



Current State Policies that Reform Teacher Pay

*An Examination of Pay-for-Performance
Programs in Eight States*

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Executive Summary

Teachers are the foundation of all other education reform efforts, and improving the quality of the teaching workforce is essential for their success. Research demonstrates that having an outstanding teacher is valuable for all students, but particularly for those living in poverty. In fact, having an excellent teacher as opposed to a weak teacher can make a full year's difference in students' learning.

School districts spend more on teachers' salaries and benefits than any other expenditure, yet they frequently don't spend these funds in a way that would improve the performance, quality, or distribution of the teacher workforce. Most teachers are still paid according to the single salary schedule, in which teachers' earnings increase as they acquire more educational credits and years of experience. Yet there is growing recognition that this method of compensating teachers isn't helping to attract or retain the best teacher candidates, particularly in high-poverty schools.

Alternative compensation strategies have seen a significant resurgence in recent years as state and district policymakers acknowledge that the single salary schedule isn't meeting their needs.

The Center for American Progress supports differential compensation for teachers—that is, paying teachers differently based on their teaching assignments, skills, and ability to improve student achievement. Differential compensation has the potential to improve teacher quality, address teacher shortages in specific subject areas and schools, and ensure a more equitable distribution of effective teachers.

In CAP's recent report, "Teacher Pay Reforms," researcher Dan Goldhaber found that teacher pay reform is much more likely to be successful if it takes place at the state level. States are more likely to implement successful reforms because they have greater capacity to implement the data systems needed to identify areas of need, assess teacher performance, and implement a differentiated pay system.¹ This paper therefore focuses on how state-level policies and programs are currently implementing differential pay.

Debates about performance pay are central to current discussions of how to use federal policy to improve teacher quality and distribution, particularly as Congress works to reauthorize the Elementary and Secondary Education Act. Critics contend that performance-pay programs would be too focused on test scores, create a divisive atmosphere among teachers, be unfair to teachers, and do little to improve teacher performance. Proponents claim that they would motivate teachers, attract and retain effective candi-

dates, and—if used within the context of other strategies like professional development—improve the quality of instruction and consequently student achievement.

This report informs the national debate by analyzing current state programs to find answers to the following questions posed by both critics and advocates of performance pay: Are current programs designed in ways that are overly reliant on test scores? How are teachers evaluated within these programs? What other strategies are incorporated within performance-pay programs that work to improve teachers' skills and performance?

This paper defines five types of differential pay policies, summarizes the research evidence on their efficacy, and describes the design and structure of a number of state programs. While pay for performance is at the core of several state programs, and will be the primary focus of this report, states are implementing other types of differential pay policies that can and should complement performance-pay programs and help states meet their goals of increasing the quality of the teaching workforce.

Pay for Performance

Pay-for-performance policies are designed to improve teacher performance and attract and retain higher quality teacher candidates. They pay teachers in part for improvements in student achievement and many also reward teachers for demonstrations of knowledge, skills, or instructional performance. Bonuses are generally paid on top of a base salary, and programs may reward individual teachers, groups of teachers, or both.

The programs chosen for this examination are state-level programs that have already begun implementation and have a significant performance-pay component: the Alaska Public School Performance Incentive Program; Arizona Classroom Site Fund; Florida Merit Award Program; Minnesota Q Comp; North Carolina ABC's; Ohio Teacher Advancement Program; Ohio Toledo Review and Alternative Compensation System; South Carolina Teacher Advancement Program; and Texas Educator Excellence Grants.

The programs are evaluated using the primary elements of the Working Group on Teacher Quality's design framework and other common elements between programs that are also identified.

Other Types of Differential Pay Policies

Pay for Knowledge and Skills

These policies reward teachers for obtaining additional knowledge or demonstrating specific skills. The most widely used example provides additional compensation for teachers who become certified by the National Board for Professional Teaching Standards. Other state policies include knowledge and skills components primarily by incorporating evaluations or observations of teachers.

Career Ladders

Career ladder programs provide new roles for teachers with additional pay and responsibilities as they increase their knowledge and skills. Some states incorporate additional responsibilities for increased pay into their performance-based compensation systems by including designations for master and mentor teachers. These teachers participate in the school

leadership team, evaluate other teachers along with the principal, and lead professional development activities.

Pay for Teaching in High-Needs Subject Areas

Financial and other incentives are targeted to teachers in subject shortage areas, frequently math, science, and special education. They may be bonuses, housing subsidies, tuition assistance, or tax credits.² Some state programs offer loan forgiveness for students who agree to teach in subject shortage areas.

Pay for Teaching in High-Needs Schools

Incentives such as additional pay are awarded to teachers who agree to work in high-needs schools. These generally take the form of recruitment or retention bonuses to teachers who commit to teach in hard-to-staff schools for a period of time. In addition, a number of state performance-pay programs have a high-needs component or are targeted specifically to high-needs schools.

Program Trends

The nine state-sponsored programs examined in this report take a variety of approaches to performance pay, but there are a number of common elements among them, including:

- **Most of the programs incorporate professional development to some extent.** Several of the programs incorporate job embedded professional development, while others allow program funds to be used for professional development activities.
- **All programs base performance rewards in part on objective measures of student achievement, but most also include other criteria.** The objective measures of student achievement are state standardized assessments and other national or local assessments in subjects for which there aren't state assessments. Other criteria used by most of the states are evaluations or observations of teachers conducted by principals and/or teacher leaders and professional responsibilities or assignments.
- **All programs include a group performance component.** Programs either incorporate group performance as a basis for the reward or allow districts to reward teachers in groups.
- **All programs ensure that all classroom teachers are eligible for bonuses.** Specialists such as music and art teachers are usually included either in group rewards or through locally developed assessments or rubrics.
- **Most of the programs include a teacher evaluation component.** Programs generally base rewards in part on evaluations conducted by principals and/or teacher leaders.
- **Most of the programs incorporate career ladders or additional responsibilities for teachers to some extent.** Programs generally compensate teachers that serve in leadership positions, serving as masters or mentors, or participating in school planning.
- **Most of the state programs have a high-needs component.** Several of the state programs are targeted to high-needs districts. Other programs allow districts to increase teachers' pay in high-needs schools.

Recommendations for State Policy

While there is insufficient research to conclusively identify the necessary elements of a successful differential pay program, there is evidence from research, policy, and practice about elements that would bolster state policies.

- **Programs should require teacher participation in their development and adoption and should be voluntary for districts.** State-level programs that have encountered the least opposition are those that have involved teachers either in developing district applications or at the school level in choosing to participate in state programs. Moreover, participation should be voluntary for districts, in order to ensure support for implementation.
- **Programs should incorporate differential pay policies within a comprehensive strategy for reforming how teachers are recruited, evaluated, trained, compensated, and retained.** In order to develop a successful strategy for improving teacher quality, states should develop statewide policies that incorporate all of the elements that research and practice would indicate are necessary for ensuring a high quality teaching work force. Performance-pay policies should be integrated with policies for evaluation, professional development, and recruitment and retention.
- **State policy should encourage districts to develop and pilot test alternative salary schedules.** Policymakers, researchers, and practitioners agree that the single salary schedule is ineffective, but few districts are testing alternatives as part of their differential pay policies. State policy should encourage, and certainly not prevent, districts from experimenting with alternatives to the single salary schedule.
- **States should develop and pilot test differentiated pay programs in high-needs schools.** Research suggests that targeting significant bonuses to attract and retain successful teachers in high-needs schools would be an effective method of improving teacher quality, yet few states have policies that do so. States should experiment with different criteria for teacher candidates and different levels of bonuses.

