

May 22, 2008

Dear Colleagues:

I wanted to take the opportunity to write to you directly on the state of collective bargaining and teacher pay in the Denver Public Schools. I apologize for the length of this letter, but I want to be as complete as possible. Please feel free to set it aside, until you have time to consider it.

There should be no doubt that the primary policy objective of any school district, including DPS, should be to attract and retain the very best teachers to its classrooms. We have no more important objective nor any conflict of interest with teachers on this point. Indeed, as is well documented, nothing has a greater impact on accelerating student learning and closing the achievement gap than effective teaching.

Nevertheless, there persist doubts (in our district and others) about whether attracting and retaining teachers is the number one priority of the parties who meet annually for collective bargaining. It is not difficult to understand why these doubts exist. Decades of negotiation have not led to a material increase in teacher compensation relative to that paid in other professional fields. In some districts, like ours, which have faced budget cuts year after year, teacher compensation has not kept pace with neighboring districts. And, at least with respect to Denver, the process itself raises questions in people's minds about whether the parties are serious about coming to agreement or are more inclined to disagreement. After all, in only two of the last twenty years have we managed to extend the most elemental courtesy to our teachers, namely letting you know by the end of one school year what you would be paid the next (much less the next two or three years).

Could this year have been different?

Notwithstanding this bleak history, I had very high (perhaps unrealistic) hopes that this year would be different. There were two primary reasons for this hope, and these reasons persist. The first is the clear written agreement we reached last fall on the size of the increase from the general fund this spring, and the second the enormous, untapped potential of ProComp.

Agreement on the Size of the Increase for 2008-09.

Last September, when we agreed to add an extra day to the 2007-08 school year, the district and the DCTA negotiated at great length what would happen if the district was successful this year (as we fortunately turned out to be) in financing its pension.

In that Memorandum of Understanding reached in September and ratified by the DCTA and the Board of Education, we agreed exactly how much of the savings from the pension financing would go to compensation increases for teachers: "Any salary increase agreed to for the 2008-09 school year shall include consideration for the one additional paid day in addition to a cost of living increase." As a result, the pay increase from the General Fund this year consists

of the cost of living increase (2.2% as it turned out) plus .6% (the cost of adding one day for our teachers) plus steps and lanes (2.2%).

That was the agreement, and we honored it at the very outset of negotiations. Nevertheless, and from the outset of negotiations some five months ago, we have been very clear with the negotiating team that we have a strong desire to offer significantly greater increases in **both base salaries and non-base building incentives for all teachers**, using ProComp, because of the very large balances currently sitting in reserve.

ProComp's Great Potential.

Our agreement to establish ProComp three years ago marked an enormous step forward for the district, our teachers, and our students. Denver's voters committed \$25 million a year, rising every year with inflation, in recognition of the extraordinary agreement and its potential to help us attract, retain, and reward our talented teachers. When we set off on this ground-breaking and complicated pay system three years ago, we knew that we would never get it perfectly right the first time. That is why DPS and the DCTA agreed in the collectively bargained ProComp agreement that, after three years, we would re-examine the program and make necessary changes.

With those three years now up, we have been discussing potential changes with DCTA for over five months. Our purpose is simple: to design the best possible system to help us attract and retain teachers to Denver Public Schools. As far as we know, the changes we have proposed would result next year in the largest increases to teacher compensation in the modern history of public education in the State of Colorado – increases that average between \$8,000 and \$9,000 per teacher depending on which proposal is implemented.

The vast majority of the ProComp money in either proposal would be spent paying for base-building increments, but the proposals also increase significantly the size of non-base building incentives (e.g. to teach in a hard-to-serve school). Simply put, over two thirds of ProComp money under our proposals would be spent on base-building elements. We believe either of the proposals we have advanced would be a huge step forward to helping achieve what should be our shared goal of better attracting and retaining strong teachers. We discuss our proposed changes below.

The Problems we need to Address.

