

## Trends in Teacher Compensation: Focus on Alternative Salary Schedules

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### **Key Points**

- Four school districts in Tennessee – Johnson, Putnam, and Trousdale County schools, and Lexington City schools – implemented alternative salary schedules in the 2011–12 school year for teachers who chose to participate. The first payments under the new schedules will be paid out in the 2012–13 school year, based on teachers' 2011–12 evaluation scores.
- All four districts award increases in base pay to those teachers evaluated as meeting or exceeding expectations, with larger increases for teachers with higher evaluation scores. Teachers evaluated as not meeting expectations will not receive raises.
- All four districts are offering bonuses to teachers for other performance indicators, like high TVAAS levels and schoolwide awards for meeting student achievement benchmarks, and individual activities, such as taking on a school leadership role.
- Alternative salary schedules use performance criteria to determine increases in teachers' base pay. Alternative salary schedules are designed to allow effective teachers to earn higher salaries more quickly than they would on traditional schedules. Generally, alternative salary schedules are used along with bonuses for other specific activities or achievements.
- Traditional salary schedules use years of service and education level to determine increases in base pay. Research has found limited correlation between the components that make up traditional salary schedules and teacher effectiveness in increasing student achievement.
- Districts can adopt strategic compensation in the form of bonuses, while still using the traditional salary schedule for annual salary increases.
- Among strategic compensation options, alternative salary schedule plans are considered more financially sustainable than bonus model plans because they restructure, rather than just add to, base pay and base pay increases. Alternative salary schedules remain more challenging to budget for and administer than traditional salary schedule plans.
- The federal government and private foundations are providing funding incentives in the form of grant dollars to encourage states and districts to implement alternative salary schedules. Tennessee's four pilot districts are using First to the Top and Teacher Incentive Fund (TIF) grants, both funded through the U.S. Department of Education and administered by the state Department of Education, for the planning and implementation of their new strategic compensation programs. The programs are expected to be self-sustaining by the end of the grant periods in 2014 and 2015.

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## INTRODUCTION

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Personnel costs are the largest part of school district budgets, with teacher compensation comprising about 45 to 55 percent of most districts' budgets.<sup>1</sup> Salaries and benefits of all Tennessee's instructional personnel were 56 percent of current year expenditures, in the most recent federal data reported.<sup>2</sup> Teachers' salaries alone (not including benefits or other instructional staff) are the largest single expenditure for Tennessee's public schools, totaling \$3.02 billion, or about 38 percent of the state's total public school operating expenditures, for the 2010–11 school year.<sup>3</sup> Thus, any restructuring of teacher compensation can have a significant cost impact.

Teacher compensation can be classified into five key elements: base pay, base pay progression, variable pay, benefits, and working conditions.<sup>4</sup> Teachers generally earn the bulk of their compensation through their base pay, or regular paycheck. Base pay progression is how that base pay increases over time. Variable pay is an "extra," a bonus or stipend that may be earned one year but not the next, depending on the criteria. While base pay and base pay progression apply only to the individual teacher, variable pay can accrue to individuals, teams, or all teachers in a school or district.

Traditional teacher compensation models use years of service and graduate credits or degrees earned to determine base pay progression. Variable pay in traditional models is usually offered for teachers who take on duties for sponsoring extracurricular clubs or coaching teams.

Strategic compensation models align some portion of teachers' compensation with the desired outcomes of the school district. Strategic compensation is sometimes referred to as differentiated pay, merit pay, alternative compensation, or performance-based compensation. In its broadest sense, any pay system that seeks to pay teachers for specific outcomes or activities, and that does not automatically award the same salary to all teachers who have the same academic degree and years of service is an alternative to the traditional model and is using compensation *strategically* to encourage, reward, or reinforce specific contributions toward districts' goals.

In strategic compensation models, both base pay progression and variable pay may use a variety of criteria not included in traditional models. Criteria can include knowledge and skills, performance, leadership roles, additional duties, and market demand. Examples include:

- specified levels of student academic growth or achievement,
- specified teacher evaluation scores,
- positive student or peer reviews,
- responsibilities as department chair, mentor, or other leadership position,
- achievement of National Board for Professional Teaching Standards (NBPTS) certification or completion of professional development programs, and
- positions in hard-to-staff schools or hard-to-staff subject areas.

Interest in strategic compensation for teachers has been growing in recent years as part of an increased focus on teacher quality. National concerns about the global competitiveness of America's educational system and a persistent achievement gap among minority and low income students when compared to white, higher income students has shifted emphasis in education systems from inputs (expenditures, facilities, supplies, licensed teachers) to outputs (student achievement, as measured by standardized tests). A focus on student achievement and a consensus on the importance of good teachers in maximizing student's academic growth have pushed education policymakers and providers to consider reforms in virtually every area of human capital – teacher and principal training, recruitment, retention, evaluation, development, career paths, and compensation.

Several factors have converged to support this trend, including:

- increased demands for accountability and improved performance as expressed through the adoption of more rigorous standards and efforts to overhaul teacher evaluation systems,
- advances in school districts' and states' capacity to capture and use data on student

achievement and learning gains and link it to individual teachers,

- shortages of teachers in specific subject areas, such as math, science, and special education, and difficulties in recruiting and training effective teachers to work in schools with high percentages of disadvantaged students,
- budget pressures forcing systems to get the most from their education expenditures without sacrificing student progress,
- availability of federal grants and private foundation money for strategic compensation systems based in part on student achievement, and
- recognition that countries with higher student achievement rankings than those of the U.S. use different models to recruit, train, develop, and pay their teachers.

This report follows the state’s common usage and uses the term “strategic compensation” to refer to all pay plans that differ from the traditional model. Within the broad category of strategic compensation are (1) bonuses, or variable pay, and (2) alternative salary schedules that change the basis for base pay

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progression (salary increases). Districts can adopt strategic compensation in the form of bonuses, while still using the traditional salary schedule for annual salary increases. (See Exhibit 1.)

This brief focuses on alternative salary schedule plans, explaining how they differ from traditional salary schedules, why more districts are experimenting with them, the distinctions between base pay and bonus pay components, what the research says, and current efforts in Tennessee to implement alternative salary schedules. Although districts that adopt strategic compensation for teachers commonly revise pay policies for principals and assistant principals as well, the focus of this brief is on teacher compensation.

## CHANGES IN TEACHER COMPENSATION: 1920s TO TODAY

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### Traditional Salary Schedules

Traditional salary schedules – also referred to as single or uniform salary schedules – are based on the number of years employed and the level of graduate work completed. Sometimes this is referred to as “steps” (years of service or longevity) and “lanes” or “levels” (graduate credit hours or degrees earned). Originally established in the 1920s, the traditional salary schedule’s straightforward criteria helped school systems move away from the discrimination and political favoritism that had often characterized teacher hiring and salary setting. By the 1960s, nearly all school districts in the country were using the traditional salary schedule. Some of the advantages of the traditional salary schedule are that it awards salaries without bias based on race, gender, or the grade level being taught, it is easy to administer, and it is predictable for both teachers and districts.

Tennessee, like approximately half the states, sets a minimum salary schedule for teachers, and is one of 10 states that set the schedule annually.<sup>5</sup> State law requires the Commissioner of Education to formulate a table of training (graduate degrees or credit hours earned) and experience factors (each year of service) for a state salary schedule, that the State Board of Education must approve.<sup>6</sup> (See Appendix 1 for the most current approved state salary schedule.) Each school district is required to establish a local salary schedule for all licensed personnel that meets the state’s minimum; school districts are allowed to supplement salaries from local funds. Most Tennessee districts have schedules that exceed the state minimum; approximately 18 districts use schedules that are equivalent to, or only slightly above, the state minimum.<sup>7</sup> Seventeen states require districts to pay more to teachers with advanced degrees, and 19 states,

including Tennessee, require districts to reward teachers' previous years of experience.

The traditional salary schedule rewards teachers for years of services and graduate degrees because more experience and education have been assumed to produce higher-performing teachers. These components of the traditional teacher salary schedule have been used as proxy measures of teacher effectiveness. However, research over the last 25 years has shown

