition defines "in-field" as full-time teachers in grades 7-12, with an undergraduate or graduate major or minor in their main teaching assignment field. This option will not capture teachers who spend less than the majority of their day teaching in an area for which they are not trained. Is there a better definition?

FAX TRANSMISSION

U.S. DEPARTMENT OF EDUCATION
Office of Legislation and Congressional Affairs
400 Maryland Ave., SW, Room 7E301
Washington, DC 20202-3100
(202) 401-0020
Fax: (202) 401-1438

Date: 1/14/2000 Fax: 456-5581

To: Andy Rotherham

Attn:

From: Scott S. Fleming, Assistant Secretary

Number of Pages (including cover sheet):

If there are any problems with this transmission, please contact Taronda Wallace at (202)401-0020.

Comments:

"PART ~~B~~ A—COMMUNITY LEARNING CENTERS

"Subpart 1—21st Century Community Learning Centers

"SEC. 8201. PURPOSE; DEFINITIONS.

"(a) PURPOSE.—The purpose of this subpart is—

"(1) to enable public schools to establish and develop centers that deliver education and human resources to all members of the communities served by the public schools;

"(2) to enable public schools to collaborate with other public and nonprofit agencies and organizations, local businesses, educational entities (such as entities carrying out vocational and adult education programs, and school to career programs, community colleges, and universities), and recreational, cultural, and other community and human service entities, for the purpose of meeting the needs of, and expanding the opportunities available to, the residents of the communities served by such schools;

"(3) to meet the demands of a global economy, by enabling local public schools to facilitate lifelong learning and educational opportunities for individuals of all ages; and

"(4) to establish 21st Century Community Learning Centers that enable communities to develop an education strategy that addresses the educational needs of all members of local communities.

"(b) DEFINITIONS.—In this subpart:

"(1) COMMUNITY LEARNING CENTER.—The term 'community learning center' means an entity within a public elementary school or secondary school building that—

"(A) provides educational, recreational, health, and social service programs for individuals of all ages within a local community; and

"(B) coordinates services in conjunction with a local educational agency, local governmental entities, businesses, vocational education programs, institutions of higher education, community colleges, and cultural, recreational, and other community and human service entities.

"(2) SCHOOL-AGE POPULATION.—The term 'school-age population' means the population aged 5 through 17.

"(3) STATE.—The term 'State' means each of the several States of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

"SEC. 3202. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated to carry out this subpart $600,000,000 for fiscal year 2001 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"SEC. 3203. ALLOTMENT TO STATES.

"(a) RESERVATION.—From the funds appropriated under section 3202 for any fiscal year, the Secretary shall reserve not more than 1 percent for payments to the outlying areas to be allotted to the outlying areas in accordance with their respective needs for assistance under this subpart.

"(b) ALLOTMENT.—From the funds appropriated under section 3202 that are not reserved under subsection (a) or transferred under section 3221, the Secretary shall allot to each State an amount that bears the same relation to the funds as the school-age population of the State bears to the school-age population of all States, except that no State shall receive an amount less than ½ of 1 percent of the funds.

"SEC. 3204. STATE APPLICATIONS.

"(a) APPLICATION REQUIREMENTS.—Any State that desires to receive assistance under this subpart shall submit to the Secretary an application that—

"(1) designates the State educational agency as the agency responsible for the administration and supervision of programs assisted under this subpart;

"(2) provides for a biennial submission of data regarding the use of funds under this subpart, the types of services furnished under this subpart, and how the services impacted the individuals served by the centers assisted under this subpart;

"(3) provides that the State educational agency will keep such records and provide such information to the Secretary as may be required for fiscal audit and program evaluation (consistent with all State educational agency fiscal audit and program evaluation responsibilities required under this Act);

"(4) contains assurances that there is compliance with the requirements of this subpart; and

"(5) provides for timely public notice and public dissemination of the data submitted pursuant to paragraph (2).

"(b) PERIOD OF APPLICATION.—An application filed by the State under subsection (a) shall be for a period not to exceed 3 years, and may be amended annually as may be necessary to reflect changes without filing a new application.

"SEC. 3205. STATE USES OF FUNDS.

"A State educational agency may use not more than 15 percent of the funds made available under this subpart only f

"(1) establishment and implementation of a peer review process for grant applications;

"(2) supervision of the awarding of funds to public elementary schools, secondary schools or consortia thereof;

"(3) planning, supervision, and processing of funds made available under this section;

"(4) monitoring and evaluation of programs and activities assisted under this subpart; and

"(5) providing technical assistance under this subpart.

"SEC. 3206. DISTRIBUTION TO SCHOOLS.

"(a) DISTRIBUTION RULES.—

"(1) COMPETITION.—

"(A) IN GENERAL.—The State educational agency shall use not less than 85 percent of the funds made available under this subpart to award grants, on a competitive basis, to public elementary schools, secondary schools, or consortia thereof to enable the schools or consortia to plan, implement, or expand projects that benefit the educational, health, social service, cultural, and recreational needs of the local community.

