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Examining Teacher Performance Incentives

One of the central issues that has emerged from the debate about how to fund public schools in Texas is the extent to which money spent on program resources translates into student achievement. Because teacher salaries are the greatest expense borne by school districts, there is increasing pressure to demonstrate accountability and results for how this money is spent, leading some to call for a closer link between teacher compensation and performance. A growing number of school districts and states around the nation recently have adopted teacher incentive programs. In January 2004, as part of his Educational Excellence initiative, Gov. Rick Perry proposed rewarding effective teachers with annual incentives funded jointly by the state and local districts, with additional bonuses for those who teach in schools in disadvantaged areas.

Teacher performance incentive plans operate on the theory that excellent teachers are the most important factor behind superior student performance. This idea is contrary to what long has been a leading theory among educational scholars, that family background (e.g., socioeconomic status, parental education) is the strongest driver of academic success. Proponents of the teacher-quality theory point to recent research that indicates a powerful connection between teacher performance and student achievement.

Supporters of teacher incentive plans believe that good teachers are undervalued and underpaid. They feel that the teaching profession would attract and retain the best and brightest college graduates if it rewarded excellence in the same way that other businesses compensate valuable employees. This would improve the education received by students and help reduce the teacher shortage, particularly in key subjects such as math and science.

This report describes leading teacher incentive models and presents the debate about whether teacher pay should be tied more closely to performance.

Critics of such plans believe that performance-based incentives disproportionately would benefit teachers at schools that already perform at high levels and would widen the equity gap between property-wealthy and property-poor districts. They also argue that the dynamics of schools are different from those of business and that unclear and subjective criteria for awarding "teacher excellence" incentives could lower teacher morale. Finally, opponents believe that teachers already are dedicated to excellence and that an overall pay increase would reward those hard-working professionals and help attract highly qualified new applicants.

Perceived barriers to teacher quality

Many who view highly qualified teachers as the decisive factor behind student performance regard the use of minimum teacher salary schedules by most states, including Texas, as a barrier to teacher quality. Teacher pay in Texas public schools is based on a 21-step minimum salary schedule on which teachers advance based on years of experience. For the 2003-04 school year, the minimum salary for a new teacher with no experience is $24,240 based on a 10-month contract, according to the Texas Education Agency (TEA). This rises to an annual minimum, based on a 10-month contract, of $40,800 for a teacher with 20 or more years of experience. The overall average salary for Texas teachers in 2001-02 was $39,230, according to TEA, while the national average that school year was $44,367, according to the American Federation of Teachers.

While the state's minimum salary schedule creates a floor below which school districts may not set teacher pay, districts are allowed to set salaries above state minimums, and many include additional stipends in the contracts of those who teach subjects for which good teachers are harder to find, such as science or special education. Nevertheless, critics of the current system believe the minimum salary schedule values seniority more highly than performance. Factors that typically influence compensation in other fields, such as superior performance or the possession of skills in high demand, have little to do with how much teachers make. In effect, critics say, the minimum salary schedule rewards poor and average teachers while failing to recognize and compensate exceptional teachers.

Because pay is based more on seniority than performance, critics say the teaching field does not attract the best and brightest college graduates, particularly in view of recent trends that have thinned the pool of

Texas Teacher Career Ladder: 1984-1993

The 68th Legislature enacted HB 72 by Haley during the June 1984 special legislative session. Among the educational reforms contained in this bill was the establishment of a career ladder for public school teachers. It replaced the existing pay-grade index with a minimum-salary schedule and created a four-step career ladder by which teachers who advanced could earn extra salary. New teachers and most teachers who already were employed started at level one in 1984 and advanced based on appraisals of classroom performance, satisfaction of professional development requirements, and number of years spent at each level on the ladder.

Twice a year, teams consisting of one teacher and one administrator conducted each teacher's classroom performance appraisal. Teachers who could not meet appraisal standards could be demoted or not rehired. Teachers who excelled and met these requirements could move up the career ladder and earn annual supplements of $2,000 at level two, $4,000 at level three, and $6,000 at level four. Teachers who reached level four would have been required to perform additional duties two out of every three years, including supervising student teachers, mentoring new teachers, and assessing level-four candidates. The law also allowed each district to reduce supplement payments proportionally if the district's allotted career-ladder funding from the state did not cover full supplements for all eligible teachers.

