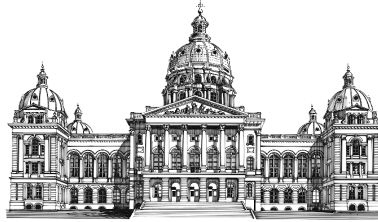

Iowa Legislative Services Agency Fiscal Services

Dennis Prouty
(515) 281-5279
FAX 281-8027



State Capitol
Des Moines, IA 50319
October 6, 2006

The Institute for Tomorrow's Workforce

ISSUE

This *Issue Review* provides an overview of the funding and operations of the Institute for Tomorrow's Workforce (ITW).

AFFECTED AGENCIES

Department of Education
Department of Management

CODE AUTHORITY

Chapter 7K, Code of Iowa

BACKGROUND

During the 2005 Legislative Session, the General Assembly adopted legislation that created Chapter 7K, Code of Iowa. The statute established the Institute for Tomorrow's Workforce (ITW) as an independent nonprofit quasi-public foundation. The statutory responsibilities of ITW are provided in **Attachment A**.

The statute identifies the stakeholders to be represented among the 15-member Board of Directors. Board members serve staggered three-year terms. The current members are listed in **Attachment B**. The Board is authorized to employ an Executive Director and to execute contracts with public and private agencies to conduct research and development activities.

The statute requires that State funding be matched from other sources on a dollar-for-dollar basis. The ITW is required to submit an annual report, including an accounting of revenues and expenditures, by January 15 to the Governor, the Speaker of the House, the President of the Senate, the State Board of Education, the Board of Regents, the Departments of Workforce Development and Economic Development, the Iowa Association of Community College Trustees, the College Student Aid Commission, the Iowa Association of Independent Colleges and Universities, and associations representing school boards, nonpublic schools, area education agencies, and teachers.

Future repeal of Chapter 7K, Code of Iowa, is provided effective July 1, 2015, creating a 10-year charter for the ITW. The ITW does not maintain an actual office. The registered agent for tax purposes is the Des Moines office of Co-Chairperson Marvin Pomerantz.

FY 2006

House File 816 (FY 2006 Education Appropriations Act) appropriated \$250,000 to the Department of Management (DOM) to establish the ITW. House File 882 (FY 2006 Standing Appropriations Act) reduced that amount to \$150,000. Statute required that this funding be matched dollar-for-dollar, and the ITW received \$204,000 in funding from non-State sources in FY 2006. A partial-year audit was conducted by Deloitte & Touche in January 2006 for the period from the ITW's inception through December 31, 2005. An audit covering all of FY 2006 was recently completed. Both audit reports are available on the ITW web site at: <http://www.tomorrowworkforce.org/reports.html>.

In July 2005, the ITW contracted with William Lepley, former Director, Department of Education, to serve as acting Executive Director. The Institute also contracted with Butler Consulting, LLC, to serve as consultant and project manager. Effective January 31, 2006, Mr. Lepley resigned as Executive Director, and Jodie Butler of Butler Consulting assumed those responsibilities.

During the first six months of FY 2006, the ITW conducted a study to identify issues facing Iowa's education system. The Institute contracted with three consulting groups to provide independent expertise. The Institute also conducted forums with opinion leaders in seven communities across the State, and four individuals were engaged to conduct the forums and summarize the results. Also during FY 2006, the ITW contracted with Strategic America, an integrated marketing company in Clive, for public relations services that included web site development.

Table 1 details the ITW's FY 2006 expenditures. **Table 2** details the value of in-kind contributions received by the ITW.

