



# PAYING FOR RESULTS

## Examining Incentive Pay in Texas Schools

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## Executive Summary

Most school districts across the country pay teachers with an outdated teacher salary schedule that rewards all teachers equally regardless of performance. This one-size-fits-all compensation structure limits the flexibility of school board members and superintendents to strategically target resources to meet local needs, attract talent in shortage areas, reward excellent teaching, and improve student achievement.

Some school districts are bucking this trend by experimenting with innovative free-market strategies that target its limited resources with differential pay, shortage stipends, signing bonuses, combat pay, and pay-for-performance bonuses.

The results, thus far, are promising. Results from Austin, Dallas, Houston, and Lamesa school districts include higher test scores, higher state accountability rankings, improved teacher morale, and lower teacher turnover.

School officials interested in restructuring their teacher compensation systems could free up a considerable amount of resources by eliminating their locally adopted salary schedule and instead pay all teachers a base salary and then add additional amounts based off of local labor market needs, skill level, willingness to work in a challenging school, and excellence in the classroom. School districts that pay stipends for possession of a Master's degree could also consider discontinuing this practice as research conclusively finds that possession of a Master's degree or Doctorate degree has no effect on teacher effectiveness. All future pay raises could be tied to positive teacher evaluations and performance reviews.

State lawmakers and policymakers should consider changes to teacher compensation systems, including granting local school districts as much flexibility as possible to design and implement compensation changes. Policies such as adding steps to the salary schedule, raising the minimum salary at each step on the schedule, increasing the number of type of school employee paid with a salary schedule, and across-the-board pay raises all restrict local school districts from being able to make their own decisions on how to best at-

tract, pay, and reward teachers. Lessening restrictions at the state level and allowing school districts more flexibility with teacher compensation reform will allow school districts to innovate with attracting, rewarding, and retaining the best and brightest teachers.

### Recommendations:

State lawmakers should consider:

- Eliminating the state minimum salary schedule which rewards longevity over effectiveness in the classroom.
- Refusing to tie local school districts hands by giving all teachers in the state an across-the-board pay raise.
- Continuing to support and fund teacher incentive pay programs.
- Removing any roadblocks to reform at the state level that hinder local school districts from having the flexibility to design a compensation system that meets their needs.

Local school board members and school administrators should consider:

- Eliminating their locally adopted salary schedule and replacing it with a base salary.
- Targeting resources where the money can be most effective such as:
  - Paying teachers a shortage stipend for teaching in a locally determined shortage areas;
  - Paying teachers a stipend for working in a low-performing school;
  - Rewarding large student gains in learning with a bonus; and
  - Linking pay raises and bonuses to positive performance reviews and improvement in the classroom.
- Discontinuing across-the-board pay raises which do not take into account individual teacher performance.
- Discontinuing the practice of paying teachers more for possession of a Master's degree which has no affect on teacher effectiveness.

## State Landscape

Texas is a large, diverse state with more than 4.5 million students in public schools, 385,100 public school teachers, and 1,031 public school districts.<sup>1</sup> With student achievement stagnant and alarmingly high dropout rates, Texas lawmakers sought to reverse course and in 2006 passed the largest incentive pay grant program in the nation.

Texas' incentive pay program is larger than the federal grant program, the U.S. Department of Education Teacher Incentive Fund (TIF). The funding for state incentive pay grants was cut in half by lawmakers in the 2007 Texas legislative session, with the Legislature using the savings to fund an across-the-board pay raise of \$425 for every public school teacher.

The purpose of incentive pay\* is to align compensation of educators with students' educational needs and improve student learning. Incentive pay plans are not a one-size-fits-all approach rather they are designed at the local level by school districts within a framework set by the state education agency, the Texas Education Agency (TEA). TEA encourages school districts and campuses to use data to determine goals and then target resources to reach those goals.

Some school districts are putting data systems in place to measure student academic growth. There are many different ways to track and measure student growth. Student growth can be measured over the course of a given school year, over the course of several years, and individually through student-teacher links known as "value-added models." Value-added growth models measure the amount of academic achievement "added" to a student's learning trajectory by any given unit (i.e., teacher, school, district). This "added value" is the amount of additional learning a given unit contributes to student learning. Growth measurement and analysis can help school officials gauge individual student, teacher, school, and district performance.

The incentive pay plans in Texas school districts have various focuses: improving math and science knowledge, improving student academic achievement, improving state accountability ratings, retaining the best teachers, or raising the professionalism of teaching.

According to the *2007-2008 Salaries and Benefits in Texas Public Schools Report*, 198 school districts had an incentive pay plan in place.<sup>2</sup> Seventy-two percent of the 198 districts used state funds from the TEEG grant and the remaining school districts have a locally-devised and funded performance plan. The majority of schools use student performance data in their plans. Other schools use a combination of criteria such as staff attendance or participation on campus teams.

Texas has three different incentive pay grants at the state level, the Governor's Educator Excellence Grant (GEEG), the Texas Educator Excellence Grant (TEEG), and the District Awards for Teacher Excellence (DATE). All of these grants stress teacher performance and allow for both growth-based rewards and achievement rewards meaning that campuses and teachers who start with students who are behind can still receive awards for excellent performance.

The Governor's Educator Excellence Grant or GEEG was established in 2005 by Executive Order RP51 and is a three year grant targeted at 100 high poverty, high performing campuses.<sup>3</sup> The grant provides \$10 million dollars to the schools of which 75 percent must be used for teacher awards and the remaining 25 percent may be used for teacher recruitment and retention activities. To qualify, a campus must be within the top third of economically disadvantaged campuses and either receive recognized or exemplary rankings or fall within the top quartile of performance in comparable improvement during 2004-2005.

The Texas Educator Excellence Grant or TEEG was established in 2006 by a special session of the 79th Texas Legislature in House Bill 1. It is a non-competitive grant that seeks to reward teachers in high poverty, high per-

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\* Also referred to as merit pay, pay for performance, or strategic compensation.

forming campuses. It will last for five cycles and targets schools where there has been great growth in student learning. The grant is limited to campuses that are both in the top half of economically disadvantaged campuses and has either recognized or exemplary status or is in the top quartile of performance in comparable improvement during the 2004-2005 school year. The funding is \$100 million annually and 75 percent of the grant must be used for teacher awards while the remaining 25 percent may be used for teacher recruitment and retention activities. The award amounts given to teachers under this grant are \$3,000 to \$10,000.<sup>4</sup>

District Awards for Teacher Excellence or DATE grants were established in 2006 by a special session of the 79th Texas Legislature in House Bill 1. DATE grants are avail-

able to all districts and allow for districts to target the campuses in the manner that they see fit within certain limitations. Campuses targeted must be underperforming. For fiscal year 2009 there is approximately \$147 million dollars in state funds set aside. At least 60 percent of the grants must be used to award class room teachers who positively impact student academic growth and the remaining 40 percent may be used for teacher stipends, staff incentives, principal incentives, and elements of the Teacher Advancement Program which is a program encourages teacher advancement through professional development. A key difference between DATE grants and the others is that DATE grants require districts to provide 15 percent matching funds for the first year. Districts that accept DATE grants must participate for at least two consecutive cycles.<sup>5</sup>

## Lamesa ISD

### Teacher/Administrator Incentive Pay Plan

#### **Background**

Lamesa is a small town located in west Texas about 60 miles south of Lubbock. The school district serves 1,950 students with two elementary schools, a middle school, and a high school. Lamesa ISD employs 170 teachers and 332 total personnel.