The career ladder was abolished in 1993. Education analysts attribute its demise to many factors, including the lack of state and local funding necessary to ensure that the teachers who met the requirements of the ladder received their stipends. In addition to the demoralizing impact of unpaid supplements, some observers feel that the system created a negative atmosphere of competition, rather than collaboration, among educators. Finally, some questioned the training, qualifications, and impartiality of some of the school administrators who conducted the performance appraisals.

Constitutional issues around teacher bonus pay

Questions have been raised about the circumstances under which the Texas Constitution permits school districts to pay additional compensation or bonuses to teachers under contract. Art. 3, sec. 53 of the Constitution prohibits the Legislature from granting, or allowing a "county or municipal authority to grant, any extra compensation, fee, or allowance to a public officer, agent, servant, or contractor, after service has been rendered, or a contract has been entered into."

In 1979, then-Atty. Gen. Mark White issued Opinion No. MW-68 in response to a request from the Fort Worth ISD as to whether the district could grant bonuses or salary increases to teachers in return for services performed after the commencement of the school year and the teachers' contract period. The attorney general said that Art. 3, sec. 53 embraces school districts and prohibits them from granting mid-contract salary increases "in the absence of additional consideration." A school board can, however, renegotiate a contract in progress "where new consideration passes to the district in exchange for new benefits provided." Also, while state law forbids a district from creating a "deficiency debt" — i.e., promising to pay teachers an amount greater than exists in a given year's school fund — a policy to provide future salary increases is allowed because "the obligation arises only when the contracts are executed."

In December 2003, TEA requested an opinion from Atty. Gen. Greg Abbott about the circumstances under which teachers could receive monetary awards in addition to their salaries. In particular, TEA asks how Opinion No. MW-68 bears upon the Advanced Placement (AP) Incentive Program, which awards funds to public schools, and potentially to teachers, for student performance on AP tests and international baccalaureate exams, as outlined in Education Code, sec. 28.053. The attorney general's opinion remains pending.

applicants. Advances in women's rights and civil rights, for example, have given expanded opportunities in more lucrative fields to vast numbers of people who traditionally were attracted to teaching. Limited opportunities for increased compensation and career advancement, combined with recent developments such as class-size limits and increasing teacher retirement rates, have created teacher shortages in Texas and nationwide, particularly in hard-to-staff subjects such as math and science. As a result, critics say, districts have been pressured to hire teachers who may not be well-prepared in the subjects they were hired to teach, a circumstance that disproportionately affects schools in disadvantaged areas. According to the Texas Higher Education Coordinating Board, in 2001 some 30 percent of Texas teachers taught subjects outside their fields of expertise.

Finally, critics say, traditional systems of teacher compensation often do not provide sufficient opportunities for teachers to take on additional duties and responsibilities for extra compensation while remaining in the classroom. Ordinarily, teachers who wish to advance professionally and earn more money either move into administration or leave the field, a trend that some experts believe contributes to problems surrounding teacher shortages, teacher retention, and quality.

Leading incentive-based plans

Incentive plans are not new to the Texas educational system. For example, inspired by a program implemented earlier by the Dallas ISD, Texas in 1997 began offering incentives to school districts of up to $100 per student who enrolled in an Advanced Placement (AP) course and scored high enough on the AP exam to qualify for college credit. Other plans, which aim to boost teacher quality through incentive programs and other measures, exist in Texas and elsewhere. Some of the leading models are examined here.

Teacher Advancement Program. The goal of this initiative is to improve student performance by recruiting and retaining talented teachers, largely through a career advancement system that allows teachers to remain in the classroom. The program allows teachers to earn more money, develop new skills, and take on added responsibility through a career path that can lead to "mentor" and "master" teacher status. Approximately 70 schools in eight states have adopted the Teacher Advancement Program, according to the Milken Family Foundation, a philanthropic organization that supports educational research.

