



Fix the “Contract for Excellence”

Last year, in an effort to assure that greater state aid for schools does produce greater results for schoolchildren, 55 school districts were required to complete a “Contract for Excellence” directing most of their new aid to specific programs deemed proven effective at raising student achievement.

The Contract for Excellence (C4E) was a good idea, but a poorly constructed law.

How the law works (or doesn’t)

Districts were targeted for C4E if they had (1) an increase in Foundation Aid of more than 10 percent or \$15 million *and* (2) had at least one school in “improvement status” – on a state list for inadequate performance. The State Education Department notes that about half the schools that go into improvement status get out on their own the next year, without intervention by the state. Also, some schools are identified for very narrow shortcomings – for example, not enough special education students participated in a state test. Using this performance measure subjects too many successful districts to C4E.

C4E districts are allowed to use only the first 3 percent increase in state Foundation Aid to cover basic costs (teacher salaries, insurance, fuel costs, etc). Most districts face increases beyond that figure. C4E districts must spend their remaining new aid to begin or expand activities such as class size reduction, more instructional time, teacher/principal quality, full day kindergarten/preK, middle/high school restructuring, or within limits, “experimental” programs. C4E districts may spend 25 percent of their C4E funds to support similar programs that they started *before* C4E became law. Some districts were spending much more than that amount and making good progress as a result.

Problems and Solutions...

1. Problem: *Too many successful districts were forced to comply with C4E.* This wastes the time of local leaders in these schools and of SED officials who could be working with more troubled schools.

Solutions: *Use better performance criteria so that districts that really need state intervention are targeted.* Possible changes: Target districts with schools in improvement status for more than just one year or districts with more intensive problems, such as schools under registration review (“SURR” schools) or schools in restructuring.

2. Problem: *C4E districts are being set up to fail because they are not allowed to spend enough of their state aid to cover basic operating costs.* Districts are allowed to spend only the first 3 percent increase in Foundation Aid for general costs. So if teacher salaries, or health insurance, or special education, or energy costs are driving spending up by more than 3 percent, a C4E district must choose: find some way to cut that expense, or cut something else, or put the extra cost on local taxpayers.

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As a result, many C4E districts fear they will need to ask local voters for double-digit tax increases that would risk budget rejection and provoke turmoil that will hurt schools and schoolchildren.

Solutions: *Raise the amount districts can spend to support basic operations from 3 percent to a figure closer to what districts are actually experiencing as basic cost increases, so that C4E districts are not forced to ask for excessive local tax increases, or to cut basic operational expenses below what their neighbors are budgeting.*

- 3. Problem:** *In at least some districts, local taxpayers strained to do the right thing for schoolchildren before the state stepped up as a funding partner last year. Some C4E school districts are not given enough credit for spending on programs they started before they were subjected to C4E.*

Solutions: *Raise the amount that districts can spend to maintain C4E programs they started before the law took effect. Examples: Allow districts to count what SED certifies they spent before, especially if the district is close to meeting standards, or adjust the 25 percent now allowed for these purposes so that districts with strong local tax effort or stronger academic performance can count more prior spending.*

- 4. Problem:** *Some C4E districts are forced to spend sums way out of proportion to the “problem” that led them to be identified. (Again, sometimes district are targeted because too many students in one group in one school missed a state test).*

Solutions: *Authorize SED to exempt from C4E districts with small performance shortcomings or to limit how much these districts must spend for C4E purposes. This problem could also be reduced by using better performance criteria to target districts, so that districts with minor performance issues are not subjected to C4E.*