Table 1
ITW Estimated FY 2006 Expenditures

Payee	Service Fees	Travel	Total
William Lepley, Exec. Director	\$ 93,000	\$ 3,179	\$ 96,179
Butler Consulting LLC			
Consulting Services	\$ 57,500		
Executive Director	36,250		
Total - Butler Consulting	93,750	1,537	95,287
Expert Consultants			
EdVisors, Massachusetts	\$ 12,000		
Paslov Consulting, Utah	12,000		
Center for Teaching Quality, North Carolina	12,000		
Total - Expert Consultants	36,000	6,243	42,243
Forum Facilitators (4)	8,000	305	8,305
Strategic America	90,199	15	90,214
Total Payments	<u>\$ 320,949</u>	<u>\$ 11,279</u>	<u>\$ 332,228</u>

Table 2
ITW Estimated FY 2006 In-Kind Contributions

Provider	Service	Value
Brown, Winick, Graves, Gross, Baskerville & Schoenenbaum	Legal	\$ 9,739
Smart Solutions Group	Editing/Writing	5,000
Mid-America Group	Bookkeeping	4,500
Strategic America	Public Relations	3,110
Deloitte & Touche	Auditing	2,000
Iowa Farm Bureau	Meeting Facility Expense	1,539
		<u>\$ 25,888</u>

Report to the Legislature

In January 2006, the Institute for Tomorrow's Workforce issued a report to the Governor and the Legislature entitled, "Addressing Iowa's Greatest Imperative: All Learners Must Be Prepared for the 21st Century – An Agenda for Change." The Report is available on the ITW web site at http://www.tomorrowworkforce.org/ITW_2005-2006_Report.pdf. The Report finds that all learners must obtain a post-secondary credential – diploma, college degree, license, or certificate of employability – to be prepared for the 21st Century global marketplace and provides recommendations for achieving that goal.

FY 2007 LEGISLATION

Educational Delivery System Study

House File 2792 (Additional Education Funding Act), prior to the Governor's vetoes, allocated \$1.0 million to the DOM from the FY 2007 Student Achievement and Teacher Quality appropriation for purposes of a Pay for Performance Program. A sub-allocation of \$150,000 was directed to the Institute for Tomorrow's Workforce, and the Act directed the ITW to develop a plan to establish a new educational delivery system in Iowa and submit the plan to the General Assembly, Governor, and Department of Education by January 15, 2007.

Pay for Performance Study

The Act also created the Pay for Performance Commission within the Executive Branch to design and implement a study relating to teacher and staff compensation containing a pay-for-performance component. The remaining \$850,000 of the allocation was intended for this purpose. The legislation specified that the Legislative Services Agency (LSA) would provide technical and administrative support to the PPC. The Commission was required to do the following:

- Review both public and private sector pay-for-performance initiatives.
- Design a program using both individual and group incentives and use at least half of the funding for individual incentives.
- Initiate demonstration projects in 10 K-12 schools beginning July 1, 2007, and fund demonstration projects in an additional 10 schools beginning July 1, 2008.
- Submit an interim report to the General Assembly by January 15, 2007, and subsequent reports annually, with a final report due six months after the completion of the demonstration projects.

The Act also specified that the General Assembly consider implementing the program on a statewide basis in FY 2010. In order for statewide implementation to be considered, the program must include:

- A system for measuring enhanced student achievement, using individual gain scores on valid, reliable, and non-subjective assessment tools.
- A teacher compensation plan, including teacher performance standards, where salary adjustments vary directly with the enhancement of student achievement.
- A teacher remediation program to provide counseling and assistance for teachers whose students do not demonstrate adequate increases in achievement.

The Governor item vetoed portions of the Pay for Performance Program, including:

- Staffing of the PPC by the LSA.
- The formation and membership of the Commission.
- The use of individual gain scores in assessing student achievement.
- The requirement that no individual incentives be paid to teachers performing below a satisfactory level.
- The provision for a teacher remediation program.

The Governor then issued Executive Order No. 48, directing the Institute for Tomorrow's Workforce to conduct the study of pay-for-performance incentives as set forth in HF 2792 and directing the Department of Education to provide technical and administrative assistance.