"(B) URBAN AND RURAL AREAS.—In awarding grants under this subpart, a State educational agency shall ensure that both urban and rural areas of the State are served.

"(C) MINIMUM.—A State educational agency shall not award a grant under this subpart in any fiscal year in an amount that is less than $75,000.

"(D) DURATION.—A State educational agency shall award grants under this subpart for a period not to exceed 3 years.

"(d) PRIORITY.—In awarding grants under paragraph (1) the State educational agency shall give priority to funding applications that describe projects that offer a broad selection of services that address the needs of the community to be served by the school or consortium.

"SEC. 3207. LOCAL APPLICATION REQUIREMENTS.

"(a) APPLICATION.—To be eligible to receive a grant under this subpart, an elementary school, secondary school, or consortium shall submit an application to the State educational agency.

"(b) SPECIAL RULE.—A local educational agency may apply for a grant under this subpart on behalf of a public elementary school, secondary school, or consortia thereof, if the school building officials lack the authority to apply for Federal funds.

"(c) CONTENTS.—Each such application shall include—

"(1) a comprehensive local plan that enables the public elementary school, secondary school, or consortium to serve as a center for the delivery of education and human resources for members of a community;

"(2) an evaluation of the needs, available resources, and goals and objectives for the proposed project in order to determine which activities will be undertaken to address such needs; and

"(3) a description of the proposed project, including—

"(A) a description of the mechanism that will be used to disseminate information in a manner that is understandable and accessible to the community;

"(B) identification of Federal, State, and local programs to be merged or coordinated so that public resources may be maximized;

"(C) a description of the collaborative efforts to be undertaken by community-based organizations, related public agencies, businesses, or other appropriate organizations;

"(D) a description of how the public elementary school, secondary school or consortium will serve as a delivery center for existing and new services, especially for interactive telecommunication used for education and professional training; and

"(E) an assurance that the public elementary school, secondary school, or consortium will establish a facility utilization policy that specifically states—

"(i) the rules and regulations applicable to building and equipment use; and

"(ii) supervision guidelines.

"SEC. 3208. LOCAL USES OF FUNDS.

"Grants awarded under this subpart shall be used to plan, implement, or expand a 21st Century Community Learning Center that carries out not less than 4 of the following activities:

"(1) Literacy education programs.

"(2) Senior citizen programs.

"(3) Integrated education, health, social service, recreational, or cultural programs.

"(4) Extended learning programs, including summer and weekend school programs in conjunction with recreational programs.

"(5) Nutrition and health programs.

"(6) Expanded library service hours to serve community needs.

"(7) Telecommunications and technology education programs for individuals of all ages.

"(8) Parenting skills education programs.

"(9) Employment counseling, training, and placement.

"(10) Services for individuals who leave school before graduating from secondary school, regardless of the age of such individual.

"(11) Services for individuals with disabilities.

"SEC. 3209. APPLICABILITY.

"The provisions of sections [14503 through 14506] shall not apply to this section.

DRAFT

Higher Standards, Higher Pay

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.

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 make it easier to let professionals from other fields teach. 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.

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.

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 have a voice in the development of the performance indicators. Teacher buy-in is essential for program success.

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.

DPC proposal:

This initiative would award competitive grants to high-poverty school districts to help them ensure that all teachers meet high standards, and attract and retain high-quality teachers and principals through better pay. In order to receive funding, partnerships involving school districts, local businesses, and teacher's unions, would take aggressive steps to raise teacher standards including: regular, rigorous peer evaluations of every teacher; professional development and intensive support to help all teachers and principals succeed; and streamlined but just systems to improve or remove teachers identified as low-performing by their peer evaluation or otherwise. Participating partnerships would agree on steps to test new teachers (including in the subject they will teach), 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 regular, rigorous peer evaluations of every teacher to 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. All teachers in participating school districts would receive up to a $5,000 salary increase when their district implemented the program, and could be eligible for an additional salary increase when they successfully completed a rigorous peer review (up to $5,000). Master teachers, reaching an advanced professional standard or who get advanced certification through the National Board for Professional Teaching Standards Certification, could receive an additional bonus of up to $5,000. 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.

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.

Cost:

Including a substantial independent evaluation component, ten to fifteen Higher Standards, Higher Pay sites (depending on the size of the districts that apply) could be funded adequately for $50 million in the first year, assuming a 25 percent local match. The match would be "open", meaning it could be provided with LEA dollars, state dollars or dollars raised from the private sector. This estimate also assumes $1 million per site to invest in developing a good peer review system, guaranteed salary increases of $5,000 for each participating teacher and an average of 800 teachers per site. An additional $2 million is set aside for national activities to attract potential grantees and to conduct rigorous evaluation of programs.