Introduction

Over the past two decades many state and district differential pay programs for teachers have been tried and discarded because of political opposition, expense, or difficulty in administration. These fleeting programs suffered from a number of flaws in design and implementation: they primarily relied on subjective measures to evaluate teachers, frequently provided small bonuses, and often limited the number of teachers who could receive awards. Most of the programs were never evaluated before they were discontinued.

Differential pay programs are still controversial to some, particularly programs that incorporate performance pay, but recent developments in policy and practice have increased the odds of success for current programs.

There are a number of recent examples of successful programs that are both popular and effective. The Q Comp program in Minnesota and the Pro Comp program in Denver demonstrate that teachers can be involved in effective programs and will be supportive of them if they are engaged during program development. The launch of the Teacher Advancement Program in 1999 also provided a new model for reforming teacher pay that was more comprehensive in nature than previous programs and aimed to improve teachers' skills and opportunities for advancement at the same time it reformed how teachers were paid.

The TAP program was created by the Milken Family Foundation and is now operated by the National Institute for Excellence in Teaching. TAP is a comprehensive school reform aimed at restructuring and revitalizing the teaching profession while attaining measurable gains in student achievement. TAP provides teachers with opportunities for career advancement, ongoing professional development, an accountability system, and performance pay. As of fall 2007, more than 180 U.S. schools in 15 states and the District of Columbia are in various stages of implementing the program.

The availability of better data on student achievement and the development of longitudinal, student-level data systems that can link student and teacher data have also improved the ability of states and districts to incorporate objective criteria into their evaluations of teachers.

The idea of differential pay has gained bipartisan favor and has been incorporated into several legislative proposals including the TEACH Act and the reauthorization of the No Child Left Behind Act. The Teacher Incentive Fund, created in an appropriations

bill in 2006, has awarded over 30 grants, spurring growth at the state and local levels in this policy area. The Teacher Incentive Fund provided \$99 million in competitive, five-year grants to states, school districts, and nonprofit organizations that support “efforts to develop and implement performance-based teacher and principal compensation systems in high-need schools.”

The District of Columbia, South Carolina, Ohio, and South Dakota departments of education were awarded grants by TIF. South Carolina and Ohio were able to expand existing differential pay programs that are based on the Teacher Advancement Program model and the District of Columbia and South Dakota will be piloting new performance-pay programs.

Over the last two years a number of states have either expanded existing differential pay programs, modified them, or started new ones. A database developed by the Education Commission of the States indicates that in 2007, at least 12 states had differential pay programs that included a performance-pay component.³ Education Week’s 2006 Quality Counts report indicated that 13 states had policies that encouraged pay-for-performance programs, an increase from 11 states in 2005.⁴

States are also implementing other types of differential pay policies besides performance pay that focus on improving the quality of teacher recruits and retaining effective teachers, particularly in high-poverty schools.

Researcher Dan Goldhaber describes four different types of differential pay policies: pay for performance, pay for having specific knowledge and skills, pay

for teaching in high-needs subject areas, and pay for teaching in high-needs schools.⁵ This report also addresses career ladder programs, another method of differentiating teacher compensation.

This report analyzes these five types of differential pay policies, summarizes the research evidence on their efficacy, and describes the design and structure of a number of state programs. These strategies can and should be part of performance-pay programs and help states meet their goals of increasing the quality of the teaching workforce.

Pay for Performance

Pay-for-performance programs are designed to improve teacher performance and attract and retain higher quality teacher candidates, by compensating teachers in part for improvements in student achievement. Many programs also reward teachers for demonstrations of knowledge, skills, or instructional performance. Bonuses are generally paid on top of a base salary, and programs may reward individual teachers, groups of teachers, or both.

Programs that incorporate performance pay are the most controversial of all of the differential pay policies. They appear to be growing in number, although they are still relatively rare. According to the 2003-04 Schools and Staffing Survey administered by the U.S. Department of Education, only about 8 percent of teachers nationally were paid incentives for excellence in teaching.⁶ This question was not included in the 2000 version of the survey, but the SASS in both years asked districts whether teachers were paid according to a salary schedule and

the percentage decreased from 96.3 in 2000 to 92.7 in 2003-04, indicating a potential rise in alternative compensation policies.⁷

Does it work?

Evaluations of the impact of pay-for-performance programs are few and far between, but several recent studies and evaluations of compensation strategies that incorporate performance pay suggest that the strategy holds promise for improving teacher performance and student achievement. Only one of these studies employed random assignment—a methodology that randomly assigns subjects to either a control (no treatment) or treatment group that is the gold standard in evaluation research. However, all of these studies used treatment and control group designs that compared students participating in the program with a comparison or control group.

School-wide Incentives in Israel

Researcher Victor Lavy evaluated a program in Israel that rewarded secondary school teachers in selected schools for improving students' credit accrual; boosting their performance on an exit exam, resulting in a matriculation diploma; and reducing the dropout rate.⁸ The program ranked the schools according to their annual improvement, controlling for socioeconomic status, and rewarded the top third of schools.

Seventy-five percent of the funding was used to reward all teachers in winning schools with a salary bonus, and the remaining 25 percent was used to improve staff facilities.⁹ Lavy compared student performance in participating schools to a control group and found significant gains

in participating schools. Students had higher credit accrual, higher participation and performance on matriculation exams, and lower dropout rates.¹⁰ The programs primarily improved the performance of weaker students.

School-wide Incentives in Kenya

A school-based teacher incentive program in Kenya used random assignment to assign primary schools to a treatment group eligible for bonuses or a control group. Schools received bonuses based on their performance on the district-wide assessment relative to the other participating schools. All teachers in winning schools received awards. The program had a positive effect on student test scores, but had no impact on dropout rates and there was no long-term effect on student achievement.¹¹

Evaluation of Teacher Advancement Program

An evaluation of the Teacher Advancement Program provides some evidence that pay-for-performance programs can be effective in boosting teacher performance and student achievement.¹²

An evaluation of the program found that TAP teachers were more effective than non-TAP teachers in producing learning gains for students on standardized tests. The study also found that TAP schools were more effective overall than other schools in producing learning gains; "TAP schools outperformed their controls in 57 percent of the individual categories (1-5, by state) in math and in 67 percent of the categories in reading."¹³

National Analysis of Data from Incentive Pay Programs

Researchers David Figlio and Lawrence Kenny from the University of Florida used data from the National Educa-

tion Longitudinal Survey and their own survey conducted in 2000 regarding the use of teacher incentives to examine incentive pay programs tied to student achievement in over 500 public and private schools.

The study suggests that pay-for-performance programs boost students' achievement on standardized tests.¹⁴ High school seniors in schools with incentive pay programs scored slightly higher than those in schools without these programs. Moreover, the effects were strongest in schools serving high-poverty students and those that rewarded teachers individually rather than in groups.

Evaluation of Achievement Challenge Project

An evaluation of a merit pay program in high poverty schools in the Little Rock School District in Arkansas found that the program had positive effects on student achievement and teacher attitudes. The Achievement Challenge Pilot Project rewarded teachers for students' gains on standardized assessments.¹⁵

Review of Research on Performance Pay

Researchers Michael J. Podgursky from the University of Missouri and Matthew Springer from Vanderbilt University summarized evaluations of performance-pay programs that used a treatment and control design and found that all of these programs had positive effects on the outcome tied to the incentive.¹⁶ Podgursky and Springer concluded that “while the literature isn’t sufficiently robust to prescribe how systems should be designed—e.g. optimal size of bonuses, mix of individual versus group incentives—it is sufficiently positive to suggest that further experiments and pilot programs by districts and states are in order.”¹⁷

These research findings suggest performance pay as a strategy holds promise for improving teacher quality. Although we don’t yet have the data to know what specific components of these programs are necessary for their efficacy, several of the programs that have shown promise tie a significant part of teachers’ incentive pay to student achievement on objective measures, like standardized tests. Both individual and group rewards have demonstrated positive results.

