

### Teacher Compensation in Tennessee

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This policy history outlines two events affecting teacher compensation in Tennessee: the Career Ladder experiment from 1984 to 1997, which challenged the state's traditional single salary model, and the Small School Districts lawsuits from 1988 to 2006, which required the state to evaluate inequities in teacher pay. The policy history also includes information on Public Chapter 376, passed by the General Assembly in 2007, which requires districts to adopt differentiated pay

plans that reward teachers for taking on additional responsibilities, acquiring new skills, improving student achievement, or fulfilling special requirements. Exhibit 1 summarizes a timeline of actions affecting teacher compensation in Tennessee.

This policy history is an accompanying document to the Office of Education Accountability's legislative brief [Teacher Compensation](#).

#### Exhibit 1: Timeline of Actions Affecting Teacher Compensation in Tennessee

<b>1970s – 1992</b>	<b>Tennessee Foundation Program funds public education.</b> The program used average daily attendance to determine the amount of funding districts would receive. <sup>1</sup>
<b>1984</b>	<b>Career Ladder begins with enactment of Comprehensive Education Reform Act.</b> Career Ladder was a voluntary program that rewarded teachers with higher pay based in part on classroom observations. <sup>2</sup>
<b>1988</b>	<b>Legislature amends Extended Contract.</b> Prior to this change, only Career Ladder II and III teachers were eligible for Extended Contracts, which provide stipends to teachers for summer employment; the law opens extended contracts up for all teachers and requires districts to base extended contracts on student needs assessments. <sup>3</sup>
<b>1988</b>	<b>Small School Districts I lawsuit begins.</b> Small School Districts file lawsuit against the state, arguing for equal opportunity and resources in small districts. <sup>4</sup>
<b>1991</b>	<b>Chancery Court rules in favor of Small School Districts.<sup>5</sup></b>
<b>1992</b>	<b>Appeals Court reverses Chancery Court.<sup>6</sup></b>
<b>1992</b>	<b>Education Improvement Act, which includes Basic Education Program (BEP) for funding schools, becomes law.<sup>7</sup></b>
<b>1993</b>	<b>Supreme Court reverses Appeals Court decision and sides with Small School Districts.</b> The Supreme Court rules in favor of Small School Districts arguing that the state's education finance system "violates the constitutional guarantee of equal protection." <sup>8</sup> The Supreme Court decision is based on the pre-BEP funding program, the Tennessee Foundation Program.
<b>1995</b>	<b>Small School Districts II lawsuit begins.</b> Small School Districts file suit arguing that the BEP is too slow in changing the situation and would not equalize teacher salaries. <sup>9</sup>

<b>1995</b>	<b>Supreme Court rules in favor of the state but paves way for the Teachers' Salary Equity Plan.</b> The Supreme Court decision explains: "The omission of a requirement for equalizing teachers' salaries was a significant defect in the Basic Education Program...and we concluded that 'the plan must include equalization of teachers' salaries according to the BEP formula' in order for the plan to be constitutional." <sup>10</sup>
<b>1995</b>	<b>Legislature passes Teachers' Salary Equity Plan.</b> <sup>11</sup>
<b>1997</b>	<b>General Assembly abolishes Career Ladder.</b> <sup>12</sup>
<b>1998</b>	<b>Small School Districts III lawsuit begins.</b> Small School Districts return to court demanding equalization of teacher pay. <sup>13</sup>
<b>2002</b>	<b>Supreme Court rules in favor of Small School Districts.</b> Supreme Court finds that "the salary equity plan...does not include equalization of teachers' salaries...This significant defect substantially undermines the effectiveness and legality of the plan." <sup>14</sup>
<b>2004</b>	<b>General Assembly adds teacher salaries to BEP.</b> <sup>15</sup>
<b>2006</b>	<b>Small School Districts Lawsuit is closed.</b> <sup>16</sup>
<b>2007</b>	<b>General Assembly passes differentiated pay legislation.</b> <sup>17</sup>

**Career Ladder Experiment – 1984-1997**<sup>18</sup>

In 1984, then-Governor Lamar Alexander introduced his "Better Schools Program." One of the 10 components of that program was Career Ladder, a voluntary program that rewarded teachers with higher pay based in part on classroom observations. The Better Schools Program was passed by the legislature as the Comprehensive Education Reform Act (CERA) in 1984.