Teacher performance is measured through an evaluation system, conducted six times annually, that is designed to be both stringent and supportive. Evaluation teams composed of mentors, master teachers, and administrators identify teacher strengths and weaknesses and develop individualized improvement plans. Student test score improvement, and the teacher's role in effecting it, also are evaluated through a value-added approach (see *Value-added modeling*, right). These evaluations help determine both professional development opportunities and raises and bonuses that teachers earn. Schools have the option of spreading bonus money evenly or giving individual bonuses.

Benwood initiative. This effort to staff nine of Tennessee's lowest-performing schools with highly qualified teachers is funded through a $5 million grant by the Benwood Foundation, a Chattanooga-based philanthropic organization. The Hamilton County school district, which encompasses the City of Chattanooga, identifies high-performing teachers (i.e., those whose students tested well) and provides incentives for them to transfer to low-performing elementary schools, including a $5,000 annual bonus, free tuition towards a master's degree, and a $10,000 loan toward a home in the neighborhood (forgiven for teachers who stay in the school for five years). In addition, an annual "team bonus" of up to $2,000 is available for every teacher in a school whose students show significant test gains. According to the U.S. Department of Education, average test scores at all nine affected schools improved in reading, language, and math between the spring of 2001 and 2002 at a rate nearly double that of the district average.

Aldine ISD performance incentives. This district north of Houston began an incentive program in 1995 to reward school employees for helping improve student achievement. Teachers and other campus personnel who meet verifiable performance standards are eligible to receive incentives of between $500 and $1,200, which are distributed within each school at the discretion of a campus steering committee. Individuals who teach in "Critical Need Areas" — including math, science, and reading in grades 7-12, and bilingual and special education at all levels — also are eligible for annual supplements ranging from $1,500 to $3,500. In addition, Aldine's Mentorship Program provides a mentor to support and assist first-year teachers, for which the mentor receives a $250 supplement.

Value-added modeling

This method, developed by researcher William Sanders, is the best-known approach for determining the impact of individual teachers — as well as schools and systems — on student learning. It is a statistical model designed to measure a teacher's contribution to learning while controlling for confounding factors such as family background and socioeconomic status. Based on test-score history, each student receives an "expected score" at the beginning of the school year. The teacher receives credit based on how much better than expected the student performs on the test and how well the student does compared to peers.

The value-added approach is a major component of evaluation systems for incentive programs in several states, including Arizona, Colorado, Florida, North Carolina, Ohio, and Tennessee.

Source: The Teaching Commission and the RAND Corporation

According to district officials, Aldine ISD has some 56,000 students, of whom roughly 75 percent are economically disadvantaged, 58 percent are Hispanic, and 33 percent are African-American. In 1995, TEA gave the district an "Accredited" rating, the minimum acceptable rating at that time. By contrast, from 1997 to 2002, following the implementation of the incentive program and other initiatives designed to improve student performance, the district has held a "Recognized" accountability rating, awarded by TEA to districts in which (for 2002): at least 80 percent of all students and each student subgroup (e.g., race, economic disadvantage) passed the Texas Assessment of Academic Skills (TAAS) test; and the dropout rate was below 2.5 percent. Over the same period of time, total incentive payments grew from approximately $420,000 awarded to 158 campus personnel in 1997 to nearly $4 million awarded to 4,639 employees in 2002.

Florida School Recognition Program. The FSRP, established in 1998, awards $100 per student to schools that demonstrate superior student performance, based on state accountability standards, or that show significant improvement over the previous year's performance levels. In 2003, Florida awarded nearly $138 million to more than 1,600 schools.

Schools may use the funds for faculty and staff bonuses, expenditures for educational equipment and materials, and/or temporary personnel to assist in maintaining or improving student performance. Local schools set criteria and make decisions about how to use the award money.