Title I Accountability

Description: In the FY 2001 Budget, the Administration will pursue an appropriations language strategy, similar to last year's strategy, both to ensure there is authorizing language for the Accountability Fund if the ESEA reauthorization does not pass, and to make modifications in the Fund's provisions. As part of the ESEA proposal that is pending authorization in Congress, the Administration proposes to allow States a 2.5% set-aside, rising to 3.5% over time, of their Title I Grants to LEAs to implement Statewide accountability systems (up to 30% of the funds) and to turn around failing schools (at least 70% of the funds must be given to LEAs with schools in school improvement or corrective action).

There is agreement that in FY 2001 that the Fund should equal $250 million, that most of the money should be used to turn around failing schools, and that the language should include the strongest choice provision possible. The outstanding issues in the FY 2001 appropriations language are outlined below; where possible, we've indicated in parenthesis who supports each option.

Outstanding issues:

- Should the language include an earmark for "$250 million", or for "$250 million or 3%, whichever is greater"? The argument for $250 million is that is the exact amount agreed to. The $250 million or 3% approach allows us to retain the idea of our reauthorization proposal.

  Option 1: earmark $250 million (OMB,)
  Option 2: earmark $250 million, or 3%, whichever is greater

- Should the Accountability Fund be taken off the top from Title I grants at the Federal level, or as a set-aside at the State level. This is a perception issue, because in both cases the States get the same amount of money and will use the funds in exactly the same way. When the Accountabiltiy provision is funded through a percent set-aside, a State simply takes it off the top of its State allocation. When the amount is $250 million, subdivided among all States, its easiest for the Secretary to divvy it up based on Title I shares. If done this way, it is likely that the $250 million will appear as a separate line item, and will not be included in Basic, Concentration or Targeted Grants. A third option is to have the $250 million earmark, have the Secretary tell States the amount that equals their share of the Accountability fund, and then States take that amount off the top of their Title I allocation. This would retain the $250 million within Title I Basic, Concentration, and Targeted Grants.

  Option 1: earmark taken off the top at the Federal level, then distributed to States
  Option 2: States take a percent set-aside off of State allocation
  Option 3: Secretary informs States of their share of the earmark, then they take that from their State allocation (OMB,)

- What percentage of funds should go to LEAs? The ESEA reauthorization proposal allows States to keep up to 30% of the funds to implement accountability systems and to provide technical assistance and requires that at least 70% go to school districts. At $250 million, at least

$175 million would go directly to LEAs, $41 million more than last year). The FY 2000 appropriations bill requires all 100% to go to LEAs.

Option 1: retain 30%/70% split between States and LEAs. (OMB,)
Option 2: require that 100% of funds go directly to LEAs

- Which schools should be required to implement a choice option? The ESEA proposal allows LEAs to use a choice option for schools in corrective action, in conjunction with other corrective action activities. A way to strengthen this approach would be to require choice for all corrective action schools, so that there are no "capacity" loopholes, but the provision pertains to smaller set of schools. This would apply to all corrective action schools, whether or not they receive funds from the Accountability Fund. The Republican proposal requires all schools in school improvement to offer choice to all of their students, to be implemented within18 months of being placed in school improvement. The 2000 appropriations language requires all schools in school improvement to offer a choice option, unless the district shows the State that it does not have the capacity to do so, then choice must be offered on an equitable basis. If applied to all schools in school improvement, only those that receive funds from the Accountability Fund would need to comply.

Option 1: all schools in corrective action (OMB unless the number of schools in corrective action is very small)
Option 2: all schools in school improvement -- allowing 18 months to implement is not an option in annual appropriations language
Option 3: all schools in school improvement unless the LEA shows that it does not have the capacity to carry out that policy

- Should transportation costs be limited to 10% of the Accountability Fund? A concern with last year's choice provision was the lack of limit on transportation costs, which would possibly draw funds away from school improvement activities. However, a specified limit may have the unintended effect of raising the amount spent on transportation by giving a green light to spending on an activity that ED has tried to discourage.

Option 1: yes (OMB: include the 10% limitation on transportation if the choice provisions is expanded beyond corrective action schools)
Option 2: no

- Which activities should be funded -- subsection 1116(c), the school improvement provisions, as in the 2000 appropriations language, or also section sub section1116 (d), provisions on State review of districts, and section 1117, State technical assistance and rewards?

Option 1: funds support 1116(c), 1116(d), and 1117 if States retain some funds to implement accountability systems. (OMB,)
Option 2: funds support only 1116(c) if 100% of funds go to LEAs

- Which schools should be prioritized for services? The ESEA proposal places a first priority on schools in corrective action, and a second priority on other schools in school improvement. However, some States have identified few schools for school improvement and even fewer for corrective action. In that case it may make sense to allow funds to be used on other low-performing schools

Option 1: first priority on corrective action schools, second priority on school improvement schools
Option 2: all school improvement schools, only
Option 3: all schools improvement schools only, unless the State has identified very few, then the low-performing schools in the bottom 5%(? - or just schools furthest from the standards).