Lamesa's former superintendent Ken McCraw designed and implemented Lamesa's incentive pay plan during the 1994-1995 school year to counter the negative attitudes and resentment resulting from the statewide career ladder program in the late 1980's. He explains, "the career ladder was divisive; it was poorly designed and executed leaving many teachers frustrated. Teachers didn't want to share ideas because they were competing for one of the fixed number of spots on the next rung of the ladder. Schools would set expectations for teachers and if too many teachers met those expectations there was not enough money to reward all of them so the bar kept changing, some years it was higher but some years it was lower depending on the number of open positions on the career ladder. The career ladder was a source of frustration for both teachers and administrators."

The failure of the career ladder made the school climate ripe for something new. McCraw wanted a program that encouraged collaboration and in which sharing became profitable. He says, "isolation hurts teaching, teaching is a team sport." McCraw credits Fred Zachary, the superintendent at Waco ISD at the time, with the idea of a campus-wide incentive program.

**Funding**

Lamesa ISD set aside \$3 million of savings in their 1995 budget and designated it instructional improvement funds for incentive pay. The district uses the interest from the set aside amount to reward the school personnel who earned incentives each year. If the program costs more than the estimated, they put the extra cost in their budget. The program costs approximately between \$135,000 and \$225,000 a year. Lamesa ISD is applying for a District Awards for Teacher Excellence (DATE) grant to help fund their incentive pay program.

**Incentive Pay Structure**

Lamesa ISD rewards all school employees for achieving certain performance targets during the school year with a monetary bonus. This bonus is in addition to their base salary on the salary schedule and shortage stipends that certain teachers receive.

While some school districts hold a vote on each campus to determine participation in the program, at Lamesa ISD, the school board approved the plan for the entire district, with no opposition, in 1995.

Lamesa’s incentive pay plan is a campus-wide plan in which all personnel at each campus are rewarded if they meet certain criteria or performance targets. The targets are broken down into two categories: 1) student performance and 2) employee performance. The student performance category consists of academic performance targets in reading, writing, math, social studies and science based on TAKS test results, a student attendance target, and a student completion target. While it can be controversial to grade teachers and schools on a standardized test, former superintendent Keith Bryant explains, “we use the TAKS test to grade schools because that is how the public grades schools.” In addition, if a campus achieves a *Recognized* or *Exemplary* rating by the state accountability system, all personnel at that campus receive an extra financial bonus. On top of the campus bonuses, school district employees can earn a bonus for personally meeting attendance targets. The plan has changed over the years to include performance targets for more academic core subjects, a change in the dropout definition, and incremental increases in targets.

**Lamesa ISD’s 2007-2008 and 2008-2009 Teacher/Administrator Incentive Pay Plan Performance Targets**

Academic Performance Targets:
<ul style="list-style-type: none"> <li>• 80% passing or a 10% increase for TAKS reading;</li> <li>• 80% passing or a 10% increase for TAKS writing;</li> <li>• 80% passing or a 10% increase for TAKS math;</li> <li>• 80% passing or a 10% increase for TAKS social studies; and</li> <li>• 80% passing or a 10% increase for TAKS science.</li> </ul> <p>Teachers are rewarded with a \$200 bonus for each subject area their campus meets.</p>
Other Student Performance Targets:
<ul style="list-style-type: none"> <li>• Student attendance of 97 percent;</li> <li>• Four-year completion rate of 85 percent; and</li> <li>• Campus rating of <i>Recognized</i> or <i>Exemplary</i> (based on 2007-08 test results).</li> </ul> <p>Teachers are rewarded with an extra \$100 for each of the student attendance and completion rate targets. If a campus is rated <i>Recognized</i>, teachers earn an additional \$500. If a campus is rated <i>Exemplary</i>, teachers earn an additional \$1,000.</p>

**Eligibility**

Teachers and school administrators are eligible to earn up to \$2,400 a year with the incentive pay plan. (Specific amounts are shown in the chart on page 6). Teaching assistants and secretaries earn 50 percent of the professional staff bonus. School district administrators earn 25 percent of each campus bonus. School district clerks and secretaries earn 12.5 percent of each campus bonus. Thus, all school personnel have a personal buy-in to improve Lamesa ISD schools.

Individual teachers and school personnel are given the option to opt-out and to date no one has opted out. The school district reserves the right to not award a bonus to anyone who leaves the district before the end of the school year for poor performance.

**Communication**

At the beginning, the new incentive pay plan was a tough sell to teachers. Then-superintendent McCraw met with small groups of teachers to gain input on the incentive standards before presenting the plan to the school board. After board approval, a meeting was held on each campus to explain the new program and to answer questions. He also explained it was designed to encourage them to work more collaboratively and reward them for increased student performance at their campus. McCraw states, "It was important for teachers to understand that this was for them, not something being done to them." Lamesa ISD also worked hard to include all teachers—not just core subject teachers—in the plan since all teachers contribute to learning. To help non-core area teachers, such as the band director or an art teacher, Lamesa ISD asked these teachers to submit a plan for the first couple of years on how they could teach and reinforce core subject area knowledge in their classes. McCraw received buy-in from teachers and the community from the start, and the school board passed the plan unanimously.

To boost morale, Lamesa ISD rewards its teachers, administrators and clerks for their successes in a public forum by handing out the bonus checks on the first day of teacher orientation of the following year. (The district determined individual amounts over the summer.) In addition, the district wisely uses this time to lay out their school priorities and goals of the incentive pay plan for the upcoming year.

**Goals**

Lamesa ISD's overarching goal with their incentive pay plan was to greatly increase student learning. They hoped this new program would be a way to help get the schools out of a downward spiral and change the school culture by encouraging and rewarding change. Lamesa ISD felt that many of their teachers were working hard but needed an incentive to work smarter not harder. The incentive plan aimed to encourage teachers to perform better and work collaboratively by rewarding exceptional teachers for improved student performance and having them share their successes with other teachers.

**Other District Policies**

Lamesa ISD takes the performance of each teacher seriously. They only give teachers a one-year contract and conduct an annual performance review on each teacher. Principals are very careful about teacher evaluations. If their teachers don't improve, Lamesa ISD puts a growth plan in place. If the poor performance continues, the teacher and the district part ways. This personnel policy in conjunction with the incentive pay plan improves employee morale and student learning.

In addition, Lamesa ISD's principals are trained to be servant leaders. They are trained to work on improving working conditions and discipline issues by standing behind the teachers. This policy has resulted in fewer parent hearings and more time for teaching and learning.

### **Best Practices**

The district strives to make the incentive pay plan easy to understand by teachers and school personnel. While some school districts use incentive pay as a retention tool and refuse to award bonuses if the individual does not return to that school or district the following year, Lamesa ISD believes if the individual contributed effort to the school's success, they should get a bonus. Thus, if an individual retired or moved away at the end of the year and earned a bonus, they still receive their bonus. If an individual moves away during the middle of the school year and earned a bonus, then they receive a pro-rated amount of their bonus. If a teacher or school employee leaves the school or district on bad terms, they do not get a bonus.

### **Results**

It is instructive to examine the results of Lamesa ISD's incentive pay plan since it is the oldest incentive pay plan in Texas—it began in 1995. The district's plan has been quite successful. They have seen tremendous gains in test scores in reading, math and science at the elementary school, middle school, and high school level. For example, between 2003 and 2008 high school reading scores on the TAKS increased from 60 to 92 for all students and from 51 to 90 for Hispanic students. During that same period, middle school math scores on the TAKS increased from 37 to 83 for all students and from 26 to 80 for economically disadvantaged students. Between 2003 and 2008, reading scores on the TAKS increased from 54 to 89 for African American students and from 59 to 82 for Hispanic students in elementary school. Science test scores on the TAKS increased from 30 to 59 for all students and from 13 to 50 for Hispanic students in elementary school.<sup>6</sup>

Keith Bryant says the district has also seen improved morale among teachers; the teachers feel supported by the school district, the school board, and other teachers. Lamesa ISD uses their incentive pay plan as a recruiting tool for new teachers and to compete with neighboring districts for teachers.