Teachers with at least three years of experience in the classroom were eligible for Career Ladder certification. Exhibit 2 outlines basic eligibility and incentives for levels in the program.

For Career Ladder I, teachers could either take a test or be evaluated. If teachers met the standards, they would receive a \$1,000 annual stipend and be eligible for Career Ladder II. Career Ladder II teachers who had six years of experience and were successfully evaluated received \$2,000 stipends, and Career Ladder III teachers with 10 years of experience received \$3,000 based on successful evaluations. To achieve Career Ladder II or III status, teachers had to pass a test, develop a portfolio, and undergo classroom observation by an evaluator three times in a year – two announced observations and one unannounced. The Department of Education trained the evaluators – all current teachers – on the research behind effective teaching and how to conduct

**Exhibit 2: Career Ladder Levels, Eligibility Requirements, and Corresponding Incentives**

<b>Career Ladder Level</b>	<b>Eligibility Requirements</b>	<b>Incentive</b>
Career Ladder I	Teachers with three years of experience who either pass a test or receive successful evaluations	\$1,000 stipend and eligibility for Career Ladder II
Career Ladder II	Teachers with six years of experience who receive successful evaluations*	\$2,000 stipend and eligibility for Career Ladder III
Career Ladder III	Teachers with 10 years of experience who receive successful evaluations*	\$3,000 stipend

SOURCE: Public Chapter 7 (1984).  
\* To achieve Career Ladder II or III status, teachers had to pass a test, develop a portfolio, and undergo classroom observation by an evaluator three times in a year – two announced observations and one unannounced.<sup>19</sup>

evaluations. If teachers did not meet the evaluation standards, they would not be eligible for Career Ladder Certification.

CERA included a provision for appealing Career Ladder decisions to the State Board of Education. Further appeals were to an administrative law judge. In the beginning, those teachers who appealed were very likely to win their cases (which would establish their eligibility for Career Ladder Certification).

Some schools and teachers welcomed Career Ladder, but many resisted it, mainly because of the teacher evaluation component. Although teachers were not required to participate in the Career Ladder program (the program was entirely voluntary), any new teachers were required to participate in teacher evaluations. The law required “all teachers certified after the effective date of this act as probationary, apprentice or career level I teachers and all current teachers who choose to participate in the new career teacher program as career level I teachers” to be evaluated according to procedures outlined in the law.<sup>20</sup> This was the first time the state had required structured teacher evaluations, and both principals and teachers had complaints about the system. Principals argued that the system was burdensome, time-consuming, and “paper-heavy,” while teachers argued that the teacher observations – particularly the unannounced observation – were unfair and did not take into account varied teaching methods.<sup>21</sup>

Though Career Ladder included a professional development component, it never became an established part of the program. The Tennessee Education Association helped bolster the professional development component by providing its own workshops on teaching and Career Ladder, but the state did little to emphasize this essential component of teaching quality.

In addition to providing stipends, Career Ladder impacted teacher pay through the extended contract provision. Teachers were eligible for extended contracts for summer employment depending on their Career Ladder status, at a stipend of \$2,000 per month. The extended contracts sought to reward teachers by allowing them to teach during the summer

*Governor Alexander called Career Ladder “an old-fashioned horse trade with teachers. Taxpayers said to teachers, ‘The state will pay you up to 70 percent more based on your performance if you’ll promise to be evaluated every five years.’”*

Source: Thomas S. Dee and Benjamin J. Keys, “Dollars and Sense: What a Tennessee Experiment Tells Us about Merit Pay,” *Education Next*, Winter 2005.

