



## Legislative Fiscal Bureau

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May 29, 2013

Joint Committee on Finance

Paper #510

### School Performance Incentive Grants (DPI -- Categorical Aids)

[LFB 2013-15 Budget Summary: Page 367, #2]

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#### CURRENT LAW

No provision.

#### GOVERNOR

Provide: (a) \$24,000,000 GPR in 2014-15 in a new annual appropriation for the school performance incentive program--grants to high performing schools; (b) \$30,000,000 GPR in 2014-15 in a new annual appropriation for the school performance incentive program--grants to schools that demonstrate improvement; and (c) \$10,000,000 GPR in 2014-15 in a new annual appropriation for the school performance incentive program--grants to schools that fail to meet expectations. Grant recipients would be identified according to the performance categories assigned under the Department of Public Instruction's (DPI) annual accountability report for schools and school districts.

Require DPI to award a grant, beginning in 2014-15, to the school board of any school that on the accountability report published for the school at the end of the preceding school year: (a) is placed in a performance category of "significantly exceeds expectations" or "exceeds expectations"; (b) increases its accountability report numeric score for the immediately preceding school year by at least three points over the prior year's numeric score; or (c) was placed in a performance category of "fails to meet expectations."

Require a school board of a school eligible to receive a school performance incentive grant to submit an intent to participate within 60 days after the Department publishes the accountability report for the school. Require school boards, by September 1, 2014, to establish a

policy for the distribution of funding awarded to a school located in the district and eligible for a grant. Provide that the school board could not, in the policy, prescribe the manner in which funds awarded to a school are to be used by the school, but identify and prioritize goals and objectives toward which the funds may be applied. Require the administrator of a school eligible to receive an award to comply with the school board policy prepared for the distribution of funding to the school under the school performance incentive grant program. Upon the school administrator's compliance with the school board policy, require the school board to distribute the full amount of the award for which the school is eligible under the performance incentive grant program.

## **DISCUSSION POINTS**

1. In June, 2010, the State Superintendent issued a proclamation adopting the common core state standards for English language arts and mathematics in Wisconsin. The common core replaced the state's prior model academic standards, with a more rigorous, cohesive, and specific set of standards for K-12 education. In September, 2010, the federal Education Department awarded a four-year \$160 million grant from funds provided under ARRA to the Smarter Balanced Assessment Consortium. The grant funded the development costs of the new computer-adaptive testing system, and the consortium was given four years to develop a valid assessment, with full implementation required by 2014-15 under the grant.

2. In September, 2011, the U.S. Education Department announced that, because no reauthorization of No Child Left Behind (the Elementary and Secondary Education Act or ESEA) has been passed by Congress since 2001, the Department would provide states an opportunity to reform their education accountability systems and be granted federal flexibility waivers. Waivers were authorized under the ESEA, but previously were rarely granted by the Education Department. Regulatory flexibility would be offered in exchange for comprehensive state plans for education reforms, including college and career readiness expectations for all students, state-developed differentiated recognition, accountability, and support for schools, and educator effectiveness and improvement initiatives. Forty-four states, including Wisconsin, requested waivers. In Wisconsin's case, a school accountability design team was convened to develop a new system to measure school performance, the new "school report card" index, in 2011. The common core standards had been adopted in 2010 and the Smarter Balanced next generation assessment was anticipated for 2014-15. Wisconsin requested a flexibility waiver in early 2012, and in July, 2012, the Education Department approved the state's waiver.

3. The new school report card accountability system for Wisconsin assesses school quality in four priority areas: (a) student proficiency in reading and mathematics; (b) achievement gaps between groups of students in reading and mathematics; (c) student growth in reading and mathematics; and (d) on-track and postsecondary readiness, including graduation or attendance rates, 3rd grade reading, 8th grade mathematics, and ACT participation and performance. Points are weighted and awarded based on the number of pupils in each proficiency category, student growth, and closing gaps in performance between subgroups of students. Deductions are made for missed benchmarks in the areas of dropout rates, student absenteeism, and test participation. The total numeric score, on a scale of 0 to 100, is used to classify each school in a performance category on its annual accountability report or "report card." Each school is rated as one of the following: fails to

meet expectations, meets few expectations, meets expectations, exceeds expectations, or significantly exceeds expectations.

4. The common core has developed standards for, and the new Smarter Balanced assessment will test, only reading and mathematics. This re-focusing of the curriculum continues the trend, often criticized under No Child Left Behind, of focusing on these two subjects to the detriment of other academic subjects, including science, history, foreign languages, music, art, career and technical education, and gifted and talented education. If schools are graded on, and receive funding based on, their performance in only those two subjects, school leaders have an incentive to focus instruction on those subjects. Critics argue that narrowly focusing universal public education policy around improving the performance of low-achieving students in two subjects devalues teaching that prioritizes educating all students to their potential and offering a rich and varied curriculum. On the other hand, remedial education for the lowest-performing students, some argue, is rightly at the forefront of education policy because it is crucial to ensuring that all students, regardless of socio-economic background, graduate from high school with the basic skills necessary to succeed in college or the workforce.