Although ProComp has many strengths, changes are urgently needed. We are having vigorous discussions with DCTA about what those changes should be, but there does not appear to be any disagreement on these key facts. Under current ProComp:

- Denver teachers earn less than teachers in neighboring school districts, especially early in their careers;
- Increases under ProComp are so small that most mid-career teachers would earn more under the traditional salary schedule, which already competes poorly in the marketplace. Not surprisingly, therefore, fewer than 20% of the teachers below step 13 with an option

to do so have chosen to enter ProComp, and just under half of those over step 13 have chosen to do so;

- Incentives under ProComp are too small; the ProComp evaluation shows both teachers and principals agree on this;
- We continue to experience tremendous turnover of our more junior teachers, in part because our salaries for these teachers under the current ProComp system are not competitive in the marketplace. In fact, teachers with fewer than twelve years of experience are nearly **20 times** more likely to leave the district than those with 122 or more years of experience;
- This year, teachers will receive less than \$7 million out of ProComp;
- The district continues to put money aside in the ProComp Trust that could go to improving teacher pay. At the end of this year, we will have \$70 million of unspent ProComp funds, \$86 million at the end of next year, and close to \$1 billion in 20 years;
- Under ProComp, our compensation is even more back-ended than before. Combined with a pension plan that offers far greater rewards for senior employees than junior employees, the average teacher with 30 years of experience under ProComp receives almost three and a half times the annual compensation (salary plus deferred compensation in the form of incremental pension benefits) of a teacher with five years experience; and
- Elements of ProComp are so complicated and difficult to administer (i.e. keeping track of whether thousands of teachers have met one or both of their individually set Student Growth Objectives) that we are spending over \$2 million a year just to devise technology programs and to administer the system – money that could be far better spent in classrooms.

These are the kinds of flaws DPS and DCTA intended to address when they created an opportunity to renegotiate ProComp after three years of operation. Taken individually, these flaws pose specific challenges, not only to the district, but also to improving the quality of the teaching job in Denver. Taken together, however, they make one of our fundamental problems, the high rate of teacher turnover in early and mid careers, only worse.

What follows is a description of the guiding principles we kept in mind as we developed our proposals to address these flaws, as well as two proposals that we have presented to DCTA. (We will send you a PowerPoint Presentation that places the facts and the proposals before you.) There has been much misinformation circulated over the past weeks about our effort to resolve these issues. It is important for us to have a rational discussion based on facts if we are to reach agreement. It is in that spirit that we share this information with you today.

Guiding Principles for Our Proposals.

In evaluating ProComp and potential changes to it, we believe the following principles should be paramount:

- Putting more ProComp money in teachers' pockets right now;
- Staying true to the letter and intent of the mill levy ballot measure and our promises to voters and taxpayers;

- Becoming more competitive where ProComp is not attractive to our teachers or competitive in the market today (e.g. teachers below step 13), thereby reducing the very high rate of turnover among these teachers;
- Honoring the commitment to our senior teachers to give them the benefit of their bargain for their earlier years of service at lower pay by giving them significantly higher salaries and total compensation in their later years of their career;
- Creating a more equitable distribution of the wage settlement for teachers than either the traditional mastery salary schedule or existing ProComp;
- Keeping ProComp fiscally sound; and
- Striking a fair and appropriate balance between base-building and non-base building elements in ProComp;

We have put forward two proposals that embody these principles in our talks with DCTA.

SUGGESTED OPTION 1: MERGER OF PROCOMP AND MASTER SALARY SCHEDULE

In this scenario, we accept the DCTA's proposal to eliminate the distinction between ProComp and non-ProComp teachers and have everyone be part of one salary system. This scenario would retain today's salary schedule of steps and lanes, and we would add 2.8% plus \$1,300 to every step and lane in the schedule. Teachers would advance on the steps by meeting a Professional Development Unit and setting a Student Growth Objective. As a part of the settlement, on the fall of 2008, we would advance all teachers with 12 or fewer years a step. This is on top of the effective 1.1% increase teachers buying insurance will receive through the new \$504 health care subsidy.