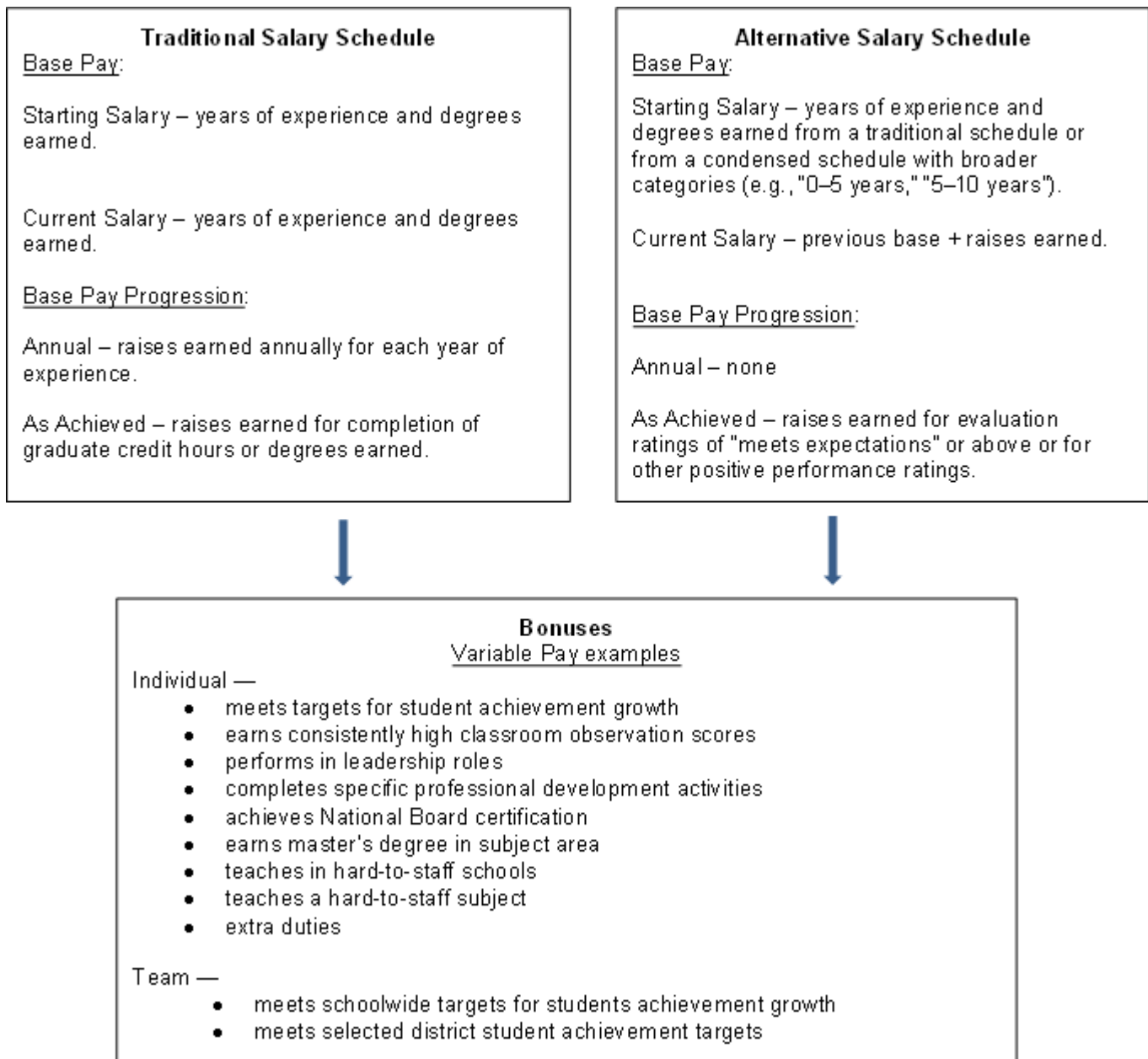
that experience and graduate degrees are limited as indicators of teacher effectiveness.

Researchers have found that the first two to five years of experience increase teacher effectiveness, but after that, there seems to be little evidence of continued gains. On Tennessee's salary schedule, the average increase for each year of experience is about 1.6 percent; the increase varies from year to year from 0.4 percent to 3.0 percent.

### Exhibit 1: Strategic Compensation

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Strategic compensation can be used in conjunction with the traditional salary schedule or instead of, depending on how it is structured. In this diagram, the Alternative Salary Schedule and Bonuses boxes are typical examples of strategic compensation.



Master’s degrees have not been found to strongly correlate with teacher effectiveness. Research has found, however, some positive correlation between math and science master’s degrees with effectiveness of math and science teachers. Nationally, the percent of teachers who earned a master’s degree increased from 23 percent to 60 percent between 1961 and 2006.<sup>8</sup> In Tennessee, 55 percent of teachers have a master’s degree or above. Based on figures from the 2007–08 school year, the average salary increase for a Tennessee teacher who earns a master’s degree is \$2,720, which totaled \$101 million, or an estimated 1.3 percent of total education expenditures in the state, roughly the median percentage for all states.<sup>9</sup>

One of the disadvantages of the traditional salary schedule is that it does not recognize differences in teacher effectiveness. Increased emphasis on student testing has produced research data showing that academic growth can be attributed to individual teachers, and that criteria used in traditional salary schedules are not strongly linked to student performance. In research that looks at how different factors—for example, experience or advanced degrees—contribute to teacher effectiveness, the measure of “effectiveness” is almost always growth in student achievement levels based on results from standardized tests. The current pay schedule used in most districts does not recognize and reward its more effective teachers for their results in the classroom. (See Exhibit 2.)

Traditional salary schedules do not recognize differences in market demands for teachers with math, science, and special education backgrounds. Many districts find teachers in these subjects to be in short supply. Hard-to-staff schools, also referred to as high-needs schools, are those with low academic performance, high poverty, and a high percentage of minority students. These schools are considered less desirable assignments for teachers, and administrators from these schools find it hard to recruit and retain quality teachers.

Another weakness critics of the traditional salary schedule cite is the length of time it takes teachers to maximize their salaries compared to other professional

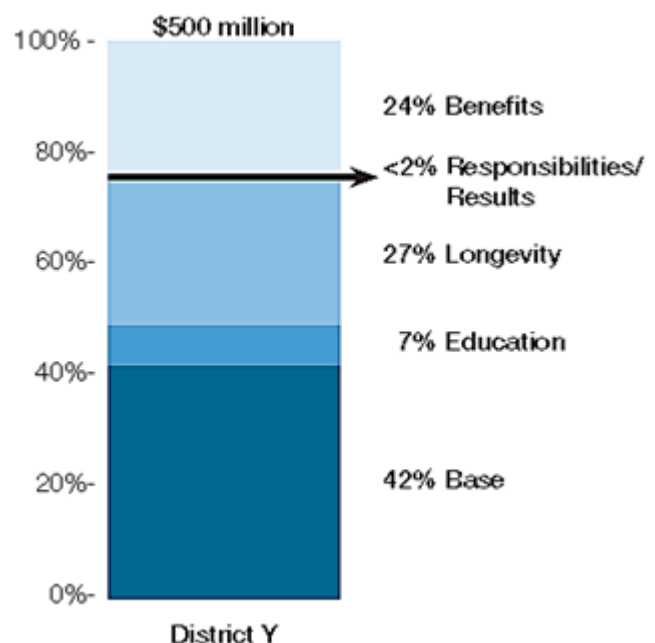
fields, considered a contributing factor to teacher turnover rates.

## Movement to Alternatives

The move to adopt some elements of strategic compensation for teachers beyond the traditional salary schedule began decades ago. In 1983, the landmark education reform report *A Nation at Risk* called for teacher salaries to be restructured to make them “professionally competitive, market-sensitive, and performance-based.” Several states and districts experimented with new compensation strategies, seeking to strengthen the link between teacher performance and pay. “Throughout the 1980s and much of the 1990s, most redesigned compensation systems fell into two categories: experimental merit pay and career-ladder systems.”<sup>10</sup>

Early merit pay programs were designed to award additional pay based on teacher evaluations. Because the evaluations frequently consisted of classroom observations by principals or other supervisors with vague guidelines and inadequate training, these programs often were perceived as subjective. Some programs limited the number of bonuses, awarding them

### Exhibit 2: Total Compensation Spending—Typical District Example



Source: Karen Hawley Miles, “Transformation or Decline?: Using Tough Times to Create Higher-performing Schools,” *Phi Delta Kappan*, October 2011.



by teachers' relative rankings instead of set standards, and thus were credited with creating unnecessary competition among teachers.

Career ladder programs were designed to provide teachers a path for career advancement while remaining in the classroom. As teachers advanced, they were to take on additional or higher-level responsibilities in return for additional pay, usually in the form of a bonus. By 1985, over half the states had taken steps toward career ladder programs, either developing full or pilot programs, or had mandates to develop those programs. However, less than 10 years later, many of the programs had been discontinued; only four states still supported their programs.

Tennessee began its career ladder program in 1984. Its purpose was to promote staff development and to reward teachers and administrators who were evaluated as outstanding. Teachers received bonuses of \$1,000 to \$3,000, depending on the career level achieved, and could earn larger supplements if they were selected to work extended contracts. Tennessee discontinued its career ladder program in 1997, although supplements continue to be paid to teachers who earned certification.

Evaluations have found merit pay and career ladder programs tended to be characterized by:

- poor measurement and evaluation systems,
- subjective principal/supervisor reviews without standards of good practice or training,
- poor design, planning, and implementation with too small rewards, often designated for teachers at the top of a comparative ranking rather than those who achieved above a set benchmark,
- no clear path for improvement of low-rated teachers,
- no evidence of improved teacher quality, and
- inadequate funding.

States terminated career ladder programs due to high costs, reduced teacher cooperation in reaction to a more competitive environment, and difficulty in measuring program success. Although research found some improvements in student achievement after several years, a number of programs were discontinued before they could show student gains.

Some states shifted in the 1990s from individual teacher rewards to programs that rewarded entire schools for reaching student achievement goals, providing cash awards to be divided among teachers or used for schoolwide projects. The Benwood Initiative in Hamilton County, begun in 2000, was an example of a district-level program that offered schoolwide bonuses of \$1,000 to \$2,000 to all teachers in an eligible school that achieved certain TVAAS scores. By 2004, state incentive programs were adjusting to reflect the No Child Left Behind requirements; later some programs were discontinued due to state budget constraints and shifts in priorities.

Interest has revived in individual teacher awards, in which elements from earlier career ladder and merit pay programs can be found. Individual awards may be offered in combination with schoolwide awards. Elements from career ladder programs can be seen in efforts to pay teachers stipends for differentiated roles such as mentoring, peer evaluation, and leading professional development and collaborative activities. For example, the national TAP program (originally the Teacher Advancement Program, now known as the System for Teacher and Student Advancement Program) formally recognizes teachers at different professional levels – career, mentor, and master. The concept from earlier merit pay programs to reward teachers with superior evaluation results remains, but with a shift toward using more standardized evaluations based on multiple measures, and allowing all teachers who qualify to earn awards, without setting arbitrary caps or quotas on the number of awards.