5. Proponents of the state's new school report card system argue that it is a valuable instrument for evaluating a school's areas of strength and weakness, providing information to parents and the public, and for focusing schools on the areas in which student performance must improve. This is in contrast to the report card's use as a decision-making tool for the proposals included in AB 40, for school performance incentive grants funding and the expansion of parental choice and "2r" charter school programs, based on a district's accountability rating.

6. Additionally, DPI has argued that certain areas of the current report card design should be improved to provide a more accurate portrait of a school's performance, including: (a) integrating student growth into high school performance calculations; (b) adjusting the achievement gap calculation to better capture gap closure and include more subgroups; (c) more, and more varied, measures of postsecondary readiness; and (d) adjusting the absenteeism indicator to better measure absenteeism as opposed to student mobility.

7. Until additional testing data is available for high school grades, the school report card will not adequately reflect student growth in those grades. Currently, students take the Wisconsin knowledge and concepts exam (WKCE) each fall in grades 3 through 8 and in grade 10. However, under provisions AB 40, beginning in 2014-15, students will take the new Smarter Balanced assessment in grades 3 through 8 each spring, and all high school students will take the ACT suite of tests, beginning with Explore in 9<sup>th</sup> grade, Plan in 10<sup>th</sup> grade, and the ACT college entrance exam in 11<sup>th</sup> grade. When the ACT suite is implemented, an individual high school will be able to demonstrate student growth and improvement over two or three grade levels. The current one-time assessment provides a snapshot of knowledge and skills early in 10<sup>th</sup> grade, but no indication of how far ahead or behind the student was when entering the high school grades, nor a reflection of how much progress the student made while attending that high school. This can be a particular disadvantage for high schools serving at-risk populations, with regard to how they are rated on the school report card. There are similar issues with the way achievement gap results are currently represented, which may not fully reflect the progress achieved by subgroups of academically disadvantaged students.

8. Some have argued that the report card, while it would include results from the ACT suite of exams, if they would be approved in the 2013-15 budget, includes a relatively limited amount of data indicators for college and career readiness. For example, results of Advanced Placement participation and exam pass rates, postsecondary enrollment information, and industry certifications for technical skills could be considered to provide a more complete picture of how well high schools are serving students.

9. Critics of the school report card have argued that school ratings can largely be predicted by school demographics. Schools rated "fails to meet expectations" on the report card have much higher rates of poverty (as measured by rates of students qualifying for free or reduced price lunch) than the statewide average. Of the 76 schools given a failing grade for 2011-12, the average percentage of economically disadvantaged students was 84.8%, nearly double the statewide average of 42.5%. Schools that exceed expectations, on average, have below average rates of poverty. For the 66 schools given a rating of "significantly exceeds expectations," the highest report card rating, an average of 21.1% of enrolled students were economically disadvantaged, half the statewide rate. Even for the 643 schools rated "exceeds expectations," while some had poverty rates above the statewide average, the overall rate for this group of schools was 29.8% of students qualifying for free or reduced price lunch. It seems questionable from a public policy standpoint to distribute financial rewards to schools largely based on demographics that are outside the schools' control.

10. Finally, better data systems to track individual student enrollment could refine the information included in the school report card. DPI has indicated that student absenteeism might be over-reported currently, for those pupils who frequently change schools in the middle of the school year. Capturing this student mobility, rather than simply recording students as absent for long periods of time, is another area that DPI has identified for improvement. Given these identified weaknesses of the report card at this point in time, it might be desirable to avoid rewarding or penalizing schools based on the report card. The Committee could choose to delete the proposal at this time.

11. Under the school performance incentive grant proposal, beginning in 2014-15, DPI would be required to award a grant to the school board of any school that is placed in a performance category of "significantly exceeds expectations" or "exceeds expectations" on the accountability report published for the school at the end of the preceding school year. To determine the award amounts, DPI would divide the amount appropriated for high performing schools (\$24,000,000) by the sum of the number of pupils enrolled in each school eligible to receive a grant, and multiply the quotient by the number of pupils enrolled in the school. For the 2011-12 school report card, 709 schools enrolling 312,500 pupils would have qualified for this grant, for a grant award of approximately \$77 per pupil enrolled. The average school size was 440 pupils among this group, meaning the total grant awarded would have been approximately \$34,000.

12. However, critics have argued that rewarding schools rated highly on the school report card does little to improve those schools' performance, and may not direct resources to those schools and students most in need. Schools in the top two categories under the proposal are not required to increase their numeric score on the report card in order to receive a grant, and would receive funding regardless of whether the school is improving or declining in performance. The

same per pupil grant amount would be awarded to the highest-rated "significantly exceeds" schools as would be awarded to the second category, thus giving schools little incentive to improve further, or to strive for the highest rating. One alternative might be to deny a grant to a school in either of the top two categories whose numeric score on the accountability report declines from the previous year. However, the Committee may wish to specify that a school could receive a "high-performing" grant or a "demonstrates improvement" grant, but not both in a single year. Another alternative would be to award "high-performing" grants only to those schools achieving the highest rating tier.