California bonus pay plan. In 1999, as part of a larger school accountability plan, then-Gov. Gray Davis introduced a series of performance incentives for teachers and schools. Under the Certificated Staff Performance Incentive program, the state appropriated $100 million for the 1999-2000 school year to fund annual bonuses for teachers and other staff at underperforming schools where students met certain performance targets defined under California's accountability system. The School Site Performance Bonus, funded at $350 million and authorized only for the 1999-2000 school year, also paid incentives to staff at schools that demonstrated high levels of performance. A third program, funded at $227 million for 1999-2000, paid incentives to high-performing schools.

In the first year, financial incentives paid under all three programs totaled $677 million, according to the California Department of Education. However, the state's budget crisis subsequently led to substantial cuts in its performance incentive programs and funding for incentives ceased completely by 2001, by which time California had paid approximately $821 million to teachers and schools.

Denver's Professional Compensation System. Through a collective-bargaining agreement between the teacher's union and the district, the Denver public school system is poised to adopt a new Professional Compensation System (ProComp). This would allow current teachers to sign contracts opting out of the traditional salary schedule in favor of a compensation model that would tie teacher pay more closely to student performance. In March 2004, Denver Classroom Teachers Association members overwhelmingly approved the proposal, and ProComp will take full effect in January 2006 if taxpayers vote the preceding November to fund the system through a $25 million property tax increase.

ProComp would evaluate and compensate teachers based on a number of factors, including degrees and professional development units obtained, teaching in hard-to-staff assignments and disadvantaged schools, and fostering student achievement and growth. The evaluation system would use a variety of measures to assess teacher performance and include remediation opportunities for teachers whose performance was deemed unsatisfactory. ProComp also would require the resolution of disputes over compensation through binding arbitration. If Denver voters approve, teachers would receive pay increases averaging 12 percent, which would vary from teacher to teacher.

Joint Select Committee recommendations. In its March 2004 report to the Texas Legislature, the Joint Select Committee on Public School Finance recommended the establishment of an Educational Excellence Fund that would pay for performance-based incentives awarded to teachers and other campus staff. Participation by teachers and districts in the incentive programs would be voluntary. TEA would develop a system for assessing performance through a value-added approach that included TAKS and other measures as data allowed. Individual teacher performance incentives would be implemented locally with input from principals and parents. Teachers deemed to be in the top 15 percent at each district could receive incentives — those in the top 5 percent would be eligible for an award of $10,000, and those in the next 10 percent could receive $5,000. Teachers in the highest-rated campuses that comprise the top two-fifths of the state's students also could receive bonuses ranging from $1,000 to $5,000.

Texas Teacher Excellence Incentive. In January 2004, Gov. Perry introduced a series of proposals designed to reward teachers and schools that fostered improved student performance. Among these initiatives is the Teacher Excellence Incentive, which would establish a $200 million fund, administered by TEA, for the distribution of annual bonuses of up to $2,500 to reward "effective" classroom teachers employed by districts that agreed to match the state money. In addition, effective teachers who chose, or were assigned, to teach in disadvantaged areas could qualify for an additional $5,000 annual bonus.

Participating districts would be required to develop a program to reward "teaching excellence," which would contain details on criteria for awarding bonuses, identifying low-performing schools, etc. Following TEA's approval of the plan, a qualifying district would distribute award money directly to teachers who had been selected locally for classroom "effectiveness and excellence" at campuses that demonstrated high levels of student performance.

In addition to the teacher performance incentives, Gov. Perry's Educational Excellence Plan includes five campus-based incentives, costing approximately $211 million, that would reward schools based on their students' academic performance and progress toward graduation. A $100 million Successful School Fund also would reward deserving districts facing special challenges that may be unable immediately to meet the standards outlined in the campus-based initiatives.

Debate about teacher incentives

Supporters of teacher incentives say: Texans deserve to see value for their dollars spent on education. The focus must be on excellence, not just spending more to maintain the status quo. More money is needed, but it must be tied to obtaining measurable results. Teacher incentives should be part of this effort.