Numerous states and districts now offer bonus payments for one or more of a wide variety of teacher activities and accomplishments. Bonuses are generally designed as add-ons to the traditional salary schedule: teachers get base pay raises for the usual year of service and graduate credits or degrees earned, as well as any bonus supplements they qualify for. Bonuses generally must be earned each year and may not count toward computation of retirement pay.

In 2007, the Tennessee General Assembly required school districts to develop and adopt differentiated pay plans to “aid in staffing hard-to-staff subject areas and schools and in hiring and retaining highly qualified

teachers.”<sup>11</sup> Many local districts now offer pay supplements for National Board certification, positions in hard-to-staff schools and subjects, and additional duties and leadership roles.

Fewer districts have experimented with redesigning the salary schedule. Typically, alternative salary schedule plans increase teachers’ base pay on some type of performance measure, rather than on the two traditional components: years of service and graduate work.

In a key departure from the traditional salary schedule, low-performing teachers generally do not receive base pay increases; most alternative salary schedules do not

provide automatic increases for years of service. While some alternative salary schedule plans continue to award pay increases for master’s degrees earned, they may impose new limits, such as only paying for degrees in teachers’ subject areas.

State law was revised again in 2010 as part of First to the Top legislation to allow local districts to develop their own alternative salary schedules and submit them to the state for approval.<sup>12</sup> In 2011, the State Board of Education approved alternative salary schedules submitted by four districts under the First to the Top provisions: Johnson County, Lexington City, Putnam County, and Trousdale County.

## UNDERSTANDING ALTERNATIVE SALARY SCHEDULE MODELS

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### Where They Are in Use

The four districts in Tennessee that implemented alternative salary schedule plans in 2011–12 are joining a small group of districts nationwide that have eliminated or modified at least some part of the traditional salary schedule, including:

- Baltimore City Schools
- Denver Public Schools’ ProComp,
- Washington, D.C.’s IMPACTplus,
- Eagle County Schools’ (Colorado) Teacher Accountability and Excellence Program,
- Harrison School District’s (Colorado) Pay for Performance Plan,
- Douglas County School District (Colorado), and
- Westside Community School District 66, Omaha, Nebraska.

“The alternative compensation systems that currently exist across the country have been home-grown . . . to fit districts’ needs. . . . These compensation programs are all extremely different.”<sup>13</sup>

The performance measures used in an alternative salary schedule model could reflect evaluation or value-added scores, evaluations by peers, students, or parents, professional development activities completed, or additional duties performed. For example, Baltimore City Schools adopted a plan in 2010 under which teachers earn pay increases based on “achievement units.” Top evaluations are worth the most units, but

units are also earned for professional development activities, leadership roles, graduate credits earned, and other contributions to student learning.

The District of Columbia’s IMPACTplus program retains a traditional salary schedule but uses it strategically by allowing teachers in high-poverty schools to accelerate their raises when they achieve high evaluation scores and career level designations. For example, teachers who earn effective or highly effective ratings and who reach the *Advanced* career level can earn a raise equal to two years of service instead of one. Teachers earning highly effective ratings and reaching the *Distinguished* level can earn a raise equal to five years of service plus an increase equivalent to earning a master’s degrees, if they have not already received one.

Most alternative salary plans are not structured to provide for reductions in base salary if performance fades. Colorado’s Harrison District is an exception; it provides an example where teachers’ base pay can be reduced if their performance level declines for two consecutive years. (See Appendix 3 for highlights of these and other alternative salary schedule plans from districts outside Tennessee.)

### Pros and Cons

Compensation reform advocates believe restructuring salary schedules can be a more cost-effective way to reward high-performing teachers than adding bonuses



on top of traditional salary structure. Alternative salary structures are considered more financially sustainable than bonuses because of built-in savings from not providing automatic raises for all teachers. Alternative salary schedules can also be harder to design and implement than bonus systems and traditional salary schedule models. High-stakes changes, more complexity, reduced predictability, tensions from implementing a new system within traditional policy structures, and impacts on other parts of the personnel system are all challenges faced by districts transitioning to alternative salary schedule models.

### ***Financial Sustainability***

Better financial sustainability is one advantage of using an alternative salary schedule rather than a performance bonus plan. By reducing or eliminating automatic pay increases to all teachers for years of service, alternative salary models create cost savings that can be used instead for performance-based pay increases. Teachers who do not achieve a designated level of performance do not receive raises, thereby freeing funds that districts can redirect to pay high-performing teachers more. This

differentiation of pay means that over time, effective teachers will reach high salary levels more quickly, and less effective teachers will be paid less than their more effective peers. It is expected that less-effective teachers will either develop better skills or leave the profession.

Bonuses added to a traditional schedule require funding in addition to the annual increases for years of service and increases for graduate degrees earned. This makes bonus plans more susceptible to elimination: in lean budget years policymakers may turn to optional expenditures – like add-on bonus payments – to address budget deficits. One consequence of implementing bonus plans and then eliminating them when they become unaffordable, according to researchers, is a reinforcement of the skepticism with which some teachers view nontraditional pay systems.

Bonuses used in conjunction with alternative salary schedules are also susceptible to elimination. Trousdale County's eligibility rules for its new strategic compensation plan state: "Bonus and incentive awards

### **Common Features of Tennessee Plans**

The four districts implementing alternative salary schedules in Tennessee – Johnson County, Lexington City, Putnam County, and Trousdale County – have common features among their plans and implementation procedures:

- designed locally by district stakeholders,
- allow existing teachers to opt in or out of the new plan,
- require new teachers to participate in the new plan,
- ensure salaries for existing teachers cannot be reduced,
- allow districts to hire new teachers at starting salaries that do not necessarily reflect the state approved salary schedule,
- limit salary increases to participating teachers with evaluation scores of three (meets expectations) or higher, with no raises for teachers scoring two or less,
- allow participating teachers to earn individual and/or group bonuses,
- provide that the first raises in base pay will occur in fall 2012, using teachers' 2011–2012 evaluation scores, and either paid retroactively back to the beginning of the 2012–2013 school year or paid in estimated amounts, with salary adjustments once final performance data are complete,
- provide for any bonus payments to be paid as lump sums,
- align with professional development strategies, and
- include a resolution process for complaints.

Key details of Tennessee school districts' alternative salary schedule plans are highlighted in Appendix 2. These details may change as plans are adjusted, and some districts have already identified the following areas of adjustment: adding or revising bonus components and clarifying eligibility and participation requirements and the complaint resolution process.

are not ensured to occur every year. They are contingent upon program funding. Only Annual Base Pay incentives are guaranteed . . .” Lexington City’s plan also states that bonuses are contingent on program funding.

### **Priorities**

An organization’s salary schedule reflects priorities. Districts may acknowledge the importance of teacher quality and performance, yet use pay plans that put priority on longevity and graduate degrees that may not correlate to performance. Another consideration is that because teacher salaries are paid out of public funds, support from the community – taxpayers, school board members, county commissioners – can help or hinder compensation reform efforts. Public opinion polling suggests performance pay in general is viewed favorably by ample majorities. A pay structure that is better-linked to performance could help increase community support for teachers.

### **Challenges**

The restructuring of teachers’ starting base pay and the criteria for their pay increases involves changing a long-practiced and very familiar system. Building understanding and acceptance for the implementation of a new salary schedule is more challenging than for the simple addition of a bonus option to the existing salary structure.

Administering a salary schedule based on performance is more complex than administering one based on longevity and graduate degrees, and is typically more complex than administering bonus systems. Three of the Tennessee alternative salary districts have hired additional staff to assist with administering the new schedule, although one of these indicated their additional staff’s primary responsibility is to administer the new teacher evaluation system, and that the additional task of administering the new salary schedule did not constitute a significant amount of extra work. Two of the districts have added new computer software to manage the additional demands of administering alternative salary schedules. Time lag is an issue: teacher evaluation data, student test data, graduation rates, and other information that may factor into salary increases may not be available until well after the

school year is over, and possibly not until after the next year begins.

Predictability is reduced, both for teachers estimating future earnings and districts planning future budgets, when performance rather than longevity is used as the criterion for pay increases. Estimating how many teachers will earn evaluation scores that qualify them for raises is more difficult than estimating the number of teachers who will return the following year. When multiple human capital reforms are initiated simultaneously – more rigorous teacher evaluations, more targeted professional development – solid estimates for the number of teachers expected to earn performance awards becomes even more difficult.

Transitioning from a traditional to an alternative salary schedule is a challenge, not only because of the expected obstacles in implementing any new program, but also because many districts that make the transition permit existing teachers to remain on the traditional salary schedule. This means the district may operate two different pay systems simultaneously for many years.

A related issue is how alternative salary schedule districts comply with state education policies geared for traditional salary schedule operation. For example, Tennessee’s four alternative salary districts are currently working with the Department of Education to maintain the integrity of their new pay plans while also implementing the across-the-board 2.5 percent raise for all teachers included in the Governor’s budget for 2012–13. Some districts faced a scenario in which teachers who chose to remain on the traditional salary schedule would receive higher raises than their alternative salary schedule counterparts.

Strategic compensation is considered most effective when it is part of a comprehensive human capital plan to recruit, train, promote, and retain the best teachers.<sup>14</sup> Adopting an alternative salary schedule frequently requires adjustments to other parts of a school system’s human capital system, including:

- developing recruitment materials to find new teachers interested in strategic compensation,
- providing professional development linked to evaluations and identified needs,

- defining hard-to-serve schools or subjects, and
- creating understandable and accessible data systems that link information teachers need to improve their practice and results and that administrators need to calculate pay increases.

Concerns about linking pay to performance in alternative salary models, as well as in bonus models, center on how teachers are evaluated: the fairness, validity, accuracy, and reliability of the evaluations become critically important.