More robust evidence will be available beginning in 2011 from the National Center on Performance Incentives, which received a five-year, \$10 million grant from the U.S. Department of Education’s Institute of Education Sciences to study the effectiveness of performance incentives. One of their central studies is a randomized experiment that studies a pilot program in Nashville public schools. The program allows mathematics teachers to earn bonuses of up to \$15,000 per year for gains their students make on state exams.

The Center is also conducting a three-year study of Texas’ differential pay programs. These include a program offering incentives to teachers to teach in disadvantaged schools and a program providing performance-based rewards to teachers in high-needs schools—the Texas Educator Excellence Grants discussed in this report.

What do current state policies look like?

There are a number of recent state programs that incorporate performance pay. Florida and Texas have implemented programs that primarily reward individual teachers for gains in student achievement. Minnesota, Ohio, and South Carolina

have all recently expanded programs targeted to specific districts that include a performance-pay component, and all three are significantly modeled after the National Institute for Excellence in Teaching's Teacher Advancement Program.

Arizona has a performance-pay program that complements its career ladder program. North Carolina and Alaska have implemented school-wide incentive programs. Other states like Arkansas, Nevada, Mississippi, Iowa, and the District of Columbia have recently authorized or developed performance-pay programs that have not yet been implemented.

The programs chosen for this examination are nine state-level programs that have already begun implementation and have a significant performance-pay component: the Alaska Public School Performance Incentive Program; Arizona Classroom Site Fund; Florida Merit Award Program; Minnesota Q Comp; North Carolina ABC's; Ohio Teacher Advancement Program; Ohio Toledo Review and Alternative Compensation System; South Carolina Teacher Advancement Program; and Texas Educator Excellence Grants.

These nine programs take a variety of approaches to performance pay, but there are a number of common elements among them. The programs are evaluated using the primary elements in the design framework developed by the Working Group on Teacher Quality (contained in Appendix A) and other common elements that are identified.

An examination of these programs reveals overarching trends.

Most programs incorporate professional development to some extent.

Minnesota, Ohio, and South Carolina have implemented programs based on the TAP model, which incorporates embedded, professional development as an integral part of the program.

Ohio also implements the Toledo Review and Alternative Compensation System (in Toledo only) that provides professional development activities focused on subject matter knowledge and skills and instructional practice. Staff members are identified for professional development based on their weaknesses and are required to participate if identified.

The Texas Educator Excellence Grants direct most of their funding to performance pay, but up to 25 percent of the grant allocation may be used for other activities that include professional development, mentoring or induction activities, common planning time, and curriculum development.

Arizona's Classroom Site Fund requires that participating districts provide professional development activities that help teachers meet program requirements.

All programs require that performance rewards be based in part on objective measures of student achievement, but most also include other criteria or measures.

The objective measures of student achievement are state standardized assessments and other national or local assessments in subjects for which there aren't state assessments. Other criteria used by most of the states are evaluations or observations of teachers conducted by principals and/or teacher leaders and professional responsibilities or assignments.

SUMMARY OF STATE PERFORMANCE PAY PROGRAMS

ALASKA PUBLIC SCHOOL PERFORMANCE INCENTIVE PROGRAM¹⁸

Participation

Most schools are eligible. To be eligible, a school must provide mathematics and language arts instruction; have any combination of grades K-12, (except schools with 11–12 only); and administer the reading, writing, and mathematics standards-based assessment.

All teachers in eligible schools can receive the incentives, although the program is limited to 850 certified staff members and approximately 340 uncertified staff members.

Structure of Incentives

Individual students' test scores on the state assessment are placed in one of six performance categories. A student's performance is then compared with his or her individual scores from the previous year. Schools receive points for students' movement between categories. The points for a school's students are totaled and then divided by the number of students to produce the school score. This score is applied to an index that has several levels; the higher the score, the larger the bonus. Schools that show only one year of growth or less do not receive bonuses.

Other Required Elements

None

Funding

The state allocates \$5.8 million for the program annually.

ARIZONA CLASSROOM SITE FUND¹⁹

Participation

All districts in Arizona are required to have some type of pay-for-performance component for teachers. Districts participating in the Classroom Site Fund or the Career Ladder Program meet this requirement.

All teachers are eligible for the incentives.

Structure of Incentives

School districts create their own plans, but must adhere to set guidelines.

Classroom site funds must be used in the following manner:

- 20 percent for increasing teachers' base pay
- 40 percent for performance pay for teachers
- 40 percent for school "menu options" such as reduced class sizes; classroom supplies, materials, or computers; Academic Intervention Monitoring System programs; dropout prevention programs; teacher training; teacher liability insurance premiums; and additional teacher compensation

The state also encourages school district governing boards to incorporate the following elements in their programs: school district performance and school performance; measures of academic progress toward the state academic standards; dropout or graduation rates; attendance rates; parent and student ratings of school quality; teacher and administrator input, including approval of the system by a vote of at least 70 percent of teachers eligible to participate in it; an appeals process for teachers who have been denied performance-based compensation; and a regular evaluation of the system's effectiveness.

Other Required Elements

The state encourages districts using performance-based compensation systems to provide teachers with professional development programs aligned with the above elements.

Funding

The program is supported by state funds including a 0.6¢ education sales tax; \$406,550,500 was allocated for the program in FY 2007.

FLORIDA MERIT AWARD PROGRAM

Participation

All districts may apply to participate.

All teachers in participating districts are eligible for the program.

Structure of Incentives

School districts create their own plans, but must adhere to the following guidelines:

- All instructional personnel and school-based administrators are eligible to receive awards as individuals or in teams.
- Sixty percent of a teachers' bonus must be based on students' learning gains, proficiency, or both.
- The remaining 40 percent of the bonus is based on the principal's/supervisor's evaluation.
- Student performance is measured by state-wide standardized tests. National, state, or district assessments that measure state standards, curriculum frameworks, or course descriptions may be used for subjects and grades that aren't included in the state assessment.
- Incentives must be between 5 percent and 10 percent of the district's average teacher salary.

Other Required Elements

None, although a separate statute requires districts to adopt differentiated pay salary schedules that consider critical shortage areas, school demographics, and additional responsibilities in addition to other factors.

Funding

The state allocates \$147.5 million to the program annually, which is funded by state revenue.

SUMMARY OF STATE PERFORMANCE PAY PROGRAMS (CONTINUED)**MINNESOTA****Q COMP****Participation**

Participation is voluntary for all districts. There are currently 39 school districts and 21 charter schools participating in Q Comp for the 2007-2008 school year. Incentives are available to all teachers in a participating school.

Structure of Incentives

Career Ladder and Career Advancement Options for Teachers. Teachers are granted release time and/or salary increases for taking on leadership responsibilities such as evaluating, coaching, mentoring, and training other teachers.

Performance Pay. Teachers earn performance pay based on teacher evaluations and increasing student achievement. Student achievement gains are measured by local or state standardized tests.