The average teacher in this proposal would receive a \$9,000 raise next year, which is an increase of over 18%. In terms of base salary alone, this proposal contains a significantly higher raise (3.3% higher than CPI, not counting steps and lanes, not counting the health care subsidy, and not counting the non-base building incentives) than anyone here can remember. Counting steps and lanes, the base salary of the average teacher would increase by almost 8% next year. Over time, over two thirds of ProComp payments would be for base-building and less than one third for non-base building incentives or "bonuses."

Under this proposal, in addition to the base-building increases, the average teacher would receive over \$6,000 in non-base building incentives next year, including incentives that are entirely predictable and assured, such as teaching in a hard-to-staff position or a high poverty, hard-to-serve school. Our average starting teacher salary would increase from \$35,000 to \$44,000. Senior teachers, likewise, would receive an average increase of \$9,000 each next year. This proposal would do a tremendous amount to help us attract and retain strong teachers in the district and help reduce the very high level of turnover we are experiencing among our junior and mid-level teachers.

The proposal would nearly triple the dollar amount of the incentives in today's ProComp to \$3,000 for teaching in hard-to-serve schools and hard-to-staff positions; demonstrated growth in student achievement at the school level ("distinguished schools"); and for academic growth of

the students of an individual teacher (“exceeds expectations”). The proposal would also create a new annual incentive of roughly \$3,000 for master teachers, which would provide an important new career opportunity to our more senior teachers.

Equally important, the proposal would dramatically increase the number of teachers eligible for these incentives. We have proposed, for instance, quadrupling the number of awards eligible for teachers at schools with good School Performance Framework scores or with high growth, thereby aligning our teacher compensation with our principal compensation.

We estimate that over 90% (or more than 4,050 teachers) would receive at least one non-base building incentive of \$3,000. Over 80% (or more than 3,600 teachers), would receive at least two, worth \$6,000. Over 60% (or more than 2,700 teachers) would receive at least three, worth \$9,000. So, the non-base building incentives are very widely shared among teachers.

At the same time, the proposal has several limitations:

- Since we would be using the master salary schedule, base-building would occur in years 1-13 but not beyond (to make up for this, we would add back longevity payments for those teachers with more than 20 years of experience and every five years thereafter);
- By putting everyone back on the master salary schedule, those teachers who have not joined ProComp would receive larger raises catching up to those who joined earlier; and
- Although everyone would be grandfathered in their current lane and could continue down the steps in that lane, on a going forward basis, teachers would only be able to move from B.A. to M.A. to PhD, without the intermediate lanes.

Simply put, by limiting base-building beyond step 13, much more money is available for base-building up to step 13 and for non-base building incentives. Even so, under this proposal, the average senior teacher would still be making over 2.5 times total annual compensation (salary plus deferred compensation in the form of incremental pension benefits) of the average junior teacher, and will be eligible for the much larger incentives for hard-to-serve, hard-to-staff, student growth, and master teacher designation.

SUGGESTED OPTION 2: KEEP PROCOMP A SEPARATE SYSTEM AND STRENGTHEN IT

In this proposal, ProComp would remain a separate system. In order to narrow the gap between the two systems, however, we have said we would be willing to accept DCTA’s suggestion that those not in ProComp receive the same non-base building incentives (i.e. hard to serve schools, distinguished schools, growth schools, etc.) as those teachers in ProComp receive.

In this proposal (note that all numbers here are in today’s dollars and will be adjusted upwards for inflation), we would have over \$1,400 a year of base-building every year from years 1-13, resulting in total base-building over time for a B.A. of \$18,000 and a base salary for a B.A. in year 13 of \$56,000. We would retain the base-building award currently in ProComp for advanced degrees on top of this base.