Tennessee's recently adopted TEAM evaluation model uses TVAAS (value-added) data for 35 percent of teachers' scores. Individual teachers' TVAAS scores are based on a three-year average, when available, to increase data reliability. Evaluation scores also include classroom observations for 50 percent and other student achievement data for 15 percent.

Advocates and researchers generally recommend that individual teacher evaluations should be based on multiple measures so that the weaknesses of one are balanced against the strengths of another. State law requires teachers' evaluations to be a factor in decisions about promotion, retention, compensation, tenure, layoffs, rehiring after layoffs, and firing for cause. Districts that have adopted alternative salary schedules link teacher evaluation scores to specified pay increases.

### **Using Bonuses with Alternative Salary Schedule Models**

One feature that most districts using alternative salary schedules share is that they also offer bonuses. For example, Denver Public Schools' ProComp program has 10 types of teacher pay incentives in four categories. Some are awarded as increases to base pay and others are bonus awards. All four of Tennessee's districts implementing alternative salary schedule plans also offer teachers bonus award opportunities. Bonuses may be used with increases to base pay to provide incentives for different kinds of objectives.

At least one researcher has suggested that by offering bonus opportunities in addition to implementing an alternative salary schedule, districts can make the change more acceptable by satisfying multiple

stakeholders and mitigating negative reactions. Two of Tennessee's alternative salary districts indicated that they included bonuses to broaden the appeal of their new pay plans and give more teachers a chance to earn rewards.

### **Funding and Assistance**

The main funding incentive for districts to develop and implement strategic compensation plans has been the U.S. Department of Education's Teacher Incentive Fund. In Tennessee, the federal Race to the Top grant has also provided incentive funds. In the 2011–12 school year, these two federal grants were the primary funding source for strategic compensation plans in 14 Tennessee districts, including the four alternative salary schedule districts. All 14 districts are providing performance bonuses to highly effective teachers, and most offer extra pay for professional development and/or leadership activities. A few provide financial incentives to teachers who agree to work in hard-to-staff schools and subjects. Some private foundations also support compensation reform among their broader educational agendas. The Tennessee Department of Education has funded outside consultants and provided direct technical assistance to local districts initiating strategic compensation plans.

#### ***Teacher Incentive Fund***

The federal Teacher Incentive Fund (TIF), a competitive grant program for states and districts, created by Congress in 2006, was designed to support development and implementation of new teacher and principal compensation systems, based primarily on increased student achievement, to attract top talent to high-need schools. Although TIF grants have been geared more for bonus compensation plans, they have also been used to fund alternative salary schedule plans. TIF grants are for five-year periods. Districts' compensation plans are expected to be self-sustaining by the end of the grant period.

The first two rounds of TIF grants totaling \$80 million in initial funding were awarded in 2006 and 2007. A third round of grants with initial funding of \$442 million was awarded in 2010 to 62 projects in 27 states, including Tennessee. In September 2012, a fourth round of TIF grants with \$299 million for the initial two years of funding was awarded. The Tennessee Department of

Education was one of the 35 grant winners. The newest round of TIF grants “will reward districts that go beyond simple merit-pay programs to create systems of professional support and career ladders that help keep talent in schools and classrooms with the greatest need.” The grant requirements include a competitive preference for performance-based salary plans. (See “The Future” section for more details on Tennessee’s 2012 grant.)

In Tennessee, the 2010 TIF grants totaling \$72 million over five years were awarded to the state Department of Education (\$36 million), Memphis City Schools (\$9.5 million), and Knox County Schools (\$26.5 million). The state distributed its TIF funds to 106 high-needs schools in 12 districts. Three of the four alternative salary districts received TIF funding to develop their compensation plans.

The 2010–11 school year was the designated planning year for districts funded through Tennessee’s TIF grant; implementation began in 2011–12. In its grant request, the state budgeted an average of \$3,000 for 1,800 teachers (\$5.4 million total) for the first year of implementation. Grant amounts vary per district based on the number of teachers in the high-needs schools selected. In subsequent years, the number of teachers eligible for awards is expected to increase while the federal funding for the compensation plans is decreasing.

### ***Race to the Top***

Another federal grant program – Race to the Top – also provides incentives for states and districts to move toward strategic compensation models. One of the core reforms of Race to the Top is to “recruit, develop, reward and retain effective teachers and principals,” in part through compensation plans that allow highly effective teachers to earn additional pay and take on additional responsibilities. Tennessee is using approximately three percent of its \$500 million Race to the Top award to help local districts reform teacher compensation, by:

- creating two competitive grant funds to help districts – the Innovation Acceleration Fund (IAF) with \$12 million to design and implement alternative salary schedules and the Competitive Supplemental Fund (CSF) with \$1.5

million for additional funding for smaller districts to meet specific reform goals, and

- working with and providing support for local districts to create clear, differentiated teacher career paths (such as beginning, intermediate, professional, and master levels) based on performance levels using the new evaluation system, with expanded roles and higher compensation at the higher levels.

### Innovation Acceleration Fund

The purpose of the IAF is to support districts in the design and implementation of sustainable compensation systems based on alternative salary schedules in order to reward teachers for their ability to increase student achievement levels. Compensation systems may be aligned with new career paths and include performance and retention bonuses as well.

The state Department of Education awarded IAF grants to four districts ranging from \$1 million to \$4.6 million for the four-year grant period; three of the four developed alternative salary schedule plans that are currently in use: Lexington City, Putnam County, and Trousdale County. Knox County was the fourth IAF recipient; its district plan identifies development of an alternative salary schedule as a long-term goal. The 2010–11 school year was the planning year for the first round of the three-year IAF grants. The Department of Education recently announced a second round of IAF grants. (See further discussion at “The Future” section.)

### Competitive Supplemental Fund

CSF grants are one-year grants made available to 28 of the state’s districts receiving small First to the Top local funding awards. In 2010–11, CSF grants were designated for school turnaround strategies or strategic compensation planning. Of the eight initial awards, five districts used their \$50,000 grants to plan and develop new compensation plans: Bradford Special, Hollow-Rock Bruceton, Lexington City, South Carroll, and Trousdale County. (Because Lexington City and Trousdale County received CSF grants for planning, they did not receive the IAF planning year funds.)

In 2011–12, CSF grants were targeted to strategic compensation and embedded professional development. Second year grants for strategic compensation went to

Etowah City schools for planning and South Carroll Special School District to implement the plan it had developed the previous year. The department's planned third year of CSF grants will be spent on job-embedded professional development.

**Local Subgrants**

In addition to the competitive IAF and CSF grants, First to the Top subgrants provided each district a local share of funding based on enrollment. Districts are using this funding for a variety of reform goals, including strategic compensation plans, outlined in their "Scopes of Work" documents. Twenty districts budgeted a total of \$16.9 million for the development and implementation of differentiated pay plans, including performance-based plans, signing bonuses, and tuition reimbursement.

**Private Funders**

A number of private foundations support strategic compensation through grants for districts to design and implement performance-based pay plans. For example, four foundations, including the Walton Family Foundation and the Eli and Edythe Broad Foundation, covered the first three years' costs to implement the District of Columbia's Impact Plus program. In Tennessee, the Memphis Teacher Effectiveness Initiative, which includes a compensation component, is funded primarily by a \$90 million grant from the Gates Foundation, with an additional \$20 million in local matching funds.<sup>15</sup> The Milken Family Foundation has also supported teacher compensation reform through the development of TAP, a program that uses career paths that incorporate teacher evaluation, development, and compensation. TAP is currently used in 18 Knox County schools. (See Appendix 2 for more details about alternative compensation plans in Memphis City and Knox County schools.)

**Sustainability After Grants Expire**

The TIF and IAF grants both require districts to begin increasing local funding of their alternative salary schedule plans by year two of implementation and to achieve full local sustainability by the conclusion of the grant periods in 2014 (IAF) and 2015 (TIF). The districts

**Exhibit 3: Alternative Salary Schedule Plans – Grant Support**

School District	TIF Grant	IAF Grant	CSF Grant
Johnson County	√		
Lexington City	√	√	√
Putnam County	√	√	
Trousdale County		√	√

Grants: TIF – Teacher Incentive Fund; IAF – Innovation Acceleration Fund; CSF – Competitive Supplemental Fund

Note: IAF and CSF were created by the Tennessee Department of Education using federal Race to the Top funds.

TIF was a federal grant to the Tennessee Department of Education, which then funded district subgrants.

can redirect their regular school funding and/or seek outside grants to ensure their pay plans become self-sustaining.

According to the Department of Education, the key focus for districts in the first implementation year (2011–12) is to ensure their data is accurate and complete and that they are fully prepared to operate their new pay system once teacher evaluation scores are finalized. The department and districts will turn their attention toward sustainability issues, as well as to fine-tuning linkages of the new pay plans with evaluations and professional development, in the following years.

Sustainable funding continues to be a significant challenge for strategic compensation programs, whatever their design or structure. Numerous programs have been eliminated in part because they were more expensive than predicted. Experts suggest that one of the most important steps for districts and states when developing a compensation system is to rigorously project program costs year by year. Strategies for sustained funding for alternative salary schedule models include redirecting cost savings from:

- ending automatic annual salary increases for each year of service and for some or all graduate degrees earned,
- adopting embedded professional development models, and
- reducing turnover among the most effective teachers.