The Executive Order also specified that the ITW seek input from at least one classroom teacher at the elementary, middle, and high school levels; at least one local school board member; at least one K-6 principal and one 7-12 principal; and representatives from the Iowa State Education Association, Iowa Association of School Boards, School Administrators of Iowa, Professional Educators of Iowa, and the Urban Education Network. The Governor then appointed the Iowa Pay for Performance Commission (PPC). The PPC membership is provided in **Attachment B**.

In July 2006, the Department of Management, the PPC, and the ITW entered into a 28E Agreement in which the ITW agreed to conduct the study of teacher compensation and pay-for-performance incentives and design a pay-for-performance program as outlined in HF 2792 and Executive Order No. 48. The ITW must seek input from and provide monthly updates to the PPC and submit final results and recommendations to the PPC by January 8, 2007.

The 28E Agreement specifies that the ITW will receive \$790,000 in four installments through December 15, 2006. The Agreement specifies that all parties to the Agreement are subject to the provisions of Chapters 21 and 22, Code of Iowa, regarding open meetings and public records. The Agreement also specifies that the ITW and any third-party contractors must meet the requirements of Chapter 8F, Code of Iowa, regarding accountability and financial reporting.

The Pay for Performance Commission will provide an interim report to the General Assembly by January 15, 2007, as required in HF 2792. The PPC will then be responsible for implementing the Act's provisions for 10 demonstration projects in FY 2008 and 20 in FY 2009. The Commission is retaining \$60,000 of the funding allocated in HF 2792 to cover meeting and travel costs (\$10,000), the hiring of a consultant to assist in designing and managing the Request for Proposal (RFP)

process to establish the demonstration projects (\$15,000), and the hiring of an individual to develop a process for independent external evaluation of the projects (\$35,000).

CURRENT SITUATION

As a result of HF 2792, Executive Order No. 48, and the 28E Agreement, the Institute for Tomorrow's Workforce is responsible for completing two studies by the end of December 2006. For the study of Iowa's educational delivery system, the ITW will receive \$150,000 in State funding that must be matched dollar-for-dollar with funding from non-State sources. For the study of teacher compensation and pay-for-performance incentives, the ITW will receive \$790,000. Because the \$790,000 was a direct appropriation to the Department of Management (DOM), the matching requirements of Chapter 7K, Code of Iowa, do not apply.

The ITW issued a Request for Proposal to identify individuals or groups that could assist in both studies. Eight proposals were submitted, and on July 27, 2006, the ITW Board of Directors unanimously voted to hire Learning Point Associates of Naperville, Illinois, to conduct both studies.

Prior to the vote, the Board met in closed session to discuss the matter, citing personnel issues. Six media organizations filed a lawsuit in Polk County, alleging that the ITW violated Chapter 21, Code of Iowa, regarding open meetings. On September 14, the ITW settled the lawsuit by conceding to violating the law. Judge Robert Hanson required the Institute to pay \$9,000 in attorney fees and court costs and specified that Board members will be fined \$100 each if the Board meets in closed session again. At the September 19 ITW Board meeting, Co-Chairperson Marvin Pomerantz announced that he had paid the \$9,000 out of his personal funds. At the meeting, the Board voted unanimously to ratify the Executive Committee's decision to settle the lawsuit and to reconfirm the contracts awarded to LPA and Strategic America as a result of the closed session discussion.

In August, the ITW entered into a contract with Learning Point Associates (LPA), formerly known as North Central Regional Education Laboratory (NCREL), to conduct the system and teacher compensation studies. A detailed breakdown of the contract costs is provided in **Table 3**.

Table 3
ITW Contract Costs with Learning Point Associates
August 2006 – January 2007

	Educational Delivery System Study	Teacher Compensation Study	Total
LPA Services	\$ 88,990	\$ 267,585	\$ 356,575
Subcontracts	5,000	157,000	162,000
Travel	10,200	22,000	32,200
Advisory Workgroups	6,000	8,000	14,000
Public Input/Awareness	2,575	6,475	9,050
Communications/Web Site	4,500	6,000	10,500
Focus Groups	3,575	7,550	11,125
Surveys	4,500	6,500	11,000
Total	<u>\$ 125,340</u>	<u>\$ 481,110</u>	<u>\$ 606,450</u>

Learning Point Associates is to be paid in six equal monthly installments through January 31, 2007. The contract specifies that both parties are subject to open meetings and public records laws and that LPA agrees to be bound by the provisions of the 28E Agreement with the PPC. The contract

specifies that the two studies are separately funded and the funding is not interchangeable. Learning Point Associates is required to maintain separate and complete records to account for all spending on each study.