- 60 percent of teacher pay increases must be based on teacher evaluations, measures of student achievement, and school-wide student achievement gains.
- 40 percent of bonuses can be based on other factors like cost of living.

Alternative Salary Schedule. District administration and the exclusive representative of the teachers must negotiate a compensation plan that will reform the traditional "steps and lanes" schedule and will compensate teachers for additional duties, successful completion of professional development goals, and teacher effectiveness.

Other Requirements

Districts must implement job-embedded professional development, a collaborative process that implements ongoing professional development that occurs during the school day and is aligned with the school's educational improvement and staff development plans.

Teachers are evaluated multiple times each year; the evaluation is designed by a locally-selected evaluation team.

Funding

The state has allocated \$86 million annually for the program, which is funded by state aid and local tax levies.

NORTH CAROLINA ABC'S**Participation**

All schools are eligible to participate.

Incentives are available to all teachers in participating schools, although the level of incentive varies for certified and non-certified staff.

Structure of Incentives

All certified staff in schools that achieve "high growth" based on performance on the state's assessment receive up to \$1500. Teacher assistants receive up to \$500. All certified staff in schools that achieve "expected growth," based on performance on the state's assessment receive up to \$750. Teacher assistants receive up to \$375.

Funding

State funding supports the program, which has allotted \$103,340,912 million for incentive awards during the 2007-08 school year.

OHIO**TEACHER ADVANCEMENT PROGRAM****Participation**

The TAP program is targeted to nine schools in Columbus and five schools in Cincinnati.

Incentives are available to all teachers in these schools.

Structure of Incentives

School districts create their own plans, and the amount of bonuses varies by district, but they must all adhere to the state's Teacher Advancement Program guidelines. These guidelines include performance-based compensation and multiple career paths.

Teachers can pursue a number of career paths with increased responsibilities and compensation—they may be a career, mentor, or master teacher depending upon their interests and skills.

Performance-based compensation is based upon the following elements:

- 50 percent based on teacher evaluations
- 30 percent based on classroom, value-added achievement on district benchmark tests
- 20 percent based on school-wide, value-added achievement on the state assessment

Other Required Elements

Teachers participate in ongoing applied professional growth during the school day. Teachers meet in cluster groups with other teachers who have similar assignments and also develop individual growth plans.

Certified evaluators, including principals and school leaders, evaluate teachers several times each year using a standard framework.

Funding

Federal Teacher Incentive Funds, state funds, and district funds contribute to this program, the TRACS program, and the Cleveland Teacher Incentive System. Teacher Incentive Fund grants award \$5,510,860 to schools in the first year and a total of \$20,223,270 over five years.²⁰

SUMMARY OF STATE PERFORMANCE PAY PROGRAMS (CONTINUED)**OHIO TOLEDO REVIEW AND ALTERNATIVE COMPENSATION SYSTEM****Participation**

The TRACS program is targeted to all Toledo public schools. There will be an additional program implemented in Cleveland based on the TRACS model.

Structure of Incentives

School districts create their own plans, but they must adhere to the state's TRACS guidelines.

School Performance Rewards. All certificated school-based staff are eligible to participate in the School Performance portion of the TRACS program. The certificated staffs of schools that meet, or exceed, rigorous student performance goals receive a monetary incentive at the end of the year. Each school has three "targeted improvement" goals. Two of these goals are based on student achievement on the state assessment and the third is a related goal. Teachers earn \$2,000 if all three goals are met, \$1,000 for two goals, and nothing if they achieve one or none.

Career Ladders for Teachers. TRACS incorporates three teaching levels: Career, Accomplished, and Distinguished. Each of these levels reflects specific responsibilities. Teachers receive additional compensation for each teaching level. They earn an additional 5 percent of their salary as a Career teacher, 10 percent of their salary as an Accomplished teacher, and 20 percent as a Distinguished teacher for accepting a teaching assignment in a school identified as high needs or other difficult-to-fill teaching assignment.

Other Required Elements

Districts must participate in professional development and a comprehensive assessment that includes peer evaluation once every five years.

Funding

Federal Teacher Incentive Funds, state funds, and district funds contribute to this program, the TRACS program, and the Cleveland Teacher Incentive System. Teacher Incentive Fund grants award \$5,510,860 to schools in the first year and a total of \$20,223,270 over five years.²¹

SOUTH CAROLINA TEACHER ADVANCEMENT PROGRAM**Participation**

Districts apply to participate; 45 schools currently participate and all are high-needs schools.

Incentives are available to all teachers in participating schools.

Structure of Incentives

Multiple Career Paths. Teachers can pursue a number of career paths with increased responsibilities and compensation—they may be career, mentor, lead, or master teacher depending upon their interests and skills.

Performance-based compensation. Compensation is based on the following elements:

- 40 percent based on teacher evaluations
- 30 percent based on classroom, value added achievement growth on the state assessment in tested grades and the Measures of Academic Progress and end-of-course tests in other grades
- 30 percent based on school-wide, value added achievement growth on the state assessment in tested grades and the Measures of Academic Progress and end of course tests in other grades

Rewards vary by district, but range from \$500 to \$9,000. Reduced rate housing is also available to participating teachers.

Other Required Elements

Teachers participate in ongoing applied professional growth during the school day. Teachers meet in cluster groups with other teachers who have similar assignments and also develop individual growth plans.

Principals and school leaders evaluate teachers several times each year using a research-based framework.

Funding

Federal funds, including Teacher Incentive Funds and Title II of the No Child Left Behind Act; district funds; and foundation grants provide funding for this program. Teacher Incentive Fund awards are \$7,503,051 in the first year and a five-year total of \$33,959,740.²²

SUMMARY OF STATE PERFORMANCE PAY PROGRAMS (CONTINUED)**TEXAS EDUCATOR EXCELLENCE GRANTS****Participation**

Schools are selected for the program if they rank within the top half of schools enrolling high percentages of educationally disadvantaged students and either receive an exemplary or recognized state accountability rating or rank within the top quartile of performance in comparable improvement in mathematics, reading, or both.

Structure of Incentives

Part I Funding is used to provide individual incentives to teachers. It must make up no less than 75 percent of a school's award. Only classroom teachers, as defined by the Texas Education Code, are eligible for awards under Part I. The awards must be made based on improved student performance using objective, quantifiable measures and collaboration with faculty and staff that contributes to improved overall student performance. Schools can also distribute awards using Part I funding to teachers who demonstrate initiative, commitment, personalization, professionalism, and involvement in activities that improve student achievement; and to teachers who accept an assignment in a subject area that is difficult to staff.

Part II funding can represent no more than 25 percent of a school's award. Part II funding can be used for incentives to feeder schools, additional incentives for other school personnel, professional development, signing bonuses for new teachers who are teaching in high-needs subject areas, teacher mentoring programs, new teacher induction programs, common planning time and curriculum development, stipends for additional education or responsibilities, other programs that contribute to improved student achievement, and other programs that would support a financial incentive system.

Other Requirements

Plans must be developed with significant teacher involvement and must be supported by the teachers in a school through a simple majority vote.

Funding

The state has allocated \$100 million dollars for fiscal Year 2007, and \$97.5 million annually for fiscal years 2008 and 2009. The program is supported by state funds.

Minnesota's Q Comp program provides performance pay based on student achievement gains on local or state standardized tests and evaluations of teachers conducted by principals and teacher leaders. Teachers may also earn additional pay for taking on leadership responsibilities such as evaluating, coaching, mentoring, and training other teachers.