**State Assistance**

In addition to the state Department of Education's award and administration of related federal funds, its role with respect to strategic compensation reform has been to provide technical assistance to districts interested in



pursuing new compensation plans. The department has provided direct technical assistance to districts and also funded outside assistance from consultant Battelle for Kids. The department worked with districts during the planning year to ensure that all relevant stakeholders were included in the teams designing the new compensation plans. Battelle for Kids helped facilitate work of the district design teams, and some districts have continued to contract with them on an individual basis for implementation assistance. The department also convened an advisory steering committee during the planning year for TIF and IAF, and has organized websites and forums for the districts to share what they are doing. As new rounds of TIF and IAF grants are announced, the department conducts webinars for interested districts to learn more about the grants and pose questions.

The department has not established a policy to push districts into implementing strategic compensation or to try to steer districts toward certain types of plans, indicating that it would be counterproductive for the state to mandate or influence the adoption of alternative compensation plans absent local interest and commitment.

## Research and Strategies

Most strategic compensation studies have focused on bonus model plans. New compensation plans are sometimes implemented at the same time as new evaluation systems, enhanced professional development plans, and other changes to the human capital system, further complicating research on effects of different types of compensation models.

As research has accumulated on strategic compensation plans in general, the expectations of such plans have changed, with increased attention to links between teacher pay and other parts of the human capital system. Research on districts that have reformed their compensation plans has led to some commonly accepted good practices for effective implementation. (See “Planning and Implementation.”) As more districts experiment with strategic compensation, policymakers and practitioners have recognized multiple strategies that can contribute to the overall goal of improved teacher quality for increased student learning.

## Summary of Research

Effects of strategic compensation plans on outcomes have been mixed. Numerous evaluations of performance-based pay plans have found little to no improvement in student achievement.<sup>16</sup> Other studies have shown positive results, such as increased student achievement, as well as teacher retention rates in some cases.<sup>17</sup> Alternative salary schedule plans are relatively new and not in common use; research on them is limited to a few studies. Because these plans are uniquely developed for the needs of their local districts and because they include a mix of restructured salary schedules and bonuses, conclusions are difficult to generalize.

Two evaluations of Denver’s ProComp plan found:<sup>18</sup>

- Teachers hired after the implementation of the new compensation plan exhibit higher first-year achievement than those hired before implementation.
- There were small increases in student achievement, and participating teachers slightly outperformed their non-participating colleagues, but these changes could not be said to be definitely caused by the compensation aspects of ProComp.
- Denver schools with greater rates of ProComp participation had higher rates of teacher retention, notably in the hard-to-serve schools.

Early studies of Douglas County, Colorado, found:<sup>19</sup>

- higher retention rates than in comparable nearby districts,
- no significant effect on recruitment of more qualified teachers,
- increased teacher focus on school goals, and
- improved teachers’ skills, collegiality, and school culture.

Neither of the Douglas County studies addressed student achievement.

## Changing Expectations

Research on strategic compensation’s effects on student achievement has not found significant correlation; as one study concluded, “Rewarding teachers with bonus pay, in the absence of any other support programs, does not raise student test scores.”<sup>20</sup>



Some education policy analysts have suggested that the underlying premise that teachers would work harder to raise student test scores solely to earn extra pay is flawed, noting that many teachers are less motivated by external incentives than by a personal commitment to the profession. Workplace conditions – from student discipline policies, to inclusion in decision making, to school and district support for professional development, collaboration, and planning time – are repeatedly cited by educators and researchers as equally, if not more, important to teachers as their compensation. A 2010 McKinsey and Company report found that among those already teaching, better working conditions and school leadership would do more to increase retention than would better pay.<sup>21</sup> Allowing teachers to advance in their career and take on leadership roles without leaving the classroom for administrative positions is considered a key strategy for retaining top-performing teachers.

#### Planning and Implementation

Studies of districts that have strategic compensation plans have identified common planning and implementation steps that are more likely to foster plan acceptance, ensure smoother transitions, and build employee satisfaction.

- Local stakeholders, especially teachers, should be involved in plan design from the beginning.
- Clear and frequent communication is key.
- Professional development should be explicitly linked to teachers' evaluations and the compensation plan.
- The compensation plan itself must be clear and transparent.
- Leadership at all levels must show commitment to making the plan sustainable to avoid the perception that it is another passing fad.
- Multiple criteria or measures for receiving awards/raises are more likely to be perceived as fair.

- Hybrid models of accountability, with both individual awards and group awards, are more likely to be perceived as fair.
- The district should ensure it has the data management capacity to accurately track the necessary data on performance or activities that is the basis for compensation.
- Voluntary plans – at both the individual and the district levels – are more likely to garner support from teachers and district officials.

#### ***Multiple Strategies to Achieve Teacher Quality***

Although the long term goal of improving student learning through increased teacher quality remains, multiple intermediate objectives for strategic compensation are also receiving focus, such as:

- recruitment of stronger candidates to the profession,
- hiring advantages for districts in competition for top teachers,
- enhanced professional development,
- strengthened “sorting effect” – higher retention of effective teachers as they gain rewards, with a reduction of teachers who do not earn rewards and look for employment elsewhere, and
- increases in the number of highly-effective teachers working in high-needs schools.

While all schools seek to employ top teachers, research suggests that it is a particular problem to attract and retain such teachers for high-needs schools, where a significant portion of students are low-income. The 2009–2010 Tennessee Teacher Equity Plan reported that the state’s high-poverty and high-minority schools had larger percentages of inexperienced teachers and ineffective teachers than low-poverty and low-minority schools.<sup>22</sup> Improving recruitment and retention of talented teachers in high-needs schools is considered an important strategy to address student achievement gaps among disadvantaged students, and federal TIF grants must be used to serve high-needs schools.

“Political and financial support for teacher compensation reform has grown at all levels – federal, state, and local.”<sup>23</sup> A shift from traditional salary schedules to alternative compensation models is a growing trend. In some jurisdictions, such as Florida and Indiana, the state now requires all districts to develop some form of performance-based salary schedules. (See descriptions of these states’ programs in Appendix 3.) Other states, such as Iowa and Mississippi, have considered adopting such policies.

### **Tennessee Initiatives**

Tennessee was awarded the first two years of a 2012 federal TIF grant totaling \$5.5 million.<sup>24</sup> The grant will be used by three county school districts – Haywood, Lincoln, and Polk – to develop alternative salary schedules with base pay increases determined by evaluation scores. The new compensation plans may also include incentives for teaching in high-needs schools or subject areas, earning advanced degrees in science or math, and completing professional development activities linked to evaluations. Additional requirements are that new teachers be hired under the new plan, existing teachers be offered choice to opt in or out, and teachers opting to stay on the traditional salary be frozen at the 2013–14 schedule.

The Tennessee Department of Education announced a second round of IAF grants in May 2012 to fund districts that wish to transition to an alternative salary schedule. Interested districts were required to submit their proposed plans to the department by September 19, 2012. The second round of IAF grants will be funded for one year only (the 2013–2014 school year). The department expects to fund between two and five districts at a maximum level of \$500,000 per district.

In the 2012 legislative session, the Governor proposed a bill that would have eliminated the requirement for the Commissioner of Education to set, and the State Board of Education to approve, an annual salary schedule and allowed Tennessee districts to design and submit their own salary plan to the Commissioner.<sup>25</sup> The bill also proposed to increase the BEP funding for teachers by nine percent to \$42,250, while raising the ratio of students per teacher that the BEP would fund (for example 1 teacher per 25 students in grades kindergarten through 3 instead of the existing limit of 1 per 20 students).

### **Evaluation by TN CRED**

The Tennessee Consortium on Research, Education, and Development (TN CRED), based at Vanderbilt University, was established by the Tennessee Higher Education Commission using First to the Top funds. TN CRED’s mission is to evaluate all aspects of education reform implemented under Tennessee’s First to the Top grant, including the design, implementation, and impact of Tennessee’s new strategic compensation plans. It is also the designated third-party evaluator for the state’s TIF grant.

TN CRED’s annual activities include a fall survey of teachers in strategic compensation districts, phone interviews each spring with district leaders in strategic compensation districts, and a spring survey of Tennessee teachers on all aspects of First to the Top. This latter survey captures information that will be analyzed in tandem with strategic compensation data, allowing evaluators to look for patterns that may set districts with strategic compensation apart from those using traditional compensation models in aspects of teacher satisfaction, turnover rates, student achievement, and other relevant measures. TN CRED expects to report on its first round of data collection by fall 2012.