### **Next Steps**

Lamesa ISD believes they are missing a vital component in their incentive pay plan—assessing individual teacher performance on student learning with a growth measurement. Lamesa ISD just recently purchased a tool that will help them measure the value-added growth each individual teacher provides per student in grades k-12. Many school districts have different definitions for assessing student growth, in general Lamesa ISD plans to measure each student's academic growth over the course of a year, analyze the test data and compare each student's growth to that in prior years. The district can use the data to help teachers predict the amount of academic growth students are likely to make in a given year and then train the teachers to use the data to drive classroom instruction. The district plans to add monetary incentives to their plan based on student academic growth in the 2009-2010 school year.



## Houston ISD

### ASPIRE

#### **Background**

Houston ISD is the largest public school district in Texas and the seventh largest in the country. The district covers over 300 square miles of land in Harris County with students being drawn from much of Houston, including the inner city as well as parts of nine other cities and unincorporated areas of the county. The school district serves 199,534 students at 293 campuses. HISD employs 12,612 teachers and has 29,450 total personnel.

Houston ISD has experimented with different measures and methods to award excellent teaching over the past several years. Superintendent Abelardo Saavedra explains the district's philosophy, "If we are going to continue to improve academic achievement, we must change the way we compensate teachers. We cannot continue to pay every teacher the same, solely on the basis of how many years they have been on the job and regardless of what kind of job they do in the classroom."<sup>7</sup> The district plans to increase the bonus amounts over the next few years to ensure that the bonus is large enough to be a true financial incentive to change behavior and reward excellence.

Over the last 10 years, the district awarded all teachers at schools rated *Exemplary* or *Recognized* by the state accountability system with financial bonuses. This plan did not distinguish between the best teachers and average teachers at high-performing schools and did not award bonuses to excellent teachers at other schools.

In January of 2006, Houston's school board passed a performance pay plan that rewards teachers based on school performance and individual teacher performance. Surprisingly, the school board made a controversial decision to pass this plan without the support of the local teacher's union. Dianne Johnson, then-President of the school board, explains their vote by saying "dramatic change leads to dramatic results." The district's plan awards financial bonuses on top of a teacher's base salary. Schools needed to make larger academic gains than the 40 most similar public schools in Texas. The Texas Education Agency provides information about the growth of each school in reading and math on TAKS, along with the comparable growth of 39 other schools in the state with similar student characteristics. Individual classroom performance was compared to similar classrooms in Houston ISD. Teachers could also receive financial bonuses for perfect attendance or near perfect attendance. Houston's business community strongly supports the district's efforts; Greater Houston Partnership President Jeff Moseley called the plan a "bold leadership initiative."<sup>8</sup> Houston ISD paid roughly 8,000 teachers over \$14 million for student academic progress in 2007.

In 2008, the district introduced the ASPIRE (Accelerating Student Progress Increasing Results & Expectations) program. It was begun as a way to improve recruiting and retention in the district while assisting with professional development plans for teachers and staff. ASPIRE aims to bring the district's many educational improvement initiatives together into one cohesive plan. Houston's new model focuses on helping every student grow and progress by incorporating Dr. William Sander's value-added analysis to measure student growth for individual campuses, grades, subject areas, and teachers.

Chief Academic Officer Karen Garza explains, "Value-added looks at every student's progress and prevents gifted and talented students from being overlooked." Improvement vs. achievement is an essential aspect of Houston ISD's performance pay plan. The plan implements a statistical value-added system under which students are measured every year and teachers and other non-instructional employees are rewarded based on the growth that the students have

had over the year rather than just comparing their raw scores to a state standard. Teachers will therefore receive rewards for the work that they do regardless of whether they start with kids who are below the state average or above the state average. The program does not just reward teachers on an individual level. Rewards are given out to both teachers and non-instructional staff for campus-wide improvements as well as at the departmental level in some grades. The campus level rewards are smaller than the individual teacher rewards and are acquired based on a comparison between the district schools. In order for a campus to receive the reward it has to be in the top 50 percent of the district's schools and show growth.

### **Funding**

Houston ISD pays for its performance pay plan with a variety of sources. The district has a five-year \$11.7 million Teacher Incentive Fund (TIF) grant from the U.S. Department of Education, private funding from the Eli and Edythe Broad Foundation and the Bill and Melinda Gates Foundation, and has applied for a state District Awards for Teacher Excellence (DATE) grant. The district has also committed one percent of payroll every year to the program.

### **Performance Pay Structure**

Houston ISD's ASPIRE focuses on value-added and student growth over the course of a year rather than a single end-of-year test score. The value-added system is a statistical calculation that measures a student's academic progress during the year. This way campuses and teachers with both high and low performing students can benefit as long as their students show improvement. Rewards can be given out on a campus or department-wide level and also to individual teachers. There are three different awards that can be given out.

The award structure and payout amounts reflect the 2006–2007 ASPIRE Award paid out January 2008. The model continues to be improved each year as well as the award amounts increased.

First, there is an award for the instructional staff and the non-instructional staff for campus improvement. An award is given out to all staff based on the campus performance. Campus performance is judged by ranking the schools based on the value-added improvement of the students. Those schools who show growth and are in the top 50 percent will receive the awards. Teachers at these schools are eligible for up to \$1,000 and non-instructional staff is eligible for up to \$500.

Secondly, there is an award for individual teacher progress. Within this award there are several variations. Core subject teachers (i.e. reading, language arts, social studies, math, and science) in early childhood through second grade can receive up to \$2,500 for campus growth in reading and in math in the top 25 percent. Elementary teachers of core subjects and middle school core subject teachers are able to receive individual awards of up to \$5,000 for student growth in their own classroom. Core subject teachers of high school students can receive awards of up to \$5,000 for student growth at the department level for the subject(s) they teach.

Finally, there is an award for campus improvement and achievement based on the state's accountability system. An award of up to \$500 per subject can be given to all instructional staff at campuses that are rated *Acceptable* or higher by the state accountability system and which rank in the top 50 percent of the state's comparable improvement in reading or math. An award of up to \$300 is given to all instructional staff at a school rated *Exemplary* or *Recognized*.

Since excellent teacher attendance leads to more classroom teaching and learning time for students, Houston ISD adds another layer of financial bonuses to instructional staff for excellent attendance. Perfect attendance yields an

additional 10 percent bonus and missing two days of school or less yields an additional 5 percent bonus on what was already calculated for their ASPIRE Award.

### **Eligibility**

All employees who are in good standing with the district and who complete the testing year are eligible for the program. While employees may choose to opt out of receiving a bonus, employees may not opt out of the data analysis. Individuals who choose to retire at the end of the year receive their bonus. Individuals who move to another district do not receive the bonus. This requirement will be eliminated for the 2007-2008 program to be paid January 2009.

### **Communication**

Communication on a new initiative can be extremely difficult for a district with almost 30,000 employees. During the development phase of the initiative, the district held public meetings around the city and at campuses geographically dispersed in the area gathering input from teachers and stakeholders in the community. During the implementation stage, the district provided the community information about the new plan by mailing a brochure to parents, sending a brochure home with students, and putting a wide array of information about the plan on the Internet. Principals at each school held meetings to explain the new plan to teachers. Parent engagement forums were also held.

The district realizes it underestimated the training and one-on-one discussion needed to help teachers comprehend the large philosophy shift of the new plan. Teachers were asked to go from determining performance off of the number of students passing the state test, which is the way their school has been graded for many years, to a system that measures each student's academic progress against their prior year's performance. As a result, the district used a train-the-teacher model and held in-depth trainings with teams of teachers and administrators at every school to help teachers understand value-added data.