Providing incentives and rewarding excellence works in business, and it will produce better teachers and results in the field of education. Incentives already work in numerous plans across the country and in Texas where Aldine ISD has been recognized consistently for superior academic performance in the years following the implementation of its incentive program. Dallas ISD also has shown impressive gains in AP participation and scores among students, particularly minority students, since implementing its incentive program.

Incentives will attract and retain higher quality college graduates to the teaching profession, helping to reduce teacher shortages, especially in math and science. The Teaching Commission, an organization that supports teacher quality initiatives, reports that college graduates who enter the teaching profession tend to score at the bottom of undergraduate and graduate entrance examinations such as the SAT and the GRE. Newly hired teachers with the best credentials and highest test scores also are far more likely to leave the profession after three years. Teacher incentives that reward exceptional performance would help to reverse these trends.

Better teachers produce better students. Recent studies show that the strongest driver of student success is effective teachers, rather than student background. According to one study (Sanders and Rivers, 1996), equally able fifth graders who had weak teachers three years in a row scored at the 29th percentile in math achievement compared to those who had strong teachers, who scored in 83rd percentile. Excellent teachers are essential to creating "internal capacity" within schools to successfully implement other educational reforms and improvement initiatives. The federal No Child Left Behind Act (NCLB) calls for a "highly qualified" teacher in every classroom by 2005. Teacher incentives will help bring this about.

The governor's plan deliberately does not contain detail about how teachers would be evaluated for bonus eligibility. School districts, in conjunction with TEA, would formulate specific plans to assess and compensate teachers in the manner that best suits each locality. Evaluations of teacher performance, such as the value-added approach recommended by the Joint Select Committee, are well researched and widely used. In any case, subjective evaluations exist in all professions — there is no reason teaching should be any different. Evidence suggests that good teachers welcome the opportunity to be compensated fairly for their superior performance.

While $1 billion per biennium in additional funds for incentives — $400 million for teachers — is important in terms of boosting student achievement, it is not nearly enough to disequalize the funding system. In fact, according to an estimate based on TEA's student performance data for 2003, the governor's five campus-based incentive proposals (not including teacher incentives) would generate approximately $51 per student in extra funding for districts in the lowest quartile of property wealth as opposed to approximately $49 per student for districts in the highest quartile of property wealth. The incentives advocated by the governor to place good teachers in low-performing schools also would raise standards there and improve equity as kids at low-performing schools received the quality instruction they need to achieve at a high level.

The governor's plan to give bonuses to teachers would be a funded grant program, not an unfunded mandate. School districts would not be required to apply for funding, nor would they be forced to offer teachers the maximum $2,500 bonus that the state is prepared to match. The recommendation offered by the Joint Select Committee also would make participation in incentive programs optional. Districts that did choose to offer incentives likely would find that teachers would earn money for their schools as well as themselves by helping to improve student test achievement, high school advancement, and other measures. The governor's plan as a whole would present opportunities for schools of every type to earn bonuses, some of which could be applied to the matching portion of teacher incentives.

Through alternative and streamlined certification policies, the state has opened the door to attracting well-educated, literate teachers, factors that evidence suggests have a greater impact than education training on quality teaching. Adding performance-based incentives to this package further would enhance the attractiveness of teaching for some of the best minds in Texas.

Opponents of teacher incentives say: A performance-based incentive plan would reward "wealth" rather than performance, disproportionately rewarding teachers at high-performing schools primarily for the raw materials they are handed — i.e., better students. Teacher incentives, especially when combined with other incentive programs, likely would widen the equity gap. A Sarasota Herald-Tribune analysis of the Florida program shows that the richest half of the state's schools — those in which fewer than 50 percent of students receive free or discounted lunch — has received 67 percent of the state's reward money during the five years of FSRP.

Under the governor's proposal, the state would fund only 50 percent of each teacher's bonus — the rest (up to $2,500 per award) would be left to districts that generally cannot afford it. Although districts would not be required to participate in the state-subsidized incentive program, those that did not could be placed at a competitive disadvantage vis a vis wealthier districts that could afford to offer incentives to their teachers.