13. Under the "demonstrates improvement" category of grants, DPI would award a grant to any school that increased its accountability report numeric score for the immediately preceding school year by at least three points over the prior year's numeric score. Only one school report card has been published by DPI so far, so it is unknown how many schools might be eligible for such a grant each year. For each school eligible to receive an award for this category, DPI would award a grant according to the following calculation: (a) multiply the number of pupils enrolled in the school by the number of points by which the most recent numeric score exceeded the prior year's score; (b) divide the amount appropriated for improved schools by the sum of the products under (a); and (c) multiply the quotient determined in (b) by the number of pupils enrolled in the school. A corrective change in the language is necessary to accomplish the intent of the bill. One final step in the calculation, multiplying the product under (c) by the number of points by which a school improved its score, would be needed in order to fully distribute the appropriated amount. Arguably, this category of grants could provide the clearest incentive for school improvement, regardless of a school's current level of performance. Therefore, the Committee could choose to delete the other two categories of grants, and focus funding for incentive grants strictly on those schools demonstrating improved performance.

14. Finally, DPI would be required to award a grant to the school board of any school that was placed in a performance category of "fails to meet expectations" on the accountability report published for the school at the end of the preceding school year if: (1) the school board includes with its notice of intent to participate in this program a written school improvement plan for each school eligible to receive an award; and (2) DPI determines that the school improvement plan includes and comprehensively addresses all of the following components: (a) a plan to achieve improvements in math and reading; (b) a plan to collaborate with a high-performing school or a high-performing school district to obtain best practices; (c) a plan to use the educator effectiveness system developed by DPI to achieve teacher and principal improvement; (d) a plan to make administrative or staffing changes to achieve improvement; and (e) a plan to meet goals, set jointly by the school board and the department, that are based on measurable objectives, including those included on accountability reports for the school. The bill does not specify a method that DPI would use to allocate this funding among the eligible schools. Therefore, it might be desirable to require DPI to promulgate rules to define how this funding would be distributed.

15. Some have argued that schools rated "fails to meet expectations" presumably have the most need for additional resources, if they are to make meaningful improvements in areas such as professional development, instructional materials, school climate, student services, or to address other needs which could improve performance. However, the smallest appropriation amount is provided for this category of grants, \$10,000,000 compared to a \$24,000,000 appropriation for the highest-performing schools. Another alternative would be to modify the amounts provided under

the bill in order to provide more resources for under-performing schools. In this case, the Committee might also wish to specify a method of allocating funding among the eligible schools. One option would be to specify that the same per pupil formula would be used for failing schools as would be used under the "high performing" grant proposal.

## **ALTERNATIVES**

### **A. Grants to High Performing Schools**

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation to require that, if a school is rated "exceeds expectations" or "significantly exceeds expectations," but the school's numeric score declines compared to the prior year's accountability report, that school would be ineligible for a performance grant in the current year. Also specify that a school could not receive grants under both the "high performing" grant category and the "schools that demonstrate improvement" category in the same school year.

3. Modify the Governor's recommendation to award grants only to those schools that are ranked "significantly exceeds expectations" on the most recent year's school accountability report. Decrease the level of funding for this category of grants to reflect the decrease in the number of schools that would be eligible by approximately 90%. Remaining funding would total \$2,400,000 in 2014-15.

<b>ALT A3</b>	<b>Change to Bill Funding</b>
GPR	- \$21,600,000

4. Delete provision.

<b>ALT A4</b>	<b>Change to Bill Funding</b>
GPR	- \$24,000,000

### **B. Grants to Schools that Demonstrate Improvement**

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation to add a final step to the calculation of award amounts, to multiply the product of the third step in the formula by the number of points by which each school improved its numeric score, in order to fully distribute appropriated funding amongst the eligible schools.

3. Modify the Governor's recommendation to provide all school performance incentive

grant funding to schools demonstrating improvement. Increase funding for this category of grants from \$30,000,000 to \$64,000,000.

<b>ALT B3</b>	<b>Change to Bill</b>
	Funding
GPR	\$34,000,000

4. Delete provision.

<b>ALT B4</b>	<b>Change to Bill</b>
	Funding
GPR	- \$30,000,000

### **C. Grants to Schools that Fail to Meet Expectations**

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to require DPI to promulgate rules to specify how funding would be distributed amongst eligible schools.
3. Modify the Governor's recommendation to increase funding for schools that fail to meet expectations by \$21,600,000. Funding appropriated would total \$31,600,000 under this alternative. Specify that funding would be distributed in the manner specified under the bill for high-performing schools.

<b>ALT C3</b>	<b>Change to Bill</b>
	Funding
GPR	\$21,600,000

4. Delete provision.

<b>ALT C4</b>	<b>Change to Bill</b>
	Funding
GPR	- \$10,000,000

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