### **Goals**

The main goal for Houston ISD's ASPIRE program is to improve student learning by integrating many of the current educational improvement programs and performance pay. Through the program the district hopes to encourage greater cooperation between teachers and inspire a campus-wide commitment to success. The value-added system will allow the district to collect much more precise data which the district would like to see used to provide greater information to parents about how their children's schools are performing. Finally, the school district would like the program to help recognize excellent teachers and encourage them to stay.

### **Other District Policies**

In addition to rewarding excellence, the district is using the value-added analysis to identify which teachers need extra support and training to be effective. The data will help guide professional development plans for individual teachers and campuses. Houston ISD is also working to ensure a good support system is in place for teachers to grow and learn. The district will share data with teachers on their students to help drive impactful classroom instruction.

### **Best Practices**

The district realized they needed better communication internally regarding implementation of their ASPIRE plan and decided to form an executive team with staff from each department. This executive team opens up the lines of communication between departments and meets regularly helping everyone speak a common language.

**Results**

Houston ISD credits the ASPIRE plan as a key factor in more teachers choosing to stay and work in the district. During the same period from May-August, Houston ISD received 200 less resignations compared to the previous year.<sup>9</sup> Over the past two years, the district has paid \$37 million in bonuses to teachers and instructional personnel and teachers have a chance to earn \$10,000 in bonuses this coming year. The district has hired fewer new teachers in 2008 than in past years.<sup>10</sup>

Houston ISD also credits the ASPIRE plan for higher TAKS scores and better state accountability ratings. The district has a record number of schools rated *Exemplary* or *Recognized* by the state accountability system. The number of high-ranked schools this year, 156 schools, is almost double the number of schools given the two highest ratings last year.

Audrey Gomez, Houston ISD's Human Resources Director, says she sees an "excitement in the teachers starting school this year because they are glad to be part of a winning team. The culture is changing at Houston ISD," Gomez explains. "Teachers are looking at the individual academic growth of each student and are no longer focusing on minimum standards such as how many students are passing the TAKS."

**Next Steps**

Houston ISD plans on sharing best practices from its top teachers and schools with other schools in the district. Based on their experience thus far, Houston ISD would like to be able to track teachers to specific programs, colleges, and universities. The district plans to use the new end-of-course exam testing system to help them measure and analyze individual teacher performance at the high school level. Houston ISD is also adding an award for writing performance at the state's college readiness standard or for improvement in the top half of schools toward that performance

The 2008-2009 school year will be the human resources development phase of the ASPIRE plan. Houston ISD will continue to use ASPIRE in recruiting teachers and instructional personnel to the district. In addition, the district plans to target resources using data from ASPIRE to determine what a successful teacher looks like for their screening and selection tools.

## Austin ISD

### Strategic Compensation

#### **Background**

Located in the state's capitol, Austin ISD serves 82,541 students at 113 campuses. The district covers most of the city of Austin employing 5,745 teachers and 11,423 total personnel. Austin ISD is the third largest public school district in the state.

In August of 2005, the Austin ISD school board passed a Strategic Plan for 2005-2010 directing the superintendent to design and implement a differential pay plan. The strategic plan's language states, "Develop and implement a comprehensive, long-range plan to provide greater supports and incentives, including compensation, to teachers, principals, and staff, and encourage highly-effective teachers to continue service in our highest-need schools." In addition, Austin ISD had the advantage of leadership within the local teacher's union. It is quite unusual to have a collaborative relationship regarding incentive pay with the local teachers union.

Superintendent Pat Forgione believes the district needs to find new ways to improve, to recruit the best teachers and to reward the best teachers to stay in the classroom. He states, "Change is not easy in the public sector and we need this innovation to take us [Austin ISD] to the next level."

Austin ISD decided to proceed slowly and cautiously in designing and implementing their incentive pay plan since the idea can be controversial and contentious. Traditionally, teacher unions have opposed merit pay in favor of across-the-board pay raises. Austin ISD wanted to study and evaluate various incentive pay models around the country before moving forward. First, the district coined the phrase "strategic compensation" to describe the initiative because it was a neutral term that had not been used in education before and did not bring negative preconceptions to teachers.

Afterwards, they formed a Strategic Compensation Steering Committee to serve as the liaison with the superintendent, school board, and community stakeholders and to work with a firm to design and develop the strategic compensation plan. The steering committee met nearly once a week during the design phase and now meets twice a month. Chairs of the Strategic Compensation Steering Committee include:

- Rick Burciaga, Chairman of StoneCrest National Bank (io) of Austin and former Chairman of the Greater Austin Chamber of Commerce;
- Ramon DeJesus, a member of the Austin ISD advisory council and former co-chair of the Austin ISD Budget Task Force;
- Michael Houser, Austin ISD Assistant Superintendent for Human Resources Development and Information Systems;
- Louis Malfaro, President of the local public school employees union, Education Austin; and
- Jeffrey Richard, President of Austin Area Urban League and former VP of Education for the Greater Austin Chamber of Commerce.

To solicit community and teacher buy-in, Austin ISD set up a AISD Compensation and Support Task Force that would communicate with teachers, principals, and other stakeholders in the community, listen to their concerns, and review policies, communications and implementation strategies. Another task force, the Greater Austin Chamber of Commerce Compensation Task Force, was created to provide guidance and feedback from the business community. The eight Chamber task force members include top officials from energy, computer, and health care employers in the community. Austin ISD selected two consulting firms, Community Training and Assistance Center and Augenblick, Palaich, and Associates, to assist in the development of the plan, provide short- and long-term planning and financial projections, and work with the two taskforces.

Austin ISD spent two and a half years listening and learning and a full year on designing the program before rolling it out. During the 2007-2008 school year, Austin ISD began the first year of a four-year pilot. Nine schools participated in the strategic compensation pilot in the first year including six elementary schools, two middle schools, and one high school. Five of the nine pilot schools are highest-needs schools.\* In order for a school to participate in the initiative, three-fourths of teachers at the campus had to approve participation with a campus-wide vote. All nine pilot schools held a campus vote and had overwhelming support from the teachers much higher than the required three-fourths support.

### **Funding**

Austin ISD dedicates one cent of their Maintenance and Operations tax rate, which yields approximately \$4.3 million each year, to fund their Strategic Compensation plan. David Lussier, a Special Assistant to the Superintendent who is coordinating the district's compensation initiative, explains Austin ISD "wanted to have a significant local investment to send a message of sustainability to the community." In addition to local funds, Austin ISD has a \$5.4 million state District Awards for Teacher Excellence (DATE) grant for the 2008-2009 school year. The district is also pursuing federal funding.

### **Incentive Pay Structure**

Austin ISD's strategic compensation pays teachers and principals a financial bonus or stipend for attaining specific student learning targets and for working or returning to work at a challenging school. In addition, mentors receive a financial bonus based off of a positive mentoring evaluation. The new compensation plan is in addition to their 39 step salary schedule. The district also awards annual teacher shortage stipends to special education and bilingual education teachers and a one-time signing bonus to special education, elementary bilingual education, and secondary math teachers.

Austin's Strategic Compensation plan has three elements:

- student growth,
- teacher recruitment and retention at the highest-need schools, and
- teacher professional growth.