The school finance system needs more money, but it should be funneled into basic school funding to increase overall capacity, not for "icing on the cake." The state currently is engaged in an ambitious reform program that includes new accountability standards at the state and federal levels, not to mention a shift toward requiring all students to graduate under the more rigorous recommended high school program, as opposed to the minimum program. In addition, new funds first should be applied toward programs that were cut during the 2003 legislative session, including new textbooks and teacher health insurance. Texas does not, and never has, spent enough to ensure a quality education. One billion dollars per biennium in incentives will not improve educational quality, particularly when bonus money is offered in lieu of a properly funded educational system. Teacher incentive plans only divert attention from the real funding issues.

Teachers already are dedicated to excellence and do not need incentives to strive for improved student performance. Teachers deserve higher pay across the board, which will attract and retain the best and brightest applicants. Before any state-level performance-pay system is instituted, the minimum salary schedule should be increased so that the base pay of Texas classroom teachers is at least at the national average.

Leading incentive proposals would create "winners" and "losers" by denying bonuses to most of the state's teachers and school employees. This could create the false impression that teachers who did not receive incentive payments were not "good teachers" and could erode the spirit of collaboration among school faculty that is essential to any effort to improve student performance.

The criteria for determining "excellent teachers" under an incentive program are unclear and highly subjective. Bonuses that were awarded unfairly would lower morale and fuel resentment, leading to the same problems that doomed the career ladder in the 1980s. Even research-based methods of assessing school and teacher performance, such as the value-added system, can be flawed. In Tennessee, for example, some legislators have proposed scrapping the state's Value-Added Assessment System because of wide discrepancies in some cases between raw test results and results adjusted by the value-added system. In addition, a study by the RAND Corporation indicates that the research base supporting value-added modeling currently is insufficient to base high-stakes decisions on its use.

Teachers are not opposed to exploring new systems of compensation designed to increase student achievement and teacher pay, but such plans can only work if they are crafted in an environment of mutual trust between teachers and districts. A fair compensation plan must provide an adequate salary base for all teachers, contain clear criteria by which teachers would receive additional pay, and guarantee that teachers who met evaluation standards actually would receive the bonuses they had earned. Unlike the collectively bargained compensation plan that is pending in Denver, incentive proposals that currently are circulating in Texas fall short in these areas.

The dynamics of public schools are completely different from those of business. While a business can choose its customers and refuse to serve those who will not pay the asking price, public schools must educate all comers, and bonuses must be paid through tax dollars, not sales revenue.

In addition, past experience has shown that performance incentive measures run out of steam when it comes time to pay for them. Because school districts must operate within finite budgets, it is possible that performance improvements might outstrip the ability of districts to pay awards to all deserving teachers. In such a case, a district likely would be forced to cut the bonus amounts, pay incentives to fewer teachers, or abandon the incentive program altogether. California's performance-pay program failed when the amount of the bonuses grew too high, as did the career ladder experiment in Texas. History suggests that similar incentive proposals would meet the same fate.

Other opponents of teacher incentives say: Teacher incentives are a good idea, but the state should require that awards be school-based rather than teacher-based to avoid divisiveness and resentment among teachers. Also, any plan should require the inclusion of mentor programs, continuing professional development, and other measures that have been implemented in successful programs to improve teacher quality. There is little hard evidence demonstrating that teacher incentives alone are responsible for improved student achievement. Instead, research indicates that incentive programs are most effective when they are part of an overall plan to implement a range of best practices into the education environment.

Others argue that teachers do not need more money. They are not underpaid, and most make above- average annualized salaries. A 37 percent pay increase since 1990 has not improved quality. Improved efficiency, not more money, is needed to improve quality and fix the school finance system.

Still others argue that test scores, a likely indicator of excellent teacher performance, probably will rise, but not necessarily because kids are learning more. School districts know how to manipulate data to meet accountability standards when money is on the line, as demonstrated by the recent controversy over Houston ISD's artificially low dropout rate. By making receipt of even more money dependent on test scores, these so-called excellence programs just would create a greater incentive for teachers, schools, and districts to engage in creative accounting, say the critics.

— by Ben Davis