## ENDNOTES

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- <sup>3</sup> Calculations based on Tennessee Department of Education *Annual Statistical Report 2010–11*, Tables 20–25 and 49, teacher salaries and career ladder payments for all instruction categories as a percentage of total current expenditures (<http://www.tn.gov/education/>).
- <sup>4</sup> Allan Odden, *New Teacher Pay Structures: The Compensation Side of the Strategic Management of Human Capital*, Consortium for Policy Research in Education, 2008, p. 3, <http://cpre.wceruw.org/> (accessed April 30, 2012).
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- <sup>7</sup> Melissa Brown, Manager of Research and Information, Tennessee Education Association, e-mail July 24, 2012, based on a TEA analysis of salary schedules conducted Jan. 2012.
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- <sup>12</sup> Public Acts 2010, 1<sup>st</sup> Extraordinary Session, *Chapter 2, Section 12*,
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- <sup>19</sup> Robert Rechartd and Rebecca Van Buhler, *Recruiting and Retaining Teachers with Alternative Pay*, Mid-continent Research for Education and Learning, Nov. 2002, pp. 7, 14. Note: The Douglas County School District's compensation plan determined base pay on years of experience and professional background like traditional salary schedules, but teachers received their longevity raises only if they received a satisfactory or higher evaluation rating. The plan also included individual and group bonuses for various activities. The district re-vamped its compensation structure in 2011, hiring new teachers on a market basis rather than a traditional salary schedule, and is implementing the component of base pay increases linked to teacher evaluations in 2012–13.
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- <sup>22</sup> Tennessee Department of Education, *Tennessee Teacher Equity Plan*, Dec. 2009, updated Sept. 2010, p.7, [www.tn.gov/education/](http://www.tn.gov/education/) (accessed June 29, 2012).
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- <sup>24</sup> U.S. Department of Education, "U.S. Department of Education Boosts District-Led Efforts to Recognize and Reward Great Teachers and Principals Through the 2012 Teacher Incentive Fund," Sept. 27, 2012, <http://www.ed.gov/> (accessed Oct. 21, 2012).
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# APPENDIX 1: STATE APPROVED SALARY SCHEDULE, 2011-12

## TENNESSEE DEPARTMENT OF EDUCATION, BASIC EDUCATION PROGRAM SALARY SCHEDULE, LICENSED INSTRUCTIONAL PERSONNEL Effective July 1, 2011 - 1.6% Salary Increase

YEARS OF EXPERIENCE	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
<b>DESCRIPTION OF TRAINING</b>																					
<b><u>DOCTORATE</u></b>																					
Teachers & Principals	39,790	40,360	40,360	41,035	41,895	42,760	43,930	44,865	46,230	47,230	47,405	48,415	48,620	49,665	49,845	50,915	50,915	51,835	51,835	52,785	52,785
System-Wide Personnel	40,755	41,335	41,335	42,010	42,905	43,790	44,990	45,940	47,325	48,360	48,540	49,585	49,785	50,865	51,040	52,140	52,140	53,080	53,080	54,055	54,055
<b><u>EDUCATION SPECIALIST</u></b>																					
Teachers & Principals	36,610	37,175	37,175	37,780	38,545	39,355	40,430	41,300	42,530	43,455	43,630	44,565	44,755	45,710	45,900	46,890	46,890	47,715	47,715	48,560	48,560
System-Wide Personnel	37,905	38,490	38,490	39,120	39,920	40,750	41,860	42,760	44,050	44,995	45,180	46,145	46,345	47,325	47,535	48,545	48,545	49,410	49,410	50,285	50,285
<b><u>MASTER'S + 30 SEMESTER HOURS</u></b>																					
Teachers & Principals	35,170	35,745	35,745	36,305	37,030	37,830	38,845	39,665	40,830	41,705	41,900	42,805	42,965	43,900	44,080	45,015	45,015	45,800	45,800	46,605	46,605
System-Wide Personnel	36,435	37,030	37,030	37,620	38,365	39,195	40,240	41,090	42,300	43,215	43,405	44,350	44,510	45,480	45,660	46,635	46,635	47,445	47,445	48,280	48,280
<b><u>MASTER</u></b>																					
Teachers & Principals	33,010	33,590	33,590	34,120	34,820	35,575	36,535	37,330	38,440	39,265	39,445	40,300	40,470	41,350	41,550	42,440	42,440	43,180	43,180	43,925	43,925
System-Wide Personnel	34,260	34,870	34,870	35,420	36,145	36,930	37,920	38,745	39,915	40,765	40,940	41,840	42,000	42,925	43,120	44,055	44,055	44,810	44,810	45,595	45,595
<b><u>BACHELOR</u></b>																					
Teachers & Principals	29,680	30,235	30,235	30,705	31,300	31,950	32,790	33,480	34,460	35,185	35,335	36,100	36,265	37,025	37,195	37,990	37,990	38,625	38,625	39,275	39,275
System-Wide Personnel	30,940	31,525	31,525	32,010	32,635	33,305	34,190	34,905	35,920	36,675	36,840	37,635	37,810	38,600	38,775	39,605	39,605	40,265	40,265	40,940	40,940
<b>THREE YEARS OF COLLEGE</b>	25,235	25,700	25,700	26,100	26,615	27,165	27,870	28,465	29,285	29,900	30,040	30,690	30,830								
<b>TWO YEARS OF COLLEGE</b>	24,485	24,955	24,955	25,330	25,825	26,360	27,045	27,630	28,425	29,025	29,155	29,780	29,920								
<b>ONE YEAR OF COLLEGE</b>	23,750	24,195	24,195	24,560	25,045	25,565	26,225	26,780	27,560												
<b>0 YEAR OF COLLEGE</b>	23,005	23,430	23,430	23,790	24,255	24,760	25,415	25,945	26,700												

## APPENDIX 2: PROFILES OF TENNESSEE SCHOOL DISTRICTS IMPLEMENTING ALTERNATIVE SALARY SCHEDULE PLANS<sup>A</sup>

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See main report section “Where They Are in Use” for elements most or all plans have in common. Profiles below focus on plan aspects that apply to teachers, although all the plans have components for principals and assistant principals as well.

### Johnson County Schools

7 schools: 5 elementary, 1 middle, 1 high school

Student enrollment: 2,167                      Classroom teachers: 159.6

Grant funds (TIF) supporting payouts for 2011–12: \$189,530

Eligibility: All teachers who opt into or are hired in under the new plan are eligible for the STEER (Salaries to Enrich Educational Reform) plan. Teachers can opt out and then opt back in once during the grant period.

Base pay increases: Teachers with evaluation scores of 3 or above earn increases as follows:

<b>Score</b>	<b>% Increase to Base Pay</b>
3	1.10 %
4	1.55 %
5	2.00 %

Bonus opportunities: Teachers in tested subjects and grades are eligible for two bonuses. Teachers with TVAAS effect levels of 4 or 5 can earn \$500 or \$1,000. Mentor teachers who earn 4 or 5 TVAAS effect level are designated as “master” mentor teachers and earn \$500.

### Lexington City Schools

2 schools: 1 elementary, 1 middle

Student enrollment: 995                      Classroom teachers: 80.6

Grant funds (TIF, IAF, FtT) supporting payouts for 2011–12: \$267,703

Eligibility: All teachers who opt into or are hired under the STRIVE (Successful Teacher Recognition Incentive for Valuing Excellence) plan are eligible for both the alternative salary schedule and the bonuses. For teachers that opt out and stay on the traditional salary schedule, all increases for year of service completed and educational attainments will be based on the 2011–12 salary schedule. Teachers who opt in can opt out and then back in one time.

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<sup>A</sup> All school district statistics are from Tennessee Department of Education 2011 Annual Statistical Report: Table 1 – number of schools, Table 3 –number of teachers, Table 7 –number of students (ADM). Alternative salary plan information is from State Board of Education plan summaries and individual plan documents provided through Department of Education.



Base pay increases: Increases are on a graduated scale that increases pay by .02 percent for each .02 increment in teacher evaluation scores. (Lexington City uses the TIGER evaluation model, which uses a decimal scoring scale rather than the whole numbers in the state’s TEAM evaluation model.)

<b>Selected Scores</b>	<b>% Increase to Base Pay</b>
3.00 to 3.01	1.0 %
3.50 to 3.51	1.5 %
4.00 to 4.01	2.0 %
4.50 to 4.51	2.5 %
4.98 to 5.00	3.0 %

Bonus opportunities: An additional eligibility requirement for bonuses is 95 percent attendance. A schoolwide bonus of \$500 per teacher is available for participating teachers in schools that meet or exceed their First to the Top reading and math achievement targets. Training participation stipends are also available for three instructional coach positions (\$5,000 each) and for three lead teacher positions (\$2,000 each). Funding will also support hiring and training of one full-time mentor teacher. All three types of positions are to help other teachers improve instruction and working conditions.

**Putnam County Schools**

20 schools: 11 elementary, 4 middle, 3 high schools, 1 adult high school, 1 alternative school

Student enrollment: 10,501                      Classroom teachers = 656.1

Grant funds (TIF, IAF, FtT) supporting payouts for 2011-12 = \$1,721,158

Eligibility: All teachers who opt into or are hired under the PASS (Putnam Accelerating Student Success) plan are eligible for base pay increases and bonuses if they maintain a 94 percent attendance rate. Teachers must score at least a 2 on their evaluations to earn bonuses and must score at least a 3 to earn base pay increases.

Base pay increases: New teachers hired into the district will start at one of three salary tiers rather than a salary schedule. The tiers are based only on previous years of service without regard for graduate degrees earned. The tiers are only for determining starting pay.

<b>Previous Years of Experience</b>	<b>Starting Pay</b>
0 – 5	\$35,800
6 – 10	\$38,400
11+	\$41,200

Base increases can be earned by participating teachers with evaluation scores of 3 or above. Base pay is capped at \$60,000. For comparison, under Putnam County’s traditional salary schedule, a teacher with a master’s degree and 20 years of experience would top out at \$48,140.

<b>Evaluation Scores</b>	<b>% Increase to Base Pay</b>
3.0	1.0 %
3.5	1.5 %
4.0	2.0 %
4.5	2.5 %
5.0	3.0 %

Bonus opportunities: Multiple bonuses are available on a point system. Each activity earns an assigned point total, and for 2011–12, each point is worth \$100 in bonus pay. The PASS committee reviews point dollar amounts and weighting on a regular basis. Activities and their point scores include:

- Districtwide bonus – all participating teachers in the district earn points if the district meets achievement benchmarks for students with disabilities (1 pt.)
- Schoolwide bonus – all participating teachers in a school earn points if the school meets achievement benchmarks related to TCAP scores, Explore or ACT scores (3 pts.)
- Individual bonus – teachers without individual TVAAS scores are in schools that meet TVAAS growth benchmarks (7.5 pts.)
- Teachers with individual TVAAS effect levels of 4 or 5 earn points based on their grade, subject, and effect level (2.5 – 15 pts.)
- Professional development
  - up to 18 hours of professional development linked to teacher evaluations (.25 pt./hour)
  - professional development trainer (.25 pt./hour)
- Advanced degrees/coursework
  - any advanced degree (only once) (10 pts.)
  - advanced degree in content area (25 pts)
  - STEM coursework – 12 hours (8.3 pts.)
- High-needs subjects
  - special education behavioral (15 pts.)
- Leadership positions
  - master teacher (15 pts.)
  - lead teachers (5 pts.)
  - mentor teachers (5pts.)