The student growth aspect of the initiative includes student learning objectives and school-wide TAKS (Texas Assessment of Knowledge and Skills) growth. After teachers and principals were trained on designing student learning objectives, each teacher set two student learning objectives. Student learning objectives (SLOs) are academic end-of-year or semester goals for student growth that teachers set at the beginning of the year based on student

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\* Highest-needs schools are determined by their population of economically disadvantaged students, English Language Learners, and students with special needs.

data. Principals reviewed and approved each student learning objective to make sure it was rigorous and fit within the campus' improvement plan. In addition, each student learning objective was reviewed by two independent teams in the central office to ensure consistency between all schools. Teachers earn financial incentives for meeting one or both their student learning objectives. Teachers receive a \$1,000 stipend for each student learning objective they achieve. Teachers at highest-needs campuses receive a \$1,500 stipend for each student learning objective they achieve. Principals receive stipends for leading a pilot campus and taking on a significant amount of extra work related to setting and helping their teachers achieve the learning objectives. Principals leading at a pilot school receive a \$3,000 stipend. Principals leading a highest-needs campus receive a \$4,500 stipend.

In addition to achieving student learning objectives, teachers and principals are rewarded for improving student learning as demonstrated by school-wide growth on the state assessment Texas Assessment of Knowledge and Skills or TAKS. The Texas Education Agency provides information about the growth of each school in reading and math on TAKS, along with the comparable growth of 39 other schools in the state with similar student characteristics. When Austin ISD pilot schools achieve growth in the top quartile of the 40 comparable schools, stipends are awarded. Teachers receive a \$2,000 bonus for achieving comparable growth in reading and a \$2,000 bonus for achieving comparable growth in math. Principals receive a \$4,000 bonus if their school achieves growth in reading and a \$4,000 bonus if their school achieves growth in math. In order to incent the teachers and principals to return to that particular school the next year, the district makes half of each of the reading and math growth bonuses contingent upon returning to the school the following year.

The second element of strategic compensation is teacher recruitment and retention at the highest-needs schools. This policy change aims to provide students at the most challenging schools the highest quality teachers possible. Rick Burciaga, a local businessman and Steering Committee Chair, explains that the new initiative is "a way to reverse good people from leaving the classroom." Beginning in the 2008-2009 school year, teachers new to a highest-needs school will receive a financial stipend for their first, second, and third year at the school. Austin ISD will also award annual retention stipends to principals and teachers who return to teach or lead a highest-needs school. In order to receive the retention stipend, teachers must have a three-year contract.

The third element of the district's initiative is helping teachers grow professionally to be better teachers. Louis Malfaro, President of Education Austin and Steering Committee Chair, says the strategic compensation "gives teachers the tools to be more effective and if they are more effective they can earn more money." All teachers at the pilot schools are encouraged to do professional coursework through the National Board for Professional Teaching Standards (National Board). The National Board has waived the \$395 teacher fee for the first pilot year and Austin ISD pays teachers a \$200 stipend for submitting a Take One portfolio to the National Board. Teachers who receive a passing score from the National Board will be awarded an additional \$200 stipend. Austin ISD also pays National Board Certified teachers who facilitate National Board training a \$1,000 stipend.

Another aspect of Austin ISD's focus on professional growth is mentoring. Austin ISD seeks to counter high turnover of new teachers in challenging school environments by providing actively engaged mentors to assist new teachers in their first three years of teaching at the highest needs schools. The mentors at these schools do not have a full teaching load and mentor full-time roughly 10 teachers a year. Mentors receive a \$3,000 stipend for their work on top of their typical teaching salary and are able to earn an additional \$2,000 stipend if they receive a satisfactory mentoring evaluation. Mentors will be evaluated by their mentor coordinator, the campus principal, and their mentee. Mentors will not mentor the following year if they do not receive a good evaluation. The New Teacher Center at the

University of California, Santa Cruz is providing assistance in training the full-time mentors. The New Teacher Center is a nonprofit organization that aims to increase teacher effectiveness and retention through effective mentoring of novice teachers.

### **Eligibility**

During the first year of the pilot, content teachers,\* special education teachers, and principals were eligible for incentives. Eligibility will be expanded for the second year to include assistant principals, instructional specialists, and librarians.

### **Communication**

Austin ISD communicated with teachers, principals, parents, and the community about the new initiative in a variety of ways. The district sought input from the community by holding focus groups on campus for teachers, principals and parents and by soliciting feedback with an electronic survey. Once the initiative's design phase was completed, the district made PowerPoint presentations at schools and held a question and answer session. Austin ISD also put information about the new initiative on its website and sent home information to parents.

### **Goals**

The goal of Strategic Compensation is to "raise student achievement by recruiting, retaining and recognizing exemplary classroom teachers and campus principals."<sup>11</sup> Once the initiative is fully implemented, Austin ISD hopes it will:

- Improve student learning at all schools and for all students, and eliminate the achievement gap;
- Recruit well-qualified teachers and principals to all AISD schools;
- Increase retention rates among AISD teachers and principals;
- Strengthen the knowledge and skills of staff; and
- Recognize exemplary practice and results.<sup>12</sup>

### **Other District Policies**

Austin ISD strongly supports professional development from the National Board for Professional Teaching Standards. The district encourages all of its teachers to pursue certification from the National Board and awards those that complete certification with a \$2,000 annual stipend. Austin ISD is proud that they have 155 National Board Certified teachers, more than any other public school district in Texas. Austin ISD is also redesigning its 11 high schools to provide students more choices in their studies and to make the school environment smaller.

In addition, the district awards annual shortage stipends to special education and bilingual education teachers and a one-time signing bonus to special education, elementary bilingual education, and secondary math teachers.

### **Best Practices**

The district went out of its way to secure local buy-in from teachers and the entire community. Here is an example of their approach as found on the district's website, "The initiative can only succeed if it is created by Austin educators, for Austin educators—and is one in which our focus is the three R's of quality teaching, raising student achievement through recruitment, retention, and recognition."<sup>13</sup>

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\* Content teachers teach reading, writing, math, science, or social studies.



The district is serious about mentoring. They currently have a district-wide mentoring program for new teachers and are piloting an intensive mentoring program for teachers in the first, second, and third year of teaching at a highest-needs school.

**Results**

Austin ISD is still in the early stages of its incentive pay plan so the results thus far are limited. At the highest-need pilot schools, 90 new teachers were mentored by 13 mentors in the new mentoring program. All 472 teachers at the nine pilot campuses set two student learning objectives. Sixty-four percent of the 472 teachers achieved both of their student learning objectives and 83 percent of the 472 teachers met at least one student learning objective. In addition, 30 teachers completed and submitted Take One! portfolios to the National Board for Professional Teaching Standards. In July of 2008, the district paid out \$998,000 in financial bonuses to 401 teachers and 9 principals.

**Next Steps**

The 2008-2009 school year will be the second year of Austin ISD's pilot and will include two more schools bringing the total number of participating schools to 11. The district will respond to feedback from the past year and make necessary adjustments. To help recruit and retain quality teachers and principals at the most challenging schools, the district will award annual \$1,000 stipends for teaching at the highest-needs schools to teachers in their first, second, and third year at a highest-needs school. Teachers in their fourth, fifth, and sixth year of teaching at a school identified as a highest-needs school will earn a \$3,000 annual stipend. Principals will earn a \$3,000 annual stipend for leading a highest-needs school.

In addition, the district will develop and pilot new formative assessments that are designed to measure growth. These assessments may eventually replace some of its current tests and be used for the entire district. Austin ISD also plans to create Professional Development Units, in the 2008-2009 school year, to help campuses and teachers be more effective with students. Finally, the district sees a need to improve its data collection efforts to better implement their strategic compensation plan.

To evaluate effectiveness, the district is undertaking an internal and external evaluation. Researchers at the National Center on Performance Incentives (NCPI) which is housed in the Peabody Center for Education Policy at Vanderbilt University will conduct the external evaluation.