The Texas Educator Excellence Grants have two primary criteria for teacher rewards: success in improving student achievement and collaboration with faculty and staff that contributes to improving student performance. Other criteria may also include demonstration of initiative, commitment, professional achievements, and assignment in a subject area that is hard to staff.

All programs include a group performance component. All of the states incorporate group performance as part of the reward or allow districts to reward teachers in groups.

South Carolina's TAP requires that 30 percent of performance rewards be based on school-wide performance, while Ohio's TAP requires that 50 percent be based on school-wide value-added performance—or 30 percent class specific and 20 percent school-wide where possible. Ohio TRACS schools only reward school-wide performance.

Minnesota's Q Comp program bases teachers' performance pay on evaluations, measures of student achievement, and school-wide achievement gains. Florida's Merit Award Program allows districts to provide school-wide or group rewards. North Carolina's ABC's and Alaska's Public School Performance Incentive Program reward all teachers in schools

that achieve certain student achievement targets. Arizona's Classroom Site Fund allows districts to choose to reward teachers in groups in addition to individually. And Texas Educator Excellence Grants require that teacher collaboration be considered as one of the primary criteria for rewarding teachers and allows group performance to be included in districts' plans.

All programs ensure that all classroom teachers are eligible for bonuses. Specialists such as music and art teachers are included in several different ways. They may be included in-group rewards, evaluated based on school-wide performance, or evaluated by locally developed assessments or rubrics.

Florida's MAP assesses specialists using locally developed assessments that are aligned to state standards, curriculum frameworks, or course descriptions. The Ohio TAP evaluates specialists based on school-wide performance. Most specialists within Minnesota's Q Comp program are evaluated using a rubric that is specifically designed for their specialty.

The South Carolina TAP has a unique approach in which specialists are given the option to reinforce either math or reading and be evaluated based on student gains in one of those subject areas or to be evaluated based on a 50/50 split of teacher observations and school-wide growth.

Most programs include a teacher evaluation component. Minnesota's Q Comp and the Ohio and South Carolina TAP programs include teacher evaluations as a component of the programs and base rewards in part on them.

The Arizona Classroom Site Fund doesn't require that evaluations be used to assess

teacher performance, but most participating programs do incorporate teacher evaluations. Teacher evaluations are conducted by principals and teacher leaders in these programs. Florida's MAP allows up to 40 percent of a teacher's reward to be based on a principal evaluation. And while TEEG do not explicitly incorporate teacher evaluations, districts can choose to use evaluations as part of their optional criteria included in the plan.

Most programs incorporate career ladders or additional responsibilities for teachers to some extent.

Minnesota's Q Comp allows districts to design their own career ladders. The Ohio and South Carolina TAPs provide for additional compensation for teachers who serve as masters or mentors, or participate in planning or curriculum development for the school. South Carolina's TAP also includes a lead teacher designation.

Florida's new differentiated pay legislation requires districts to develop and fund a salary schedule that rewards teachers for increased responsibilities. TEEG allow districts to pay teachers for additional responsibilities. The Arizona Classroom Site Fund doesn't incorporate a career ladder, but it is complemented by the state's career ladder program.

Most programs provide state guidelines, but also provide some degree of district flexibility.

The Arizona Classroom Site Fund, Minnesota Q Comp, and TEEG programs provide for the greatest amount of local flexibility. The states provide broad guidelines, but the districts design their own programs. Participating districts in Ohio and South Carolina are implementing the TAP model, and the TRACS model is expanding in Toledo City Schools. In these pro-

grams, districts have some flexibility in implementing the model provisions.

The North Carolina ABC's and Alaska PSPIP programs don't provide district flexibility since they are only focused on providing group incentives to schools for improving student achievement on standardized assessments. The states set targets for student achievement growth, and reward schools that exceed them.

Most programs have a high-needs component.

TEEG target schools that are both high achieving and high poverty. The Ohio and South Carolina TAP and TRACS programs are targeted to high-needs districts. Minnesota's Q Comp program allows districts to increase teachers' pay in all schools, including high-needs schools and many of the districts participating in Q Comp have a high percentage of disadvantaged schools.

Florida's MAP program doesn't have a high-needs component, but its new differentiated pay legislation provides for increased pay for teachers in high-needs schools. North Carolina's ABC and Alaska's PSPIP programs aren't targeted specifically to high-needs schools, but they do reward schools for growth, rather than achieving absolute standards.

Three of the eight states provide for an alternative salary schedule.

Six of the state programs use bonuses to reward performance, and three states also alter the base salary schedule.

Florida has a separate requirement that districts develop a differentiated pay salary schedule that provides for additional pay based on the following criteria: "additional responsibilities, school demographics, critical shortage areas, and level

Learning From Experience: The Case of Florida

Florida's Merit Award Program is the state's third performance-pay program since state legislation in 2002 required that some component of teacher pay be based on performance. Its first attempt was the E-Comp program, which proposed 5 percent raises for the top ten percent of teachers based on their students' gains on the Florida Comprehensive Assessment Test.²³ Critics didn't like the sole reliance on the FCAT as the measure of teacher performance, thought the cap on teacher awards would create a negative divisive atmosphere, and felt Florida's salaries needed to be raised before performance pay was considered.²⁴

E-Comp proved so unpopular that the Special Teachers Are Rewarded program was passed by the legislature with modifications as a one year proviso in 2006. The STAR program proved similarly unpopular; 19 out of 67 counties did not file plans to participate, and several participating districts overrode decisions by teachers not to participate in order to receive the funding for the program.

The Florida Education Association challenged the STAR program in a lawsuit, claiming "STAR is unconstitutional and the Department of Education did not follow proper rule-making procedures in its creation."²⁵ The FEA also claimed that Florida teachers' base salaries were so much lower than those of teachers in other states, that raising salaries across the board should be the priority.²⁶ STAR was abandoned by the legislature after a year in the face of opposition from the union and from Florida teachers.

The unpopularity of the STAR program can probably be blamed upon the program's design and implementation process. While local STAR programs were subject to collective bargaining, districts had to participate in order to receive the additional funding set aside for the program. Therefore, teachers felt the program was being inflicted upon them. In addition, critics didn't like that performance awards were limited to the top 25 percent of teachers in each field and that the program relied too heavily on one measure of performance—the Florida Comprehensive Assessment.²⁷ Moreover, the program only allowed individual teacher rewards.

The legislature created the Merit Award Program in response to many of the concerns about the STAR program. The MAP is voluntary for districts, although districts can't receive funds without an approved plan. The MAP also maintains the requirement for collective bargaining, allows awards to be determined by individual or instructional team performance, and no longer specifies the percentage of top personnel that would receive bonuses.

Other changes include bonuses pegged to average teachers' salaries—they range from 5–10 percent of average teachers' salaries and the MAP provides more detail about the national, state, and district testing instruments that could be used in assessing teacher performance.²⁸ The redesigned program continues to rely on standardized tests to a similar extent, but provides more detail about other assessments that could be used and the instances in which other measures should be used.

MAP uses the FCAT to evaluate teachers when applicable; the remaining courses will be measured by International Baccalaureate exams, Advanced Placement exams, and other end of course exams or local assessments. Sixty percent of the performance bonus is still to be based on student learning gains, while 40 percent is to be based on the supervisor's evaluation.²⁹

It is unclear whether MAP will survive. Teachers' unions believe MAP is an improvement over the STAR,³⁰ but the new program doesn't address critics' concerns about over-reliance on test scores.