### **Trousdale County Schools**

3 schools: 1 elementary, 1 middle, 1 high school

Student enrollment: 1,219

Classroom teachers = 101

Grant funds (IAF) supporting payouts for 2011–12 = \$140,116

Eligibility: Teachers with 19 or fewer years of service are eligible for the Trousdale County Alternative Compensation Plan and can earn increases in base pay up until they reach 30 years of service. Teachers with 20 or more years of service are not eligible for base pay increases but are eligible for bonuses. The salary cap on teachers with 20 years or more reflects the fact that they have already reached the maximum salary on the traditional salary schedule.

Teachers who have opted in to the new plan can opt out if they change their minds before the last day of the TVAAS verification process in either 2011–12 or 2012–13. Current employees cannot choose to opt in to the plan after the final window in 2012–13.

Base pay increases: New teachers are hired in at entry level tiers rather than a salary schedule. This tier is used only for hiring purposes and not for any base pay increases.

	<b>Years of Experience</b>	<b>Starting Pay</b>
<b>Bachelor Degree</b>	0 – 5	\$30,201
	6 – 10	\$33,711
	11+	\$37,240
<b>Master Degree or Above</b>	0 – 5	\$33,580
	6 – 10	\$37,601
	11+	\$41,611

Increases to base pay are available to teachers with evaluation scores between 3.5 and 5. (Trousdale County uses the TIGER evaluation model, which uses a decimal scoring scale, rather than the whole numbers in the state’s TEAM evaluation model.)

<b>Scores</b>	<b>% Increase to Base Pay</b>
3.5	1.45 %
4.0	1.70 %
4.5	1.95 %
5.0	2.20 %

Bonus opportunities: Additional eligibility criterion of 94 percent attendance must be met for bonuses. Schoolwide bonuses are available for all participating teachers in schools that meet one or more of their academic benchmarks. The more benchmarks met, the larger the bonuses. The bonuses also vary on the career stage of the teacher, under the TIGER evaluation model. Stage 1 teachers earn 50 percent of the school bonus, Stage 2 earn 75 percent, and Stage 3 earn 100 percent. Bonus size ranges from \$114 to \$227 per teacher (stages 1 – 3) for a school meeting one benchmark. Bonuses range from \$1,250 to \$2,500 per teacher at a school meeting all 11 benchmarks.

Multiple individual bonuses are also available. Achievement bonuses are provided for middle and high school teachers in tested subjects/courses with TVAAS effect levels of 4 (\$750) and 5 (\$1500). At the elementary school level, Kindergarten through grade 3 reading teachers can receive \$500 to \$1500 bonus if school reading achievement scores are at one of three levels. Teachers of 4<sup>th</sup> and 5<sup>th</sup> grade math can earn \$750 for TVAAS effect levels of 4 or 5. Teachers of 4<sup>th</sup> and 5<sup>th</sup> grade reading with TVAAS levels of 4 or 5 can earn \$750 or \$1500.

Stipends of \$1,000 to \$2,000 are paid for teachers in hard-to-staff positions in selected special education areas, as well as high school foreign language, language arts, math, chemistry and physics. Stipends of \$1,000 to \$1,500 are available for high school department heads, elementary and middle grade level chairs, and Stage 3 teachers working as instructional coaches.

**Memphis City Schools**

207 schools: 114 elementary, 40 middle, 43 high schools, 6 vocational, 2 special education, 1 adult high school, 1 alternative school

Student enrollment: 104,903                      Classroom Teachers = 7,310.1

Memphis City Schools received a \$90 million grant from the Bill and Melinda Gates Foundation in 2009 supplemented by \$20 million from local businesses and philanthropies to fund its multi-year Teacher Effectiveness Initiative (TEI) to improve teacher performance. Among the initiative’s goals is to better support, utilize, and

compensate teachers, with a specific strategy to implement a new base compensation structure based on teachers' roles and performance rather than on service time and degrees. Originally slated to start in 2011–12, the compensation component was pushed back until 2013–14.

In February 2012, the unified Memphis-Shelby school board authorized \$2 million of the Gates award to fund a consulting firm to study and develop a compensation reform proposal for TEI. The Towers Watson firm has been hired to provide technical assistance with program design, stakeholder input, and financial sustainability. A pilot program is planned for the seven Innovation Zone schools in Memphis to introduce a new career path and compensation structure for teachers and principals, with the full program to be rolled out after the Memphis City-Shelby County district merger, if it meets the board approval. Preliminary plans are to tie compensation with three levels of teacher performance: beginner, proficient, and master. The higher career levels will be supported with higher base pay, and bonus awards will also be offered.

Memphis already has several performance-based bonus programs operating in some of its schools including the TIF3 project in its 28 lowest-performing schools, funded through Memphis City Schools' own TIF grant, and the annual EPIC awards for up to 16 schools with the highest value-added gains, funded through New Leaders for New Schools' TIF grant and private donations.

### **Knox County Schools**

87 schools: 49 elementary, 14 middle, 14 high schools, 2 vocational schools, 4 special education schools, 2 adult high schools, 2 alternative schools

Student enrollment: 55,588

Classroom teachers: 3,734.6

Grant funds (IAF, TIF, FttT) supporting payouts for 2011–12 = \$4,516,618

Although Knox County schools received an IAF grant, it does not currently include an alternative salary schedule component in its strategic compensation plan. Its grant application included a long-term goal of “repurposing” existing state/local funds to support an alternative salary structure.

Knox County Schools has implemented its APEX (Advance-Perform-Excel) strategic compensation system comprised of numerous bonus opportunities:

- School awards to be used for equipment, professional development, or instruction provided to the elementary, middle, and high school with the highest student growth. (\$5,000–\$10,000)
- Performance incentives provided for high-performing teachers, based on state evaluation scores, as well as on defined teacher leadership activities and whether they work in high-needs schools. (\$1,500–\$2,000)
- Instructional support incentives for instructional coaches, and designated lead, mentor, and master teachers to improve instruction and working conditions. (up to \$3,000)

Teachers in the district's 18 TAP schools receive additional compensation if they are designated as mentor and master teachers, who have more responsibilities and authority than regular classroom teachers. Their pay is increased by longer contract periods (211 and 221 days, instead of the standard 200 days) and through stipends for their additional duties (\$2,500 and \$6,000). The extended contracts are renewed on a yearly basis. TAP career path bonuses are paid on top of the traditional “steps and lanes” salary schedules, and master and mentor teachers continue to earn annual increases for years of service and completed graduate degrees. Knox County Schools' TAP program is funded through the district's \$26.5 million TIF grant, as well as its local First to the Top allocation and private foundation dollars.

## APPENDIX 3: ALTERNATIVE SALARY PLAN PROFILES OUTSIDE TENNESSEE

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### District Initiatives

#### Baltimore

In 2010, the Baltimore Teachers Union approved a new contract with Baltimore City Schools that restructured the compensation system, eliminating pay increases for years of service. The plan establishes four career pathways that teachers can grow within or move from one to the next. Teachers increase their base salaries one interval within a career path by earning 12 “achievement units” from good evaluations, additional roles, contributions to student learning, and professional development activities. Moving to the next career path, with a substantially higher salary, requires approval by a formal peer committee based on its review of teachers’ instruction, leadership, continual learning, and student achievement. Credits earned toward advanced degrees are worth only one unit, while a satisfactory evaluation would be worth nine and a superior one, 12. The most effective teachers could see annual increases, but they would no longer be automatic.

Plan Description:

Baltimore City Schools employee website – <http://www.baltimorecityschools.org/Page/13956>

#### Denver

Denver Public Schools’ ProComp is an alternative salary schedule plan designed in partnership between the Denver Classroom Teachers Association and Denver Public Schools. ProComp rewards teachers through a mix of both base pay increases and bonuses for professional development, graduate degrees earned, satisfactory evaluations, and achievement of student growth targets. Implemented in 2006, the plan also offers tuition and student loan reimbursements and market incentives for hard-to-staff schools and subjects. The pilot program to develop ProComp received significant funding from private foundations. The full program was implemented with a \$226 million Teacher Incentive Fund grant and an annual \$25 million local property tax levy approved by Denver voters, specifically to fund the compensation plan.

Plan Description:

Denver Public Schools ProComp website – <http://denverprocomp.dpsk12.org/about/>

*Institutionalizing Performance-Based Compensation by Revising the Salary Schedule: Introductory Overview and Design Principle for Revising the Single Salary Schedule*, Anthony T. Milanowski, Herbert G. Heneman III, and Matthew Graham, U.S. Department of Education’s Teacher Incentive Fund, March 2012, Profile, pp. 16–20, <http://www.tifcommunity.org/>

Evaluations of ProComp:

*Strategic Pay Reform: A Student Outcomes-Based Evaluation of Denver’s ProComp Teacher Pay Initiative*, Dan Goldhaber and Joe Walch, Center for Education Data and Research, 2011, <http://www.cedr.us/>

*Denver ProComp: An Outcomes Evaluation of Denver’s Alternative Teacher Compensation System*, Edward W. Wiley, Eleanor R. Spindler, and Amy N. Suber, University of Colorado, 2010, <http://static.dpsk12.org/>

#### District of Columbia

In 2010–11, District of Columbia Public Schools implemented IMPACT Plus, a new teacher compensation system aligned with a revised teacher evaluation program adopted earlier. Teachers can earn bonuses and increases to

base pay for evaluation rankings of “highly effective.” A career ladder component was added to the system in September 2012. Although a traditional salary schedule is still used, progression to higher pay levels can be accelerated for high-performing teachers.