months (as opposed to working at a non-education job in the summer). Extended contracts became increasingly difficult to administer, often because a teacher’s skills did not match the needs of the school system for summer months. In 1988, then-Governor Ned McWherter sought to amend extended contracts, in part because extended contract money was awarded disproportionately to wealthier districts (wealthier districts were more likely to have higher percentages of Career Ladder II and III teachers, making them eligible for the extended contract funds). Under current law, passed by the legislature in 1988, districts apply for extended contract funds (for which all teachers are eligible, not just Career Ladder II and III teachers) based on an annual student needs assessment.<sup>22</sup>

By the mid 1990s, almost all teachers who applied received Career Ladder Certification, resulting in a system that did not really differentiate and reward better teachers. In addition, Career Ladder cost the state approximately \$90 million per year. Moreover, there was a reluctance to develop a system to reevaluate teachers who had reached the tenth year of their certification, as required by CERA. The legislature abolished Career Ladder in 1997 for all new teachers while allowing teachers who had achieved Career Ladder status to continue receiving stipends.<sup>23</sup>

## The Small School Districts Lawsuits – 1988-2006<sup>24</sup>

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From 1977 to 1992, Tennessee funded K-12 public education through the Tennessee Foundation Program, a funding formula that used weighted average daily attendance to determine a local district's funding. In 1988, a coalition of 77 small Tennessee school systems sued the state, charging that the state's education funding mechanism "was unconstitutional because it deprived the poorer counties of their constitutional right to equal protection of the laws."<sup>25</sup>

In response to the Small School Districts lawsuit, the General Assembly passed the Education Improvement Act in 1992, which included a more equitable funding formula – the Basic Education Program (BEP).<sup>26</sup> The BEP estimates the costs of various components of public education, and includes 45 components divided into three broad categories: classroom components (e.g., textbooks and instructional equipment), non-classroom components (e.g., transportation and maintenance), and instructional components (e.g., teachers and librarians).

Originally the BEP formula used a combination of teacher training and experience to determine teacher salary for each school district. Because the wealthier districts had more experienced and educated teachers, those districts – which often already had more desirable work environments and higher teacher salaries – received more money through the BEP salary component than poorer districts.

## Differentiated Pay Plans – 2007

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In 2007, the Tennessee General Assembly passed Public Chapter 376 requiring districts to establish differentiated pay plans and submit them to the Department of Education prior to the 2008-2009 school year.<sup>30</sup> Previously, districts were allowed to have differentiated pay plans but the state did not require them. The new law requires that all school districts "develop, adopt and implement a differentiated pay plan...to aid in staffing hard to staff subject areas and schools and in hiring and retaining highly qualified teachers."<sup>31</sup>

The Small School Districts filed suit again in 1995, arguing that funding changes were not happening fast enough and would not equalize salaries. This time the Tennessee Supreme Court did not side with the Small School Districts, but the justices did suggest that the funding system might need further changes because of "the exclusion of teachers' salary increases from the [current] equalization formula."<sup>27</sup> In response, the General Assembly passed the Teachers' Salary Equity Plan in 1995, which allocated state and local funds for any school district with an average instructional salary (including insurance premiums) of less than \$28,094.<sup>28</sup>

In 1998, the Small School Districts went back to court, arguing that the state plan still perpetuated inequality in teacher salaries. The Supreme Court agreed, with the lead justice arguing: "It is clear that the target salary [of \$28,094] in this equity plan bears no relationship to the current actual cost" of teachers.<sup>29</sup> In 2004, the General Assembly changed the way the BEP calculates teacher salaries in all districts, by providing a set dollar value - now \$38,000 - for each instructional position (though the district's relative wealth still determines the amount of state funding received for each teacher). Because of this change, the Small School Districts lawsuit was officially closed in 2006, as both parties agreed that funding equity had been reached.