FY 2007 Budget

The ITW is in the process of raising \$150,000 in non-State funding and anticipates total FY 2007 revenue of \$1.1 million. Anticipated major expenditures for FY 2007 are detailed in **Table 4**, and anticipated in-kind contributions are detailed in **Table 5**. The budget adopted by the ITW Board in July has not yet been amended to reflect the contract with LPA, but general administrative expenses are anticipated, including printing, postage, office supplies, and annual web site domain fees.

Table 4
ITW Anticipated FY 2007 Major Expenditures

Payee	Service Fees	Travel/Expenses	Total
Butler Consulting LLC	\$ 120,000	TBD	\$ 120,000
Learning Point Associates	574,250	\$ 32,200	606,450
Strategic America	46,800	5,000	51,800
Total Payments	<u>\$ 741,050</u>	<u>\$ 37,200</u>	<u>\$ 778,250</u>

Table 5
ITW Anticipated FY 2007 In-Kind Contributions

Provider	Service	Value
Brown, Winick, Graves, Gross, Baskerville & Schoenenbaum	Legal	\$ 5,000
Mid-America Group	Bookkeeping	4,500
Strategic America	Public Relations	5,000
Deloitte & Touche	Auditing	3,000
Iowa Farm Bureau	Meeting Facility Expense	3,000
		<u>\$ 20,500</u>

CONCLUSION

The contracts between the PPC, ITW, and LPA seem to address accountability and public access to meetings and information. All contracts and attachments may be accessed at: http://www.dom.state.ia.us/pfp_commission/docs.html. Jodie Butler reports that the ITW is implementing State accountability guidelines for nonprofit organizations.

Both the teacher compensation and educational delivery system studies are underway, and both the ITW and PPC are meeting monthly. Learning Point Associates has established an advisory workgroup for each of the two studies, and those workgroups are meeting monthly, as well. The meeting schedule for these entities is detailed in **Attachment C**.

Public input will be gathered through a variety of means in addition to the advisory workgroups. Learning Point Associates has subcontracted with Selzer and Company of Des Moines to conduct a telephone survey in late September and with Westwind Education Policy of Iowa City to conduct six focus groups in late September and early October and several town hall meetings around the state in early November.

Learning Point Associates will present its final report for both studies to the ITW Board on December 12. The Pay for Performance Commission will meet on January 4, 2007, to receive the ITW's recommendations regarding pay-for-performance incentives. The schedule of meetings, agendas, minutes, and other materials are available on the following web sites:

Institute for Tomorrow's Workforce: <http://www.tomorrowworkforce.org/>.

Pay for Performance Commission: http://www.dom.state.ia.us/pfp_commission/index.html.

Learning Point Associates (advisory workgroups):
<https://portal.learningpt.org/itw/advisory/default.aspx>.

STAFF CONTACT: Robin Madison (Ext. 15270)

The Institute for Tomorrow's Workforce
<http://www.legis.state.ia.us/lsadocs/IssReview/2007/IRRKM000.PDF>
LSA/FSD:IRRKM000.Doc/10/06/11L16 am

Responsibilities of the Institute for Tomorrow's Workforce

(Excerpted from Chapter 7K, Code of Iowa)

The Foundation shall, at a minimum, do the following:

- a. Review educational standards to determine relevance and rigor necessary for continuous improvement in student achievement and meeting workforce needs.
- b. Identify jobs skills and corresponding high school coursework necessary to achieve success in the Iowa workforce.
- c. Review the State's education accountability measures, including but not limited to, student proficiency and individual and organization program accountability.
- d. Identify State and local barriers to improved student achievement and student success as well as barriers to sharing among and within all areas of Iowa's education system.
- e. Identify effective education structure and delivery models that promote optimum student achievement opportunities for all Iowa students that include, but are not limited to, the role of technology.
- f. Serve as a clearinghouse for existing and emerging innovative educational sharing and collaborative efforts among and between Iowa's secondary education system as well as Iowa's postsecondary education system.
- g. Promote partnerships between private sector business and all areas of Iowa's education system.
- h. Promote partnerships between other Iowa governance structures including, but not limited to, cities and counties, and all areas of Iowa's education system.
- i. Identify ways to reduce the achievement gap between white, non-white, and non-Asian students.

Institute for Tomorrow's Workforce – Board of Directors

Co-Chairpersons

Marvin Pomerantz, Des Moines
Chairman and CEO, The Mid-America Group
Robert Koob, Cedar Falls
President (retired) and Professor, University of Northern Iowa

Members

Som Baccam, Des Moines
Citizen, Former Des Moines School Board Member
Bonnie Barney, Coralville
Senior Vice President, Integrated DNA Technologies, Inc.
Diane Crookham-Johnson, Oskaloosa
MUSCO Lighting
Jerry Downin, Ankeny
Iowa Farm Bureau Federation
Debi Durham, Sioux City
President, Siouxland Chamber of Commerce
Tim Grieves, Spirit Lake
Superintendent, Spirit Lake Community School District
Doug Gross, Des Moines
Attorney at Law; Brown, Winick, Graves, Gross, Baskerville, and Schoenebaum, PLC
Patricia Keir, Davenport
Chancellor, Eastern Iowa Community College
Carol Montz, Riverside
Superintendent, Highland Community School District
Linda Nelson, Council Bluffs
President, Iowa State Education Association
Sheldon Ohringer, West Des Moines
CEO, Caleris Inc.
Brent Siegrist, Council Bluffs, ITW Secretary/Treasurer
Director of Services, Area Education Agencies of Iowa
David Roe, Pella
President, Central College

Pay for Performance Commission

Chairperson

Steve Waterman
Retired Superintendent, Clarke Community School District

Co-Chairperson

Jan Reinicke
Executive Director, Iowa State Education Association

Members

Robert Koob
Co-Chairperson, Institute for Tomorrow's Workforce
President (retired), University of Northern Iowa
Mike Haluska
Superintendent, Jefferson-Scranton Community School District
Judy Jeffrey
Director, Iowa Department of Education

**Institute for Tomorrow's Workforce
Teacher Compensation and Educational Delivery System Studies**

Tentative Schedule of Related Meetings

Month	ITW	PPC	Advisory Workgroups
September	9/19/2006 – 10 a.m. to 2 p.m. Iowa Farm Bureau, West Des Moines	9/20/2006 – 10 a.m. to 12 p.m. Grimes State Office Bldg., Des Moines	9/21/2006 – 10 a.m. to 3 p.m. West Des Moines Marriott on Jordan Creek Parkway
October	10/17/2006 – 10 a.m. to 2 p.m. Iowa Farm Bureau, West Des Moines	10/18/2006 – 10 a.m. to 12 p.m. Grimes State Office Bldg., Des Moines	10/18/2006 – 10 a.m. to 4 p.m. Drake University - Parents Hall 2700, Des Moines
November	11/15/2006 – 10 a.m. to 2 p.m. Iowa Farm Bureau, West Des Moines	11/17/2006 – 1 to 3 p.m. Grimes State Office Bldg., Des Moines	11/3/2006 – 10 a.m. to 3 p.m. DMACC Campus, West Des Moines
December	12/12/2006 – 10 a.m. to 2 p.m. Iowa Farm Bureau, West Des Moines		
January		1/4/2007 – 10 a.m. to 12 p.m. Grimes State Office Bldg., Des Moines	