Highly-effective teachers receive bonuses of \$2,000, plus an extra \$1,000 if they teach subjects with value-added scores. If they are in high-needs schools (where 60 percent or more of students are low-income), their bonuses are five times higher (\$10,000 and \$5,000). If their school is one of the districts’ 40 lowest-performing, a highly-effective teacher can earn an additional \$10,000.

The new career ladder incentives provide opportunities for teachers at the top three rungs – advanced, distinguished, and expert – who also work in high-poverty schools to earn larger increases in their base pay. All effective and highly-effective teachers earn annual step increases for each year of service, but if they reach the “advanced” career level and work in high-needs schools, they can earn two years of service credit. Therefore, a five-year teacher reaching this level would be paid as a seven-year teacher. At the “distinguished” level, teachers at a high-needs school can earn five extra years of service credit, as well as move to the master’s degree salary band if they are not already there. At the expert level, teachers earn five years additional service credit and move to the doctorate salary band.

IMPACT Plus was funded for its first three years by several private foundations. The compensation plan is expected to be fully self-sustaining in 2012–13.

Plan Description:

IMPACT Plus website – <http://www.dc.gov/>

*District of Columbia Public Schools: Defining Instructional Expectations and Aligning Accountability and Support*, Aspen Institute, 2011, <http://www.aspeninstitute.org/>

#### Douglas County School District, Colorado

Douglas County School District and the Douglas County Federation of Teachers first adopted a strategic compensation plan in 1994 that featured group incentives for student achievement, plus bonuses for extra responsibilities and professional development. The district re-designed its compensation system and implemented a new alternative salary structure in 2011. The system is based on a market-based pay concept, with different starting salaries for different categories of teachers, depending on grade and subject taught. In 2012–13, Douglas County will begin basing salary increases on the results of teachers’ evaluations, which have also have different measures for different grades and subjects taught. The district continues to offer bonuses for leadership roles and additional duties.

Plan Description:

Douglas County School District website, *Pay For Performance* – <https://www.dcsdk12.org/>

Douglas County School District, *Compensation and Benefits Program for Certified Employees*, July 1, 2012 through June 30, 2013, <https://www.dcsdk12.org/>

#### Eagle County, Colorado

The Eagle County School District implemented its alternative pay plan in 2004 and revised it in 2008. The alternative salary schedule plan, a modified version of TAP, determines teachers’ base pay increases on annual evaluation ratings, with raises from 0.5 percent for a “needs improvement” rating up to four percent for an



“exceptional” rating. “Unacceptable” ratings result in no raise. New teachers’ starting salaries are based on years of experience, but there are no annual raises for years of service. Teachers can also earn bonuses for school and districtwide student achievement growth, completing masters’ degrees or National Board for Professional Teaching Standards certification, teaching hard-to-staff subjects, and serving as a mentor or master teacher. The plan also provides for a negotiated inflation increase that may vary each year. The district’s compensation plan has been funded through a dedicated property tax increase, federal TIF grant, state funds, and reallocated general operating funds.

Plan Description:

2008 District powerpoint – <http://www.cgp.upenn.edu/ope/documents/EagleCountyPerformanceCompensation.ppt>

Compensation overview chart – <http://www.eagleschools.net/Modules/ShowDocument.aspx?documentid=6177>

Case study – *A Grand Bargain for Education Reform: New Rewards and Supports for New Accountability*, Theodore Hershberg and Claire Robertson-Kraft, Harvard Education Press, 2009, as posted by the Center for Greater Philadelphia’s Operation Public Education, <http://www.cgp.upenn.edu/>

#### Harrison School District, Colorado

In 2010–2011, Harrison School District 2 in Colorado Springs implemented an alternative salary plan that pays teachers based on various student achievement growth measures and on classroom observations, eliminating base salary increases for longevity and graduate degrees. The district uses nine levels of effectiveness, from novice to master teacher, with corresponding pay levels, \$35,000 to \$90,000.

An overall effectiveness score based on seven performance criteria and on various state and district achievement tests is calculated and used to place the teacher in an effectiveness category. Teachers’ effectiveness levels can change every year. When teachers’ scores rise enough, they are automatically moved to the next level. When their scores fall, they are not penalized or moved down unless the scores stay at the lower level for three consecutive years. At the higher levels of effectiveness and pay, teachers must apply to advance to the next level and must meet additional requirements of leadership, lifelong learning, and contributions to the profession.

Because salaries are set higher than those in nearby districts and teachers can earn more money earlier in their careers, teachers receive few additional bonuses, stipends, or extra-duty pay.

Plan Description:

*Teacher Compensation Based on Effectiveness*, F. Mike Miles, Thomas Fordham Institute, March 2012, <http://edexcellencemedia.net/>

#### Westside Community School District 66, Nebraska

In 1971, the district negotiated a unique salary program based on a competitive pay scale and merit pay to reward excellent performance. No traditional salary schedule is used. Several salary tiers with set minimums and maximums are used. Principals recommend specific salaries for each individual teacher within the range they qualify for. Teachers earn base increases from guaranteed percentage increases determined each year based on available funds and performance bonuses based on classroom instruction, leadership roles, additional responsibilities, professional development, and contributions to the district. Bonuses can range from \$50 to \$1,000 and are rolled into the teacher’s base pay, becoming part of their base salary. Teachers can also be reimbursed for master’s degrees earned in pre-approved subject areas.

Plan Description:

Westside Community School District 66 website, [Certified Staff Compensation and Benefits Program – http://westsidecs.schoolfusion.us/](http://westsidecs.schoolfusion.us/)

*LR 294: Alternative Compensation and Funding Systems for Teacher Salaries, Education Committee of the Nebraska Legislature*, December 2008, pp. 32-33, <http://nlc.nebraska.gov/>

## State Initiatives

### Indiana

A new state law enacted in 2011 makes major revisions in how teachers will be paid, requiring that teacher pay and promotions be linked to student performance. The new law eliminates the minimum salary schedule and the requirement that teachers' salaries be based only on experience and degrees earned. Public Chapter 90-2011 states that after July 2012, or the expiration of collective bargaining agreements, any salary increases must be based on a combination of two or more of the following factors:

1. the number of years of a teacher's experience,
2. the attainment of additional content area credits or degrees,

*[The combination of factors #1 and #2 may account for no more than 33 percent of the calculation to determine a teacher's increase or increment]*

3. teacher evaluation results conducted under state law, and separated into one of four categories: highly effective, effective, improvement necessary, or ineffective,
4. the assignment of instructional leadership roles of value to other educators in the school, including conducting evaluations, serving as a mentor or master teacher in a TAP program, a review team member in a peer assistance program, or as an instructional or curriculum leader, and
5. the conduct of or participation in activities that address the unique or specific academic needs of students on a sustained basis, including teaching at a low-performing school or in a hard-to-staff subject area, addressing a need identified in the school improvement plan, serving as a parent/ community liaison, etc.

*[Each factor in items 3 through 5 can, by statute, be weighted from 0 percent to 100 percent, but since two or more factors must be used in the compensation plan, none will actually reach 100 percent.]*

The district may decide whether the salary increases are permanent increases to base pay, an annual stipend, or some combination. The law forbids teachers with evaluation results of "improvement necessary" or "ineffective" from receiving salary increases, regardless of the district's plan. All districts must submit their pay plans to the state Department of Education, which must report any plan not in compliance to the State Board of Education.

Indiana's Department of Education is required to prepare a model pay plan that districts can use if they wish and has also developed a spreadsheet to assist districts in collecting and inputting the necessary data to calculate their own plans.

Plan Requirements:

[Indiana Department of Education's Model Salary Schedule](http://www.doe.in.gov/), September 2011, <http://www.doe.in.gov/>

## Florida

Most recently, in 2011, the Florida legislature passed the Student Success Act (Chapter 2011-1), which revises the state's performance pay system. The law requires salary increases for instructional personnel and school administrators hired on or after July 1, 2014, to be based on performance evaluation results. The law also revises the teacher evaluation process, putting increased emphasis on student growth and achievement, and scoring evaluation results in one of four effectiveness categories. The new compensation requirements are:

- For personnel rated "highly effective," the salary increase must be greater than the highest annual salary adjustment available to that individual through any other salary schedule adopted by the district.
- For personnel rated "effective," the salary increase must be between 50 percent and 75 percent of the annual salary increase provided to a highly effective employee.
- Employees under any other performance rating are not eligible for a salary increase.
- For instructional personnel hired on or after July 1, 2011, local school boards may not use advanced degrees in setting salary schedules; salary supplements may be paid for advanced degrees earned within a teacher's area of certification.
- Each district must provide salary supplements for teachers:
  - assigned to high-needs schools,
  - certified and teaching in critical shortage areas as defined by the state board, and,
  - assigned additional academic responsibilities.

Districts may develop other supplements as their needs require.

Current personnel may remain on the existing salary schedule as long as they remain employed by the district or they may opt to participate in the new salary schedule; if they opt to participate in the new salary schedule, the decision is irrevocable. Those moving to the new schedule also must relinquish their professional service contracts in exchange for an annual contract. The program under the new Student Success Act does not provide for any additional funding for the revised compensation plans.

Plan Description:

2011 Bill Analysis, SB 736 – <http://www.flsenate.gov/>

Plan Enacting Statute:

Florida Law, Chapter 2011-1 - <http://laws.flrules.org/>



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