Teachers still dislike the program.³¹ By October 8, 2007, the deadline for new applications, only a third of districts had applied.³² In addition, state lawmakers recently cut \$147.5 million in funding from this year's budget for the program.³³ Although they plan to put the money back into next year's budget, perceived funding cuts are likely to discourage districts from participating and raise fears among teachers that the funding won't be there for their bonuses if they do earn them.

of job performance difficulties.” Districts must use these criteria, but are allowed to use other criteria as well.

Minnesota requires all districts participating in Q Comp to reform their salary schedules. The reformed salary schedule must ensure that at least 60 percent of a teacher’s compensation increase is based on successful teacher evaluations, measures of student achievement, and school-wide student achievement gains.

Arizona’s Classroom Site Fund doesn’t provide for an alternative salary schedule, but districts participating in Arizona’s career ladder program have to design an alternative salary schedule based on their career ladder. The career ladder must reward teachers for their instructional performance, student’s academic progress, and their responsibilities.

Other Types of Differential Pay Programs

Pay for Knowledge and Skills

Some policies reward teachers for obtaining additional knowledge or demonstrating specific skills, rather than for gains in student achievement. The policies are based on the premise that these skills will lead to better instruction and improved student achievement.

The most widely used example of this type of policy provides additional compensation to teachers who become certified by the National Board for Professional Teaching Standards. Other programs incorporate pay for knowledge and skills as one component of performance-based pay by using teacher evaluations that reflect teacher knowledge and skills as

one criterion for rewards. For example, the TAP programs reward teachers 50 percent based on evaluations of their instructional skills and 50 percent based on student achievement gains.

Few state programs compensate teachers purely for knowledge and skills, although several states do compensate teachers for earning NBPTS certification. Studies of NBPTS certification have generally found positive effects on student achievement, although these effects vary by subject and grade level.³⁴ However, researchers have also found a large variation in the quality of teachers certified by NBPTS.³⁵

More than half of states provide financial incentives for teachers who receive NBPTS certification and some states, including California, Georgia, and New York, limit these incentives to teachers teaching in high-poverty schools.³⁶ Other states, like the state of Washington, provide incentives to all NBPTS teachers, but provide greater incentives to those teaching in high-poverty schools.³⁷

Other state policies include knowledge and skills components by incorporating evaluations or observations. Teacher evaluations, which indirectly measure teachers’ knowledge and skills, are a component of most of the current state-level performance-pay programs.

Career Ladders

Career ladder programs provide new roles for teachers with additional pay and responsibilities as they increase their knowledge and skills.

The most widespread use of the career ladder model is the TAP program,

which operates in more than 180 schools in 15 states and the District of Columbia. An evaluation of the TAP program suggests that the program is effective in improving teacher performance and student achievement. However, this program is not a pure career ladder model; it is a comprehensive system that also incorporates performance pay, professional development, and a teacher evaluation system. It may therefore be one of these other components, or all of the components working together, that make the program effective.

An evaluation of a career ladder program in Tennessee found that the program had positive effects on student achievement. The program lasted for 13 years and included five stages that ranged from probationary to master. It incorporated multiple evaluations and professional development tied to teachers' stages on the ladder. The evaluation used random assignment data from the Tennessee class size experiment and found that teachers participating in the career ladder program produced higher student achievement than non-career ladder teachers.

Students of career-ladder teachers in Tennessee scored nearly three percentile points higher in mathematics and nearly two percentile points higher in reading, although the results were not statistically significant in reading.³⁸ However, teachers on the highest rungs of the career ladder were not the most effective, indicating that the program wasn't accurately rewarding teachers in its assignment to stages.

Arizona has also conducted a recent evaluation of its career ladder program and found that it had a positive effect on student achievement on the state stan-

dardized assessment.³⁹ In fact, "there was a significant difference between CL (career ladder) and non-CL schools in the percentage of students passing all three subject areas assessed by the AIMS."⁴⁰ Arizona's career ladder program also incorporates elements of performance pay, since teachers' effectiveness in improving student achievement is one of the criteria for moving up on the career ladder.

Arizona's program requires districts to develop career ladders for teachers that provide increasing levels of pay as teachers demonstrate higher skills and are given increasing responsibilities. Teachers are assigned to levels based on a variety of measures of their performance, including instructional performance, pupil academic progress, and responsibilities.

Scottsdale, Arizona's plan, for example, consists of four levels: Entry Level, Professional Level 1, Professional Level 2 and Professional Level 3, with three steps at each professional level.⁴¹ Teachers' responsibilities and pay increase as they move up these levels. Districts must specify objective criteria for assessing student progress and must develop multiple measures for evaluating teacher performance. Districts are also required to provide professional development for teachers to help them advance through the levels.

Ohio, Minnesota, and South Carolina incorporate additional responsibilities for increased pay into their performance-based compensation systems. All three programs include designations of master and mentor teachers. These teachers participate in the school leadership team, evaluate other teachers along with the principal, and lead professional development activities.

Pay for Teaching in High-Needs Subject Areas

Financial and other incentives are targeted to teachers in subject shortage areas, frequently math, science, and special education. They may be bonuses, housing subsidies, tuition assistance, or tax credits. Some state programs offer loan forgiveness for students who agree to teach in subject shortage areas. These incentives are often intended to draw teacher candidates from other, more lucrative fields.

According to the 2003-04 Schools and Staffing Survey administered by the U.S. Department of Education, only about 12 percent of school districts nationwide offered compensation designed to recruit or retain teachers in shortage areas.⁴² Yet this represents an increase since the 2000 administration in which only 10 percent of school districts offered this type of compensation.⁴³ Few states implement this policy on a statewide basis.

There is little experimental research on whether incentives for teaching in subject shortage areas or high-needs schools succeed in attracting more or higher-quality candidates. However, one recent evaluation does indicate bonuses are a promising strategy for increasing teacher retention.

An evaluation of a teacher compensation schedule in North Carolina that awarded annual bonuses to science, math, and special education teachers in high-poverty schools found that the program reduced turnover rates. An annual bonus of \$1800 was sufficient to reduce average turnover rates by 12 percent.⁴⁴ More experienced teachers were most responsive to the program—those with 10 or more years of experience were

37 percent less likely to leave. Researchers found that the state did not do an adequate job of educating all teachers about the eligibility criteria, so the positive findings are particularly meaningful and probably understate the potential of these types of programs.

While some state programs provide scholarships or loan forgiveness and other incentives to teachers who major in subject shortage areas and agree to teach in the state, others provide salary increments or bonuses to teachers to teach in these subjects. In addition, a number of state programs address both “High-Needs Areas” and “High-Needs Schools.”

Both Oklahoma and Mississippi provide funding for tuition for teachers who teach in critical shortage subject areas. Oklahoma’s program provides loan reimbursement for teacher candidates who graduate from an accredited program, are certified in math or science, and agree to teach in an Oklahoma public secondary school for at least five years.⁴⁵ Mississippi’s program offers funding for tuition and related fees to teachers to become certified in subject shortage areas and geographic shortage areas. Teachers who receive four years of funding must agree to teach in a critical shortage area for three years.⁴⁶

Several states have programs that address both “High-Needs Areas” and “High-Needs Schools.” Beginning in the 2007-08 school year, Florida requires districts to develop a differentiated pay salary schedule that provides additional pay for a number of criteria, including “additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.”⁴⁷

Iowa provides funding for school districts to offer incentives to teachers to address “market factors” including high-needs schools and subject shortage areas.⁴⁸ Nevada provides funding for district programs that provide incentives for teachers and other licensed school staff. Districts design their own programs, but they must provide incentives for staff who have five years of experience and are employed in at-risk schools and for staff who teach in subject shortage areas.⁴⁹

Pay for Teaching in High-Needs Schools

Incentives for teaching in high-needs schools may be one-time bonuses intended to attract teachers to high-poverty, low-performing, or geographically remote schools. Some policies provide annual bonuses to teachers who remain in these schools. Other programs are really performance-pay programs that are targeted specifically to high-needs schools or districts.