## Dallas ISD

### Pay for Performance Plan

#### Background

Dallas ISD serves 158,126 students at 225 campuses. It is the second largest school district in Texas and the twelfth largest in the country. The district draws from an area that covers more than 314 square miles and encompasses much of Dallas and parts of 15 other cities as well as unincorporated portions of the county. The district employs 11,551 teachers and has 21,289 total personnel.

Dallas ISD used value-added data from 1992 until last year to evaluate and reward highly effective schools. Dallas' Outstanding School Performance Awards program provides financial awards, ranging from \$1 million to \$3 million, to teachers, principals and staff at "schools where students have demonstrated value-added gains in achievement." Dallas ISD evaluates schools using their own School Effectiveness Indices (SEI) and then compares them with schools meeting the state accountability ratings of *Exemplary*, *Recognized*, and *Academically Acceptable*.<sup>\*</sup> The entire staff at a school meeting the threshold receives a financial bonus. The Outstanding School Performance Awards were funded with general operating budget monies. The school district is no longer funding the awards;<sup>†</sup> the 2007-2008 school year was the last year the award was funded.

The Dallas ISD school board approved the teacher pay for performance model in November of 2007. This plan rewards individual teachers whose students achieve significantly above expectation. The pay for performance plan complements the current infrastructure in place that measures student achievement growth using value-added data.

Dallas ISD has worked hard to ensure everyone has a place at the table when discussing and designing teacher and principal incentives. As a result, they formed an advisory council with a variety of stakeholders to advise the district on design and implementation of the pay for performance plan. The Teacher and Principal Incentive Advisory Council meet about once a month and has over 40 members. The council membership includes: a member of the Dallas Achieves Commission; a representative from the Dallas Education Foundation; a PTA parent; teachers from an elementary school, a middle school and a high school; a representatives from the American Federation of Teachers union; a representative from the National Education Association union; principals from an elementary school, a middle school and a high school; an area superintendent; and staff from the business services, human resources, budget, grants accounting, grants management, curriculum and instructional services, evaluation and accountability, and legal services departments.<sup>14</sup>

#### Funding

Dallas ISD's performance pay plan is funded with a U.S. Department of Education Teacher Incentive Fund (TIF) grant of \$22 million, a state Texas Educator Excellence Grant (TEEG), and a state District Awards for Teacher Excellence grant (DATE).

<sup>\*</sup> Schools rated *Academically Unacceptable* by the state are disqualified from the award.

<sup>†</sup> Dallas ISD made budget cuts during the summer of 2008.

### **Incentive Pay Structure**

Dallas ISD's performance pay program has five categories including high needs, student performance, academic leadership, professional development, and demonstration of skills.<sup>15</sup>

The academic leadership category has already been in existence while the high needs and student performance categories were piloted in the 2007-2008 school year.<sup>16</sup> The professional development and demonstration of skills categories have not yet been implemented. The student performance category rewards teachers for classroom and school achievement while the other categories reward teachers for personal achievement.

There are currently two categories of rewards for teacher personal achievement, high needs and academic leadership, and two planned categories, professional development and demonstration of skills. The high needs category which was piloted in 2007-2008, rewards teachers working in high-needs schools and high-needs subject areas. High-needs schools are schools that are in the lowest quintile of schools as ranked by the school district. The district pays a separate stipend to teachers working in the following high-needs subject areas: math, science, and bilingual education. Teachers at high-needs schools must be teaching in a core subject (i.e., math, science, social studies, and language arts). All teachers in the program must maintain a classroom effectiveness index greater than or equal to 50. New teachers with evidence of strong teaching credentials/performance and existing teachers meeting these standards can receive an extra \$6,000. Principals leading these schools can earn an extra \$10,000.

The academic leadership category that has already been in place rewards teachers for taking on instructional leadership roles by becoming department chairs, becoming campus instructional leadership team (CILT) members or other leadership options.

The professional development category that has yet to be implemented will reward teachers for pursuing advanced degrees or other forms of professional development such as certification. The demonstration of skills category will pay out rewards for other measures of effective teachers not covered in the other categories.

The student performance category rewards teachers and staff for school-wide achievement and classroom achievement using a value-added system. Classroom achievement is measured by a classroom effectiveness index which is based on value-added data that allows teachers to be rewarded for their students' growth compared to students of similar backgrounds. In this way teachers are rewarded for helping students make progress rather than being fortunate enough to have a classroom full of top students. The school-wide achievement is measured on a school effectiveness index which is similar to the classroom effectiveness index except it combines the data for the whole school.

Under the student performance aspects of the program teachers who are eligible can receive up to \$8,000 for their class room level achievement and up to \$2,000 for schoolwide achievement.<sup>17</sup> Other professional staff can earn up to \$2,000 for school-wide achievement. Eligible support staff can receive up to \$1,000 in rewards for school-wide achievement.<sup>18</sup> The awards are paid out at four different levels that increase with achievement.<sup>19</sup> For the classroom awards, teachers must be in the top 40 percent of all teachers in the classroom effectiveness index in order to receive an award.<sup>20</sup> For the school-wide awards teachers and support staff must be at a school that is in the top 40 percent of all schools in the school effectiveness index in order to receive an award.<sup>21</sup>

During the 2007-2008 school year, 59 schools participated in the student performance pay pilot including 25 elementary schools, 19 middle schools, and 15 high schools. Sixteen of the schools were a high-needs school.

### **Eligibility**

In order to be eligible to receive a financial bonus under the student performance plan an employee must work at one of the participating schools. Teachers may choose to take part in the program or opt out. Teachers who opt in are required to have at least two classroom observations totaling at least 45 minutes during the school year and be rated proficient or exceeds expectations. These observations will use the standardized professional development and appraisal system (PDAS).<sup>22</sup> Support employees at a school are automatically eligible for school-wide rewards without having to sign up but can opt out if they choose.<sup>23</sup> All employees must have at least a 95 percent attendance rate to be eligible. Originally, Dallas ISD planned to use the monies as a retention and recruitment tool and only reward employees with a financial bonus if they were still employed at Dallas ISD at the time of payout. (Dallas ISD pays bonuses the following December). The U.S. Department of Education has given Dallas ISD guidance that monies from the TIF grant cannot be used for a retention bonus and that if a teacher or other Dallas ISD employee earned a bonus and they have since left that particular school or have left the district, the money needs to follow the teacher.<sup>24</sup>

### **Communication**

Dallas ISD communicated with teachers, parents and the public through a variety of methods because as Leng Fritsche, Executive Director of Performance Management and Accountability, explains, "the concept is simple, the details are complex." The district held road shows for every pilot school with a PowerPoint and question and answer period, presented to groups of principals, department heads, and curriculum instructors. Dallas staff also put together a DVD explaining the pay for performance plan and has a wealth of information regarding the plan on its website.

### **Goals**

Dallas ISD's pay for performance plan seeks to recruit, retain, and reward highly effective teachers and principals for results that help support their overall goal of graduating students workforce and college ready.

### **Other District Policies**

The district encourages and rewards teachers for working in difficult-to-staff subject areas with an annual stipend in addition to their base salary. The subject areas include mathematics, science, bilingual, and English-as-a second-language.

### **Best Practices**

Dallas ISD has used value-added data since 1992 until evaluate and reward results in student achievement so this is not a new concept for district employees. The district communicated with all stakeholders by bringing them into the development phase from the very beginning. In addition, the district created a DVD on the plan and conducted numerous road shows with a question and answer session.

### **Results**

The results are limited as Dallas' pay-for-performance plan is still in the early stages of implementation. The district anticipates paying financial bonuses in December 2008. Knowing that communication is important, the district plans

to inform participating staff members of the award results as early as September 2008. This will give ample time for teachers to appeal the results; and, allow the district to make corrections as necessary. Providing adequate time for this process will hopefully lead to an accurate payout in December.