The law also requires the State Board of Education to establish guidelines for school districts to use when developing the differentiated pay plans. The State Board's guidelines require the Department to review and approve districts' differentiated pay plans only if funding for the plans is "budgeted, continual and approved in advance by the local board of education."<sup>32</sup> However, because the legislature did not appropriate additional funds for the plans, some districts do not have adequate funds to pay for the differentiated pay plans.<sup>33</sup> The result is that plans in some districts have been developed but not implemented. According to the

**Exhibit 3: Components Present in Districts’ Differentiated Pay Plans and Number of Plans with those Components\***

Plan Component	Number of Plans that Include this Component
Bonus for high-need teachers or administrators	82
Tuition reimbursement for endorsements in high-need areas	48
Bonus for National Board Certification	47
Testing fees reimbursed for endorsements in high-need areas	22
Bonus for student achievement gains	9
Class size reductions	8
Bonus for obtaining additional degrees	5
Bonus for professional development	5
Additional personal days for fulfilling specific requirements	4
Bonus for obtaining tenure	4
Substitute provided for out-of-class experience	3
Bonus for mentoring other teachers	3
Bonus for perfect attendance	2
Student loan forgiveness	2
Bonus for recruiting other teachers	1
Tuition reimbursement for highly qualified teachers	1
Bonus for teachers who relocate to district	1
Tuition reimbursement for teachers obtaining Master’s or taking higher level courses	1

\*Plans may contain more than one component.  
 Source: Tennessee Department of Education, Differentiated Pay Plans, Received from Wesley Robertson.

Tennessee School Boards Association, “the Department [of Education] has allowed plans to be submitted and not budgeted since some systems did not receive sufficient BEP 2.0 funds. Others are using existing resources or new money from BEP 2.0 to pay for the plans.”<sup>34</sup>

The majority of the differentiated pay plans (82 of 136 plans) focus on providing bonuses for teachers and administrators in hard-to-staff positions. Exhibit 3 summarizes the key components of the 136 districts’ plans, which often contain more than one component.

Forty-eight plans offer tuition reimbursements for teachers who get endorsements in high-need subjects. Forty-seven plans provide bonuses for teachers who have obtained National Board Certification, and 22 plans cover fees for required tests in high-need endorsement areas.<sup>35</sup> Nine plans directly link bonuses to teachers and/or administrators to improvements in student achievement.<sup>36</sup> Eight districts include class size reduction strategies as part of their differentiated pay plans. Though not technically differentiated pay, those eight districts are making the assumption that smaller class sizes will help retain or recruit teachers.<sup>37</sup>

**Summary**

This policy history outlines two key events that have impacted teacher compensation in Tennessee: the Career Ladder experiment from 1984-1997 and the Small School Districts lawsuits from 1988-2006. The General Assembly’s passage of Public Chapter 376 in 2007 signals that future teacher compensation models will include performance and incentive pay for teachers. Some studies indicate that differentiated pay, when coupled with other teacher supports, can improve teaching quality. Further study of the effectiveness of the concept in Tennessee will rely on an analysis of the

correlation between and among differentiated pay and other teacher support programs.

For a more in-depth look at the issue of teacher compensation, see the Office of Education Accountability’s legislative brief [Teacher Compensation](#).