These strategies haven’t been used or evaluated very frequently, although the limited research that exists indicates they would be effective. According to the 2003-04 Schools And Staffing Survey, 4.6 percent of school districts nationwide use incentive pay targeted “to recruit or retain teachers to teach in a less desirable location.”⁵⁰ These numbers have likely increased in recent years, but the percentages probably still remain small. A couple of studies demonstrate pay for high-needs schools increases teacher retention.

Researcher Richard Ingersoll conducted an analysis of data from the U.S. Department of Education’s Teacher Follow Up Survey and found that for teachers who left high-poverty schools because

of job dissatisfaction, poor salaries were a primary reason for leaving.⁵¹ Moreover, when departing teachers were asked what schools could do to encourage teachers to remain in the profession, 69.9 percent of teachers in high-poverty urban schools and 64.8 percent of teachers in high-poverty rural schools suggested increasing salaries.⁵²

Researchers at RAND conducted an analysis of teacher pay in Texas and estimated that “every \$1,000 increase in beginning teacher salaries lowers teacher attrition by about three percent.”⁵³ The effect was stronger in high-needs school districts—every \$1,000 increase was estimated to decrease attrition by over 6 percent.

The evaluation of the teacher compensation schedule in North Carolina described in the prior section also provides evidence about the efficacy of paying teachers for teaching in high-needs schools. This evaluation found that annual bonuses reduced teacher turnover.

A number of state performance-pay programs have a high-needs component or are targeted specifically to high-needs schools. Ohio and South Carolina target their performance-pay programs to high-poverty districts or schools. In Texas, only specific schools that are high-poverty and high-achieving are eligible to receive grants to implement a performance-based pay program.

Other programs provide recruitment or retention bonuses or salary increments to teachers that teach in low-performing or high-poverty districts and schools. Florida’s new differentiated pay statute requires districts to pay teachers higher salaries for working in high-poverty, high-minority, and low-performing schools.

Arkansas' pilot program operates in 12 districts and provides recruitment and retention bonuses to certified teachers in "high-priority districts." New teachers receive a one-time signing bonus of \$4,000 and a \$3,000 retention bonus annually for three years. If a teacher leaves before the end of the three-year period, he or she must re-pay the prior year's bonus. Veteran teachers employed in high-priority districts receive a \$2,000 annual signing bonus for two years.

New York's Teachers of Tomorrow program was launched in the year 2000 to help school districts experiencing teacher shortages, particularly those with large numbers of low-performing schools, recruit and retain high-quality teachers.⁵⁴ The program supports recruitment incentives, internship programs for new teachers, tuition reimbursement for new teachers, master teachers who mentor new teachers, and other professional development activities.

Virginia has also piloted a recruitment and retention incentive program targeted at hard-to-staff schools. The pilot was started in the 2004-05 school year in two hard-to-staff districts—Caroline County and Franklin City—and was continued through the 2007-08 school year, although the program was expanded to additional districts and then reduced again during this time period.

Participating Virginia districts offer a signing bonus of either \$15,000 or 30 percent of the average teachers' salary depending on the district to new teachers who commit to three years in that district. Eligible teachers can also receive annual bonuses of \$3,000 or 10 percent of the average teachers' salary. Some of the

participating districts also use funds for professional development and improvement of working conditions. Teachers who did not receive incentives in participating schools were paid a \$500 bonus for participating in professional development programs.

Virginia teachers have to meet a number of requirements to receive the incentive. Criteria include having a Virginia teacher's license, being highly qualified according to NCLB, having at least five years of experience, and showing evidence of improving student achievement.

Recommendations for State Policy

While there is insufficient research to conclusively identify the necessary elements of a successful differential pay program, there is evidence from research, policy, and practice that certain elements of differential pay programs bolster student achievement. The following state policy recommendations are developed based on the framework from the Working Group on Teacher Quality and an examination of the state-level differential pay programs examined in this report.

- **Programs should require teacher participation in their development and adoption and should be voluntary for districts.** State-level programs that have encountered the least opposition are those that have involved teachers either in developing district applications or at the school level in choosing to participate in state programs. Moreover, participation should be voluntary for districts in order to ensure support for implementation.

- **Programs should incorporate differential pay policies within a comprehensive strategy for reforming how teachers are recruited, evaluated, trained, compensated, and retained.** Several of the state programs examined in this report have addressed teacher compensation divorced from teacher training, improvement, and retention strategies. In order to develop a successful strategy for improving teacher quality, states should develop statewide programs that incorporate all of the elements that research and practice would indicate are necessary for ensuring a high quality teaching work force. Performance-pay programs should be integrated with strategies for evaluation, professional development, and recruitment and retention.
- **State policy should encourage districts to develop and pilot test alternative salary schedules.** Policymakers, researchers, and practitioners agree that the single salary schedule is ineffective, but few districts are testing alternatives as part of their differential pay policies. State policy should encourage—and certainly not prevent—districts from experimenting with alternatives to the single salary schedule. Several of the state programs have career ladders in place as part of their programs in particular districts.

States could support tests of alternative salary schedules that use these career ladders in a random sample of districts or a group of high-needs districts. These districts could then be evaluated to determine whether they are improving the quality and quantity of teacher applicants, how teacher morale is affected, and whether student achievement is improving.

- **States should develop and pilot test differentiated pay programs in high-needs schools.** Research suggests that targeting significant bonuses to attract and retain successful teachers in high-needs schools would be an effective method of improving teacher quality, yet few states have policies that do so. A number of the performance-pay programs are targeted to high-needs schools, but few states use recruitment bonuses in combination with the performance-based programs to attract and retain high-quality applicants. States should experiment with different criteria for teacher candidates and different levels of bonuses. Several states have programs paying bonuses to teachers with NBPTS certification who teach in high-needs schools. States should experiment with other criteria for identifying effective teachers and pay them a significant bonus to teach in a high-needs school for an extended period of time.

Conclusion

It is clear that the issue of teacher pay will continue to receive national attention as Congress considers proposals to reauthorize the Elementary and Secondary Education Act and as states and districts continue to experiment with policies and programs intended to increase teacher effectiveness.

Many of the current state programs contain the elements that would be expected in effective programs and can therefore serve as models for new program development. Evaluations of these programs will expand the knowledge base about how to design successful programs and help states to develop and implement the most effective programs possible.

Appendix A

The Working Group on Teacher Quality's *Design Elements of an Effective Performance Compensation System*⁵⁵

Design Element #1: Ongoing, Job-Embedded, Professional Development

Includes an integrated, results-driven, job-embedded, professional development component.

Teacher compensation should not be considered in isolation but instead must be part of a comprehensive teacher quality system that supports teacher development and best practice. A very important element in a performance-pay system is a strong ongoing professional development program. If teachers are to be paid based on performance, teachers need the tools and the time to learn and implement the skills that foster higher levels of performance. This requires opportunities for professional development during the school day. School schedules must be structured so that collaborative learning communities can develop, where teachers have time to work with each other and to create improved learning opportunities for their students.