The incentives would be similar to that in the above proposal in terms of the expansion of those eligible. We would continue to have the Master Teacher incentive. As in the above scenario, this expansion of eligibility for the various incentives would mean that over 90% of teachers would get at least one non-base building incentive, over 80% would get at least two, and over 60% would get at least three. Likewise, the size of the incentives would be similar to the above proposal.

Under this scenario, the average teacher would receive a raise of \$7,500 next year, which equates to an average raise of over 15%. Over time, more than two thirds of the ProComp payments would be in base-building and less than one third in non-base building incentives.

The limitations of this proposal are similar to the ones above. The principal difference is that ProComp would remain a separate system, even though those not in ProComp would be able to share the non-base building incentives.

- Again, by limiting base building to CPI increases in years past year 13, much more money is available to pay teachers in years 1-13 and increase the amount of the incentives.
- Salaries for most teachers in years 20-30 of their career would be significantly higher under this proposal than they currently are under the master salary schedule, and teachers in this phase of their career would average over \$135,000 in total annual compensation (salary plus deferred compensation in the form of incremental pension benefits) every year for these 10 years of service. At the same time, a number of teachers would receive lower salaries in these years than they might receive under the current ProComp system (although still much greater than in the current Master Salary Schedule).

Why Change ProComp Now?

Over the last five months, we have been asked why the sense of urgency to adjust ProComp now. Shouldn't we give the existing system more time to work? The answers to this question are straightforward: we need to do a much better job right now of attracting and retaining teachers to the Denver Public Schools, and we would much rather spend the money appropriated by our voters and taxpayers on teacher pay than leave it in the bank. With every passing year more people join ProComp as it is currently designed, making it harder and harder to change without upsetting employees' expectations. Much has been written and discussed about how the legacy pay structures in school districts defeat our ability to attract and retain people to the important work of public education. In Denver, we have a golden opportunity to readjust these formulas to make an extraordinary difference for our teachers and our kids.

If Not this Year, When?

As the superintendent and, maybe more important, as a DPS parent whose child's teacher left the district for another, my only interest here is in attracting and retaining teachers to the Denver Public Schools. There are no shareholders or owners of DPS to whom we could distribute excess funds; there is only you, our other employees, and the beautiful children we serve. Five months should be long enough to have reached agreement on issues this important to

our teachers. There has never before been an opportunity in the history of DPS to increase teacher pay this substantially. We owe something better to you other than “no” or “not this year,” and we cannot allow this opportunity to pass. We believe we have presented proposals that move well beyond the rhetoric of “attracting and retaining teachers,” and, instead, make these goals a real possibility.

It is fair to say that change will not be easy and will involve choices, and we fully recognize that. At the same time, we can only move forward if we have a constructive, rational dialogue. I am saddened to see the amount of misinformation circulated in the past few weeks. It only makes reaching agreement more difficult in the long run. (By the way, it would be impossible for me to answer here every misleading email that has been sent, nor would it be a good use of your time. But, I would like to clear one misimpression up. The suggestion has been made that we seek to impose changes to ProComp “unilaterally.” That is false. We can make no changes without your agreement, nor have we ever suggested to the DCTA that we would attempt to make a unilateral change. In fact, the reverse is true. We have proposed more than once that you be given the chance to vote on more than one option for the system. DCTA continues to refuse that suggestion.)

We have no monopoly on wisdom. As we have said from the beginning, if there is a better idea that would make maximum use of the dollars we have to attract and retain our teachers even more than the record-breaking proposals we have made, we would welcome it. What we reject is the notion that everything should stay the same, and money that could be spent on you is collecting interest in the bank. What we reject is senseless arguing and name-calling when valuable time could be spent crafting solutions you deserve.

In the end, of course, it is up to you. No change to the salary schedule or to ProComp can be made without your endorsement.

Thank you for taking the time to read this letter, and for your tireless work on behalf of Denver’s children. You have my continuing commitment to try to do whatever I can to contribute to a thoughtful conversation about how to design the best pay system for all of our teachers.

Sincerely,

Michael