



## Legislative Fiscal Bureau

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May 25, 2005

Joint Committee on Finance

Paper #612

### **Grants for Differentiated Teacher Compensation Programs (DPI -- Categorical Aids)**

[LFB 2005-07 Budget Summary: Page 404, #14]

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#### **CURRENT LAW**

Currently, no state grant program under DPI provides funding for school districts to design and implement teacher compensation systems.

#### **GOVERNOR**

Provide \$600,000 GPR in 2005-06 and \$1,200,000 GPR in 2006-07 and create a categorical aid appropriation to provide two-year grants to school districts for the design, development, and implementation of differentiated teacher compensation programs. Specify that a program eligible for a grant would base all or part of teacher salary increases on one or more of the following factors: (a) an increase in a teacher's knowledge about teaching or about the subjects he or she teaches, or an improvement in a teacher's teaching skills; (b) the assumption by a teacher of additional leadership responsibilities, including mentoring other teachers; (c) the assignment of a teacher to a grade level or subject area in which there are teacher shortages; or (d) the assignment of a teacher to a school that is difficult to staff or that is low in pupil performance.

Require DPI to award two-year nonrenewable grants under the program to no more than 20 school districts. Specify that the amount of a grant could not exceed \$100,000. Require DPI to: (a) award grants under the program in a competitive process based on criteria designed by the Department; (b) give preference in awarding the grants to districts that demonstrate the support of the teachers employed by the district, the community, and businesses in the community; (c) make all reasonable efforts in awarding grants to reflect the diversity of school districts in terms

of enrollment, ethnicity, location, family income, and population density; and (d) promulgate rules to implement and administer the program.

Require each school district receiving a grant to submit to DPI, within 90 days after the end of the grant period, a report that summarizes the activities funded by the grant. Specify that the provisions relating to the grant program would not affect a school district's duty to bargain with the employees' collective bargaining representative over wages, hours, and conditions of employment.

Require DPI to promulgate emergency rules, without the finding of an emergency, by October 15, 2005, to implement the program. Specify that the emergency rules would remain in effect until July 1, 2006, or the date on which the permanent rules take effect, whichever is earlier. Prohibit DPI from accepting an application from a school district for a grant in the 2005-07 biennium that is received by the Department after December 15, 2005. Require DPI to award grants under the program by January 31, 2006. Require the Department to pay one-third of the grant in 2005-06 and two-thirds of the grant in 2006-07. Prohibit DPI from expending moneys from the grant program appropriation after June 30, 2007.

## **DISCUSSION POINTS**

1. Typically, teacher salary schedules are based on the number of years of experience the teacher has and the degree held and any additional graduate credits earned by the teacher. Under these systems, for every year a teacher works, he or she moves a "step" on a district's salary schedule. If a teacher earns an advanced degree or additional course credits, he or she moves into a new "lane" in the district's salary schedule. Base increases to teacher compensation can also be factored through all the steps and lanes in a district's schedule.

2. The Governor's Task Force on Educational Excellence recommended that school boards and teachers should give high priority in bargaining to compensation systems that reward the acquisition of relevant subject-area knowledge and skills. The Task Force's report stated that such compensation systems would improve teacher effectiveness and student learning better than systems based exclusively on length of service and credits earned.

3. The Task Force also recommended that incentives be made available to districts that agree, through collective bargaining, to implement compensation plans that are linked to the acquisition of relevant knowledge and skills and demonstrated improvements in pupil learning. The Task Force report noted that certain districts, particularly high-poverty urban and rural districts, may have difficulty in recruiting and retaining teachers generally, and many districts may have problems in recruiting and retaining teachers in certain subject areas or specialties.

4. The Governor's recommendation to provide funding to school districts to design and develop new methods of teacher compensation could be seen as a way to provide districts the resources necessary to study the financial and programmatic implications of such methods before undertaking them. The factors that districts would have to use for teacher compensation plans under

the bill are similar to the Task Force recommendations and allow for the development of alternative pay structures that do not depend as heavily on the steps and lanes of traditional teacher salary systems.

5. Allowing districts to develop their own plans, within the proposed statutory framework, would give districts some choice as to which factors would be most relevant for their teacher salary schedule, within the context of collective bargaining. Requiring recipient districts to provide a report on the activities funded by the grants would provide information for other districts that did not receive aid to consider making similar changes to their compensation systems.

6. The Governor's proposal would provide funding for the grants in the 2005-07 biennium only, and would provide DPI with emergency rule-making authority, without the finding of an emergency, to be able to accept grant applications prior to December of 2005. DOA staff indicate that the initiative was considered a high priority and that providing DPI with this emergency rule-making authority was needed to allow the grant program to be implemented quickly.

7. Under current law, an agency may promulgate an emergency rule without complying with the notice, hearing, and publication requirements generally required for administrative rules if preservation of public peace, health, safety, or welfare necessitates putting the rule into effect prior to the time it would take effect if the agency complied with the standard rule-making procedures. Developing plans to modify teacher salary schedules would arguably not meet this standard. Also, the emergency rule-making process generally reduces the opportunities for legislative input into the development of the rules.

8. To allow for greater legislative oversight of the DPI rules and to give school districts additional time to consider whether to apply for a grant, the Committee could choose to provide \$600,000 in 2006-07 for the first year of grants. Under this alternative, the emergency rule-making authority, without a finding of an emergency, for DPI would not be provided, and the provisions relating to the two-year timeframe for the grants, such as the deadlines for grant applications and awards and the provision of funding over the two years, would be deleted. Ongoing funding for the grant program could then be considered in the 2007-09 biennial budget process.

9. Categorical aid funding is typically provided to support the cost of providing direct educational and instructional services for school districts, but not for design and development studies. It could be argued that any additional funding provided for K-12 education be targeted towards education and instruction. School districts would still have the option of seeking outside funding or using existing staff to develop alternatives to modify their teacher compensation programs.

10. The proposed grant program would provide funding for the design, development, and implementation of differentiated teacher compensation programs, but would not address ongoing funding for new compensation systems. In its report, the Governor's Task Force notes one school district (Plymouth) where the board and teachers agreed to a compensation system based on

teacher knowledge and pupil learning, but in which funding was not available to implement the provisions. During public hearings on the budget bill, the Committee heard testimony on the adverse effects revenue limits are having on school district operations. It is unclear what effect designing differentiated teacher compensation programs would have if funding is not available for districts to utilize them on an ongoing basis.

## ALTERNATIVES

1. Approve the Governor's recommendations to: (a) provide \$600,000 in 2005-06 and \$1,200,000 in 2006-07 and create a categorical aid appropriation to provide two-year grants to school districts for the design, development, and implementation of differentiated teacher compensation programs; (b) specify the criteria for the grant program; and (c) give DPI authority to promulgate emergency rules to implement the grant program.

2. Modify the Governor's recommendation to delete \$600,000 in 2005-06 and \$600,000 in 2006-07. In addition, delete the two-year time period for grants, deadlines for the grants, the emergency rule-making authority provided to DPI, and the June 30, 2007, sunset.

<b><u>Alternative 2</u></b>	<b><u>GPR</u></b>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$1,200,000

3. Delete the provision.

<b><u>Alternative 3</u></b>	<b><u>GPR</u></b>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$1,800,000

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