Upon payout in December 2008, final results and recommendations for improvement can be determined that will improve the overall program success.

**Next Steps**

During the 2008-2009 school year, more pilot schools will be classified as high-needs schools. The name "high-needs schools" will change to "targeted-impact schools."

The district is looking to expand the pay for performance model and will continue to pursue a variety of funding sources. In the future, Dallas may move to one-year contracts and may combine the pay for performance evaluation into the district's teacher evaluation system.

## Lessons Learned

School districts considering implementing an incentive pay program can learn from the early-adopting school districts whose new compensation systems are already in place. Through in-person and phone interviews with representatives at Austin, Dallas, Houston, and Lamesa school districts, design and implementation lessons emerge.

### Communication

- It is important to have all stakeholders involved early on in the development process including teachers, principals, parents, community leaders, teacher unions and associations, and the business community.
- Districts need to ensure they ask for teacher input from the very beginning and continue to seek their input or the plan will not be well-received. Teachers need to feel like the program is *for* teachers, not something done *to* teachers. This can be achieved by putting in place a support system to assist teachers in attaining their goals.
- Planners should schedule many teacher meetings during the plan development to allow teachers to weigh-in on the design of the plan in a meaningful way.
- It is important that stakeholders perceive the plan as achievable. The district needs to make sure the expectations are clear to both teachers and school personnel and all stakeholders. The evaluation system for the bonuses needs to be understandable and transparent so that the public understands why some teachers received a bonus and why others did not. School districts should consider providing in-depth training to all eligible school personnel on the plan's mechanics before implementation.
- Districts should be careful not to only discuss the financial bonus aspect of the plan and fail to mention to teachers and the community how it can improve student learning. A well-designed data and compensation system can change the way principals communicate with their teachers because they have more and different tools to engage in data-driven instructional discussions and can focus on specific academic goals.
- Open communication is imperative. Make as much information as possible available on the district's website, in packets sent home to parents, through parent engagement forums and meetings with teachers, and in presentations to the community. Consider holding meetings at different times and locations all over the school district to increase attendance.
- In order for implementation to be successful, districts should have one person in every administration department involved in the incentive plan development and implementation to ensure open lines of communication between departments and to ensure everyone is speaking the same language and has the same end result in mind. Also, be aware that the key staff designing and implementing the plan at central office and at the pilot schools will likely change during the implementation process. It may be helpful to have some type of document available with all of the background, original intent and goals and difficulties to bring new staff up-to-speed.
- If a district uses incentive pay as a retention tool and only pays a bonus to returning teachers and staff, then Human Resource directors need to be up-front with teachers and other personnel at the very beginning so that no one is confused or caught off guard. Some teachers in school districts with an incentive pay plan retired, moved away, or choose to teach in another school or district and felt cheated by not getting their bonus.

### Logistics

- Districts need to re-evaluate the specifics of the program periodically to make sure it still makes sense and meets the district goals. For example, some dis-

School districts considering implementing an incentive pay program can learn from the early-adopting school districts whose new compensation systems are already in place.

districts have changed the definition of performance targets (from a dropout rate to a completion rate) or have added additional subject areas to the plan (such as social studies and science). Other districts are looking at changing how they evaluate student academic performance from whole groups of students to looking at each student individually.

- There should have a good deal of planning before implementation. One district suggested at least a year for planning. Another district spent at least two years researching and planning and rolled out their initiative slowly in stages. New compensation systems will inevitably reveal how various departments communicate with each other about the goals and implementation of the initiative. One district considered creating incentives for professional development and realized their professional development department needed to understand how to implement the new system.
- Districts should allow adequate time for training teachers to make sure the teachers understand how to use value-added data. Value-added data can be used to predict the amount of academic growth students are likely to make in a given year and then compared to prior years to inform classroom instruction. One district found the process for setting student targets (targets for specific student learning goals over the course of the year) to be extremely time intensive. They are allocating more staff to this initiative next year.
- It is important to have or build a data system that can connect individual students to teachers for each subject at elementary schools, middle schools, and high schools. This was difficult for a district that only had homeroom teachers tied to students in its elementary schools.
- Districts should not underestimate the huge shift in philosophy for teachers on assessing student learning. For years, the state accountability system and schools have focused on the percent of students passing the statewide test in each core subject area and now many districts want teachers to look at each student individually and assess their individual growth. One school district is integrating academic assessments throughout the year so that teachers can find out their student's results quicker and use that to change classroom instruction as opposed to finding out test results months after the school year ends. This may be an entirely new way of thinking for teachers and will require training and time.
- Districts should be careful about timing; they should not have a school vote in May or try to implement a brand new initiative right before summer. It is hard to get the full attention of teachers and school personnel at this time since they are busy wrapping up the school year. One district saw much of its efforts to expand the initiative to additional schools backfire when they tried to implement a new initiative during the middle of the second semester and asked their teachers to vote on the initiative in May. The teachers at the school voted against joining the compensation initiative.
- Districts may want to make their payroll systems more robust to prevent data errors. One district gave the wrong amounts to teachers and had a public relations nightmare on their hands. Once the compensation system is up and running, districts may also want to set up some type of internal check on the bonus amounts such as double checking the bonus amounts internally or having teachers and other personnel review their amount before cutting the checks. Try to avoid handing out inaccurate bonus amounts or awarding it to the wrong individuals.

Texas has the largest incentive pay program in the country.

- Some districts have hired outside facilitators with incentive pay expertise for help with program design and short- and long-term planning.

### Policy

- Slowly raise the performance targets each year. Teachers need to view the targets as attainable and achievable. Conversely, the targets should not remain too low that all teachers reach the goals. The goal is to improve teacher quality and to reward teachers (and if applicable school personnel) for results.
- In order to demonstrate district buy-in to the community, the school district should dedicate part of its own budget towards funding the initiative in addition to grants from the federal or state government.
- Districts should be aware that the U.S. Department of Education is giving guidance to school districts with TIF (Teacher Incentive Fund) grants to have the money follow the teachers regardless if they stay at a particular school or at the school district. Essentially, this means the federal monies cannot be used for retention stipends.
- Consider including an evaluation of the plan each year to gather data on whether or not the new compensation system is working.
- Districts may want to use their incentive pay plan to sell themselves to prospective new teachers and to better compete with other school districts.

## Conclusion

Since the 1950s, the majority of teachers have been paid based off a salary schedule that rewards inputs and ignores results.<sup>25</sup> The salary schedule is a chart that

specifies the amount a teacher will be paid according to their number of years in the classroom and their education level. This uniform way to pay teachers does not take into account subject matter expertise, work ethic, performance reviews, market conditions, or overall talent in the classroom.<sup>26</sup>

Currently, 93 percent of public school districts and 61 percent of private schools across the country use a salary schedule to pay teachers.<sup>27</sup> Raises in a teacher's pay usually come by moving up the salary schedule or through across-the-board pay raises. Essentially, the salary schedule and across-the-board pay raises are a one-size-fits-all approach to compensate teachers that focuses on uniformity at the expense of fairness. All teachers are not the same. The salary schedule and across-the-board pay raises ignore merit by paying mediocre and star teachers the same salary.

The current single salary schedule, introduced more than 85 years ago, was designed for another era.<sup>28</sup> It is outdated and ineffective. While well-intentioned, the salary schedule is rigid and inflexible to market demands, unable to reward excellent teachers, and has no relation to a teacher's ability to improve student learning in the classroom.