The professional development program should be school-based and focused on the instructional needs of individual students and strengths and weaknesses of teachers. It should be developed and directed by master and mentor teachers who provide ongoing coaching and individual assistance to teachers in their classrooms to help further improve their skills and knowledge. The program should provide teachers the opportunity to observe accomplished practitioners, collectively analyze student work, reflect with peers on their own practice and use data to determine areas that may need improvement.

Design Element #2: Performance-Based Compensation

Multiple measures of teacher performance.

Teachers should be eligible to earn additional compensation in a variety of ways.

- Systems should compensate teachers primarily based on gains in student academic achievement:
 - school-based student achievement growth, and
 - individual classroom-based student achievement growth;
- And a combination of one or more of the following:
 - demonstrated advanced skills and knowledge (e.g., meeting evaluation benchmarks);
 - assuming additional responsibilities (e.g., peer assistance and review, providing professional development to colleagues, mentoring other teachers); and
 - working effectively in hard-to-staff schools.

Multiple measures of teacher effectiveness also eliminates concerns that teachers will not earn bonuses if their students' scores initially do not show significant improvement, and ensures that teachers who meet other important teaching evaluation criteria are rewarded.

Objective measures of student achievement.

Objective measures of student achievement *gains*, such as those using a valid and reliable value-added assessment or other measurements of individual and/or school-wide student achievement gains or growth, are essential if the system is to have credibility with teachers. These measures must include tests and performance measures that are sensitive to student achievement growth, and analyses of achievement must incorporate the teacher's context, a recognition that not all teachers teach the same students and that children are not randomly assigned to classrooms.

In addition, information management systems must be capable of tracking individual student achievement over time, providing teachers with real time data, as well as correlating students' records to their teachers' records—children often have more than one teacher and core subjects are often taught across the curriculum. (While these data systems are ultimately required for large scale implementations, it is important to note that smaller scale implementations can be done without full data systems in place.)

Finally, the assessment systems must provide teachers with useful information to improve their teaching and their students' learning. Since educators may be unfamiliar with student growth models such as value-added, providing information about these systems to teachers and principals is essential.

Incentives available to all teachers at a school.

All teachers should have the opportunity to receive performance awards. We recommend a combination of shared and individual accountability for teachers (and principals).

- The model should not be constructed with quotas, or numeric or percentage limits on the number of teachers who can receive an award within a school. If every teacher contributes to improving student achievement, every teacher should be able to earn more.
- The model should use a range of measures of excellence, ensuring that a wide variety of teachers are eligible, not just those in subjects/grades in which testing occurs.
- Some part of the award should be tied to an individual teacher's students' success, even if part of the award is for school-wide success.
- Incentives should be clearly aligned with intended performance outcomes and expectations for teachers and principals. Higher achievement yields greater rewards; lower achievement yields lower rewards. Performance awards should be criterion-based, so that everyone meeting a previously agreed-upon standard earns the award. This eliminates the concern that performance-pay systems may breed unhealthy competition among teachers.

Performance rewards are significant.

Models should include the possibility for performance rewards in the thousands, not hundreds of dollars—incentives significant enough to make a difference to teachers (e.g. at least 5% of salary) and appropriately reward them for their achievements. The goal is to produce incentives that are adequate to recruit and retain top teaching talent and to make additional work worth the effort for teachers.

Consider all perspectives on finances.

As part of involving teachers and principals as equal partners in the design and implementation of alternative educator compensation, the financial analysis should be conducted from an educator perspective as well as from a district perspective. That includes looking at the impact of alternative pay systems on the career pay for educators at varied career stages, considering effects on retirement earnings, and other impacts to teacher pay and benefits.

Design Element #3: Evaluation Based on Professional Standards***Credible, agreed-upon standards of practice.***

Earlier efforts at performance-based compensation systems often have failed because of ineffective evaluation systems that were often perceived to foster favoritism rather than promote teaching excellence. To be credible, a performance-pay evaluation system must be supported by clearly articulated standards of practice. The system must be designed to improve instruction, not to separate teachers into “winner” and “loser” categories. Compensation proposals that reward teachers in part for their skills and abilities must be based on clear, agreed-upon standards designed by the profession. Evaluation standards and rubrics must be easily understood and research-based, and teachers, principals and other stakeholders must be collaborators at all stages—in the design, the implementation and the review of evaluation criteria.

Evaluation system facilitates support and feedback.

The evaluation standards should be instructional tools that provide teachers constructive feedback and guide their professional growth. They should be integrated into the ongoing professional development efforts of coaches, master and mentor teachers. Pre- and post-conferences should be conducted with teachers during the evaluation process to provide opportunities for them to reflect on their areas of strength and growth. As a result, the process identifies areas of teacher need around which to design individual support and professional development.

Multiple evaluators, multiple evaluations.

The performance reviews should occur multiple times during the year and be conducted by both teachers and administrators who are trained and certified as evaluators. Such an evaluation system will minimize teacher concerns about potential bias or favoritism. Evaluations should also take into account multiple methods of gathering evidence of the teacher's impact on student learning (e.g. ongoing informal observations, student achievement growth in formative assessments, and lesson and unit plans).

System must ensure inter-rater reliability.

It is vital that evaluators are extensively trained. Schools that build consistent inter-rater reliability observe and score lessons in pairs, observe volunteer teachers' "practice" lessons, observe and coach one another's post-conferences, and meet regularly, such as once a month, to monitor inter-rater reliability. Evaluators' level of coaching skill significantly influences the degree to which the evaluation process is perceived as fair and supportive of teachers' improved practice. An evaluation data tracking and monitoring tool should be a part of the evaluation system. This tool can help evaluators determine areas of grade inflation or deflation, teacher strengths and weaknesses, and trends among standards of practice by grade level or subject.

Design Element #4: Career Advancement Options***Models should include career path opportunities.***

If done properly, performance-pay systems provide incentives for restructuring systems to allow teachers to assume more responsibilities as they become more adept. Such systems create opportunities for teachers to advance in the teaching profession without having to become administrators, and new opportunities for shared instructional leadership. Performance-pay systems provide teachers the opportunity to pursue a variety of positions throughout their careers—inductee, career, mentor and master teacher—depending upon their interests, abilities and accomplishments. As teachers move up the career ladder, their qualifications, roles and responsibilities should increase—as well as their compensation. New roles and responsibilities should be clearly articulated and defined and there must be a structure and process for individuals to perform effectively in these new roles.

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Senior Vice President, Public Policy and Development
National Institute for Excellence in Teaching
kvanhook@talentedteachers.org

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Director of Title II-A
patty.hardy@azed.gov

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Florida Department of Education

Pam Stewart
Deputy Chancellor for Educator Quality
Pamela.stewart@fldoe.org

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Minnesota Department of Education

Patricia King
Director of School Improvement
Patricia.k.king@state.mn.us

Kristie Anderson
Program Specialist
Kristie.anderson@state.mn.us

New York State Education Department

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Ohio Department of Education

Maureen Yoder
Ohio Teacher Incentive Fund, Project Manager
Maureen.Yoder@ode.state.oh.us

J. Christopher Woolard
Office of Policy and Accountability
Christopher.Woolard@ode.state.oh.us

South Carolina Department of Education

Jason Culbertson
Executive Director, South Carolina Teacher Advancement Program
jculbertson@sctechners.org

Texas Education Agency

Rita Ghazal
Program Manager of Policy Initiatives
Rita.ghazal@tea.state.tx.us

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Connie Fisher
Teacher Quality Special Projects Coordinator
connie.fisher@doe.virginia.gov

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1333 H Street, NW, 10th Floor
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