## Endnotes

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- <sup>1</sup> Valerie Copeland Rutledge, "[A Case Study Investigating the Funding of Public Education K-12 in Urban versus Rural School Systems in Tennessee](#)," Paper presented at the annual meeting of the Mid-South Educational Research Association, Nov. 1997. Accessed Dec. 15, 2008, at <http://www.eric.ed.gov>.
- <sup>2</sup> Public Chapter 7 (1984).
- <sup>3</sup> Public Chapter 740 (1988).
- <sup>4</sup> *Tennessee Small School Systems, et al., v. Ned Ray McWherter, et al.*, Tennessee Supreme Court, Filed Mar. 22, 1993.
- <sup>5</sup> *Ibid.*
- <sup>6</sup> *Ibid.*; Gary Peevely, Research and Policy Center on Basic Skills, Center of Excellence at Tennessee State University, and Denise Kissane Dunbar, Department of Educational Administration, Tennessee State University, "[Tennessee](#)," p. 18. Accessed Dec. 18, 2008, at <http://nces.ed.gov>, "State Finance Programs: Public School Finance Programs of the United States and Canada, 1998-99."
- <sup>7</sup> Public Chapter 535 (1992).
- <sup>8</sup> *Tennessee Small School Systems, et al., v. Ned Ray McWherter, et al.*, Tennessee Supreme Court, Filed Mar. 22, 1993.
- <sup>9</sup> Access Quality Education, "[Litigation – Tennessee – Historical Background](#)," Accessed Dec. 15, 2008, at [www.schoolfunding.info](http://www.schoolfunding.info).
- <sup>10</sup> *Tennessee Small School Systems, et al., v. Ned Ray McWherter, et al.*, Tennessee Supreme Court, Filed Oct. 8, 2002.
- <sup>11</sup> Public Chapter 520 (1995).
- <sup>12</sup> Public Chapter 424 (1997).
- <sup>13</sup> Access Quality Education, "[Litigation – Tennessee](#)."
- <sup>14</sup> *Tennessee Small School Systems, et al., v. Ned Ray McWherter, et al.*, Tennessee Supreme Court, Filed Oct. 8, 2002.
- <sup>15</sup> Public Chapter 670 (2004).
- <sup>16</sup> Access Quality Education, "[Litigation – Tennessee](#)."
- <sup>17</sup> Public Chapter 376 (2007).
- <sup>18</sup> Karen Weeks, former staff member, State Board of Education, provided information for this section.
- <sup>19</sup> Interview with Karen Weeks, former staff member, State Board of Education, Sept. 17, 2008.
- <sup>20</sup> Public Chapter 7 (1984).
- <sup>21</sup> Interview with Karen Weeks, former staff member, State Board of Education, Sept. 17, 2008.
- <sup>22</sup> Public Chapter 740 (1988).
- <sup>23</sup> Interview with Karen Weeks, former staff member, State Board of Education, Sept. 17, 2008; E-mail to the author, "RE: Career Ladder Section," Sept. 22, 2008.
- <sup>24</sup> Kevin Krushenski, former Principal Legislative Research Analyst, Office of the Comptroller, State of Tennessee, provided information for this section.
- <sup>25</sup> Testimony from Lewis Donelson, attorney, Tennessee Small Schools Association, to the House Education Committee, February 19, 2003.
- <sup>26</sup> Public Chapter 535 (1992).
- <sup>27</sup> Access Quality Education, "[Litigation – Tennessee](#)."
- <sup>28</sup> Public Chapter 520 (1995).
- <sup>29</sup> Joetta L. Sack, "Court Orders Tennessee to Level Teacher Pay," *Education Week*, Oct. 16, 2002.
- <sup>30</sup> Public Chapter 376 (2007).
- <sup>31</sup> *Ibid.*
- <sup>32</sup> Tennessee State Board of Education, "Guidelines for Differentiated Pay Plans, Public Chapter 376," Agenda, Final Reading Item: III. B., Dec. 19, 2007.
- <sup>33</sup> E-mail to the author from Tammy Grissom, Executive Director, Tennessee School Boards Association, "RE: Question about differentiated pay," Sept. 18, 2008.
- <sup>34</sup> *Ibid.*
- <sup>35</sup> High need areas include speech pathologists, English language learner teachers, psychologists, math, physics, chemistry, and special education teachers, among others; Tennessee Department of Education, Differentiated Pay Plans, Received from Wesley Robertson.
- <sup>36</sup> Tennessee Department of Education, Differentiated Pay Plans, Received from Wesley Robertson.
- <sup>37</sup> *Ibid.*







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