Public schools have enough challenges—ranging from limited financial resources, teacher shortages in math, science, bilingual education and special education, a widening achievement gap between students of different socioeconomic backgrounds, high teacher turnover at low-performing schools, and low dismissal rates of chronically ineffective teachers—to not use the powerful incentive of money to attract top quality teachers, reward effective teachers, and encourage changes in teacher behavior and performance that increase student learning. The current pay structure does not solve or alleviate any of these problems.



Personnel costs such as teacher salaries, administrator salaries, and benefits consume between 80 and 85 percent of Texas school district budgets.

School board members and school administrators cannot ignore the importance of rethinking their compensation structure as it consumes enormous resources. Personnel costs such as teacher salaries, administrator salaries, and benefits consume between 80 and 85 percent of Texas school district budgets.<sup>29</sup>

Most Texas school districts pay higher starting salaries than the state minimum salary on the state single salary schedule and therefore do not pay their teachers off of the state minimum salary schedule.<sup>30</sup> Instead, they use it as a guide for designing their own salary schedules.

School officials and publicly elected school board members restrict their own flexibility to determine how to best use and spend tax dollars to improve student learning by adopting their own salary schedules and paying teachers with this antiquated system. The salary schedule ties up large amounts of limited resources by giving all teachers an automatic pay raise every year as they move up a step on the salary schedule.

Innovative school board members and school administrators interested in using their limited resources strategically by employing free market strategies such as differential pay, shortage stipends, signing bonuses, combat pay, and pay-for-performance bonuses to improve student learning and to attract and keep excellent teachers, might have trouble finding the resources if they are locked into the automatic pay raises that accompany salary schedules.

School officials interested in restructuring their teacher compensation systems could free up a considerable amount of resources by eliminating their locally adopted salary schedule and instead pay all teachers a base salary and then add additional amounts based off of local labor market needs, skill level, willingness to work in a challenging school, and excellence in the classroom.

School districts that pay stipends for possession of a Master's degree could also consider discontinuing this practice as research conclusively finds that possession of a Master's degree or Doctorate degree has no effect on teacher effectiveness.<sup>31</sup> All future pay raises could be tied to positive teacher evaluations and performance reviews. Professional development funds could also be targeted to meet individual teacher needs instead of a one-size-fits-all approach that frustrates teachers and does not help them improve.<sup>32</sup>

For years, the only way a highly-effective teacher could significantly increase his/her pay was to move into administration or leave the profession. In addition, paying teachers "the same way they have been paid for the past 40 years ... is unlikely to attract into teaching large numbers of people with strong academic or technical skills."<sup>33</sup> Researchers at the Center on Reinventing Education report that "regardless of college major or college selectivity, the longer a person teaches, the more his or her wages fall behind."<sup>34</sup> Thus, salary schedules tend to make teaching unattractive to people with technical skills or strong academic backgrounds because they can earn far more in the private sector.

The overarching goal of pay-for-performance models is to increase student learning in the classroom. Research finds that the quality of a student's teacher is the most important school-related factor in raising student learning. Thus, school leaders can work to reverse this trend and attract and keep their best and most effective teachers in the classroom by rewarding them with a bonus or pay raise. Many school officials nationwide do not have the flexibility to reward star teachers. A Public Agenda poll of school leaders found only 24 percent of superintendents and 32 percent of principals say they have enough autonomy to reward outstanding teachers and staff.<sup>35</sup>

Nationwide, some public and private schools are using innovative methods to recruit and reward teachers. According to the National Center for Education Statistics, 7.9 percent of public schools and 19.7 percent of private schools reward excellence in teaching, and 11.9 percent of public schools and 7.4 percent of private schools recruit or retain teachers to teach in shortage fields.<sup>36</sup>

Schools committed to reforming their compensation system should fundamentally change their system not add on stipends or bonuses on top of the single salary schedule. Tacking incentive pay or differential pay on top of the salary schedule gives teachers the impression that the changes are not permanent and will likely be subject to budget cuts or be removed when a new superintendent takes the helm. A common argument against incentive pay is that there is “a lack of dedicated ongoing funding for merit pay.”<sup>37</sup> Teachers and the community need assurances that the changes are not a passing fancy. In school districts with high superintendent turnover, school board members need to stay the course on compensation reform after a superintendent’s departure if it is to succeed.

A recent survey of teachers on pay found that new teachers are more supportive of merit pay, combat pay, and shortage area stipends than veteran teachers.<sup>38</sup> School districts should take note that young, novice teachers—the future teaching force—are much more likely to support compensation reforms and employ it as a recruiting tool.

School districts undertaking major changes to their compensation system need a well-designed transition plan with a major communication and outreach component. Local school officials contemplating restructuring their compensation system should study their processes and evaluate what changes need to occur before implementation. For example, a new data system, new payroll system, new professional development initiative, or new evaluation system may complement a fundamental restructuring and need to be initiated at the same time.

Opponents of incentive pay and differential pay claim that the salary schedule is the fairest way to pay teach-

ers, is easy to administer, and requires less time to evaluate employees.<sup>39</sup> The uniformity of the salary schedule sacrifices fairness. Paying a “Teacher of the Year” and a mediocre teacher is not fair. It is possible this type of unfairness contributes to the frustration with working conditions and morale that plague public schools. Moreover, a well-designed and personalized professional development system that helps individual teachers improve their weak areas as identified by multiple criterion including the data system might also help improve morale and working conditions.

State lawmakers and policymakers should consider changes to teacher compensation systems, including granting local school districts as much flexibility as possible to design and implement compensation changes. Policies such as adding steps to the salary schedule, raising the minimum salary at each step on the schedule, increasing the number of type of school employee paid with a salary schedule, and across-the-board pay raises all restrict local school districts from being able to make their own decisions on how to best attract, pay, and reward teachers. Lessening restrictions at the state level and allowing school districts more flexibility with teacher compensation reform will allow school districts to innovate with attracting, rewarding, and retaining the best and brightest teachers.

## Recommendations

State lawmakers should consider:

- Eliminating the state minimum salary schedule which rewards longevity over effectiveness in the classroom. This will give local officials more freedom at the local level to target their resources to fit local needs.
- Refusing to tie local school districts hands by giving all teachers in the state an across-the-board pay raise. It does not allow them discretion on how best to spend their local resources to attract, retain, and reward excellent teachers; instead, it rewards effective and ineffective teachers equally.

- Continuing to support and fund incentive pay programs that aim to:
  - Improve student learning;
  - Reward teachers for the quality of their instruction rather than years of service;
  - Encourage teachers to improve their teaching skills;
  - Reward teachers for skills and subject matter expertise in high demand;
  - Encourage and reward teachers for teaching in low-performing schools; and
- Removing any roadblocks to reform at the state level that hinder local school districts from having the flexibility to design a compensation system that meets their needs.

Local school board members and school administrators should consider:

- Eliminating their locally adopted salary schedule and replacing it with a base salary.
- Targeting resources where the money can be most effective such as:
  - Paying teachers a shortage stipend for teaching in locally determined shortage areas;
  - Paying teachers a stipend for working in a low-performing school;
  - Rewarding large student gains in learning with a bonus; and
  - Linking pay raises and bonuses to positive performance reviews and improvement in the classroom.
- Discontinuing across-the-board pay raises which do not take into account individual teacher performance.
- Ending the practice of giving teachers a raise if they received a negative performance review.
- Discontinuing the practice of paying teachers more for possession of a Master's degree which has no affect on teacher effectiveness.
- Building a district data system that can connect individual students to teachers for each subject in elementary school through high school.
- Revamping teacher evaluations to include teacher performance data from the data system.
- Personalizing professional development to help teachers improve their teaching skills or weak areas as identified by teacher performance data. ★

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