



Implementing Differentiated Compensation Systems for Educators

July 2015

On April 10, 2015 in Nashville, Tennessee, the Reform Support Network (RSN) brought together leaders from State education agencies (SEAs) planning to make educator compensation a key component of their equitable access plans. State leaders from Delaware, Mississippi, South Carolina and Tennessee explored strategies for how SEAs can advance differentiated compensation systems for educators. The meeting featured presentations by Tennessee State and district leaders who explained how the State has supported district-based compensation reform and researchers who supported the State's efforts. Afterward, leaders from participating States discussed how to use compensation to increase educator effectiveness and promote equitable access to effective teachers. This memorandum summarizes the discussions that took place at the convening and the work that participating States have undertaken since then.

Lessons from the Tennessee Department of Education

Representatives from the **Tennessee** Department of Education (TDOE) opened the convening by explaining how the Volunteer State has piloted and expanded district-level differentiated compensation strategies. Starting in 2010, TDOE strategically gathered stakeholder input and conducted regional meetings to determine how the State and its districts can use compensation to improve student access to effective teachers. By 2014, all districts adopted differentiated compensation systems that included one or more of four compensation strategies designated by TDOE. These strategies included creating new roles for teachers (adopted by 111 districts), providing incentives to teach hard-to-staff subjects and in high-need areas (adopted by 69 districts), establishing performance pay (adopted

by 57 districts) and modifying or creating new salary structures (adopted by 35 districts). TDOE provided funding and technical support to assist with district implementation.

Representatives from TDOE emphasized the value of creating a strong State-level initiative that has clear goals but allows for local flexibility. By letting individual districts create tailored compensation systems, State leaders were able to leverage the experience of early adopters to encourage innovation in other districts. Leaders also emphasized the importance of framing new compensation systems as part of a larger human capital system rather than an isolated reform.

State representatives acknowledged that they are still working to manage ongoing implementation issues. In particular, local leaders often lack the capacity to design and implement new

The Reform Support Network, sponsored by the U.S. Department of Education, supports the Race to the Top grantees as they implement reforms in education policy and practice, learn from each other, and build their capacity to sustain these reforms, while sharing these promising practices and lessons learned with other States attempting to implement similarly bold education reform initiatives.

compensation systems. Furthermore, the State is still working to create strong messages about the purpose and benefits of compensation reform at the State and local levels. Moving forward, TDOE will prioritize spreading awareness about how districts can leverage State supports to implement new compensation systems and align their own messages about compensation reform with those of the State.

Lessons from Tennessee Local Educational Agencies

To demonstrate the connection between State support and school district success, representatives from two Tennessee school districts—Putnam County School District and Metro Nashville Public Schools—outlined their experiences creating and implementing compensation systems.

Putnam County officials discussed how they were able to leverage State and Federal funds to create the Putnam Achieving Student Success (PASS) system, which incorporates performance into teachers' base pay and offers bonuses for earning advanced degrees and certification, taking on teacher leadership roles and teaching in hard-to-staff positions. Officials reported on the initial rollout of the system and how they have been able to review and revise it while maintaining support through stakeholder engagement.

Metro Nashville officials focused on how they spent the past year obtaining buy-in from teachers and principals through district-wide surveys, focus groups and other outreach strategies. They explained that while earlier efforts by the district to implement a differentiated compensation system were not successful, the district has been able to use its newly compiled survey and focus group data to craft a new plan for increasing salaries based on performance and advanced degrees. Officials emphasized that they will continue to engage teachers to expand buy-in before presenting the plan to the Nashville Board of Education for final approval in late 2015.

Lessons from Researchers

Stephen Frank from Education Resource Strategies (ERS) gave a presentation on lessons from Tennessee that other State compensation reformers might consider. In 2014, ERS supported 35 Tennessee districts during compensation redesign by offering workshops, webinars and interactive tools. Frank pointed to four clear lessons on the State role in reforming teacher compensation:

1. Compensation reform should follow efforts to create rigorous and credible evaluation systems;
2. State roles should reflect its authority to set salary schedules (for example, States with limited control can require districts to create their own plans while States with no control can collect and disseminate best practices);
3. States should focus on financially sustainable strategies that improve student outcomes (for example, more pay for expanded teacher roles and gradual, annual pay increases for top performers); and
4. States should revise policies that inhibit innovative compensation and staffing models (for example, one-teacher classrooms).

State Planning and Follow-up Activities/Discussions

After hearing from Tennessee and ERS, State teams considered new or enhanced practices to refine their compensation work and developed action plans to implement those practices after the convening.

The **Delaware Department of Education**, rather than local school districts, provides the majority of funding for teacher salaries. Leaders discussed how to use this structure to encourage districts to adopt differentiated compensation models and educator career pathways. State representatives planned to create a model compensation structure that districts

can use to modify their own systems, similar to Tennessee. Representatives emphasized that any new compensation reforms in the State should be part of a larger human capital system rather than isolated reform.

Mississippi is piloting a differentiated pay system across a small set of districts using Federal Teacher Incentive Fund grants. During the convening, State representatives discussed several areas where the State could better support these districts, including providing data on teacher performance and compensation funds to districts more quickly. As a next step, Mississippi representatives planned to work with the State Board of Education to make it easier to provide districts with funding for differentiated pay. The State will also reach out to participating districts to identify other sustainability issues and determine whether districts will continue to participate in the pilot for another year.

South Carolina focused on how it might combine raising the minimum State salary schedule for teachers with a more streamlined career pathway. As a next step, State representatives will research how to reallocate teacher compensation funds, such as bonuses for teacher certifications, to create incentives for teachers to teach in hard-to-staff subjects and schools and take on leadership roles. Since the convening, South Carolina representatives have begun reviewing their compensation policies for opportunities to build stronger career pathways. They have also begun outreach to stakeholder groups as a first step toward building a communications plan related to improving compensation systems in the State.

Tennessee will build on its district-level work by identifying and disseminating strong examples of district compensation systems in the State. As a first step, Tennessee representatives will create a rubric to evaluate district differentiated pay plans on a variety of standards, including the plan's impact on overall teacher compensation. Once TDOE identifies strong models of district plans, it will create case studies of some of the new district differentiated compensation systems and identify teachers and principals who will serve as ambassadors and speak to other districts about the success of these systems. Since the convening, representatives looked back to how they reviewed district plans the previous year and identified potential criteria to target for the new rubric. Representatives have also begun planning how they will reach out to districts to identify potential teacher ambassadors.

Compensation reform can transform how States and districts acknowledge teachers for the value they bring to their classrooms and schools. Yet, designing and implementing these reforms remains complicated work. Over the past five years, the TDOE has shown one way States can work with districts to build sustainable compensation systems that are flexible and respond to the needs of stakeholders. As other States and districts move forward with their efforts, they can look to the successes and challenges of Tennessee's work as a guide.

Appendix A – Tennessee Compensation Presentation

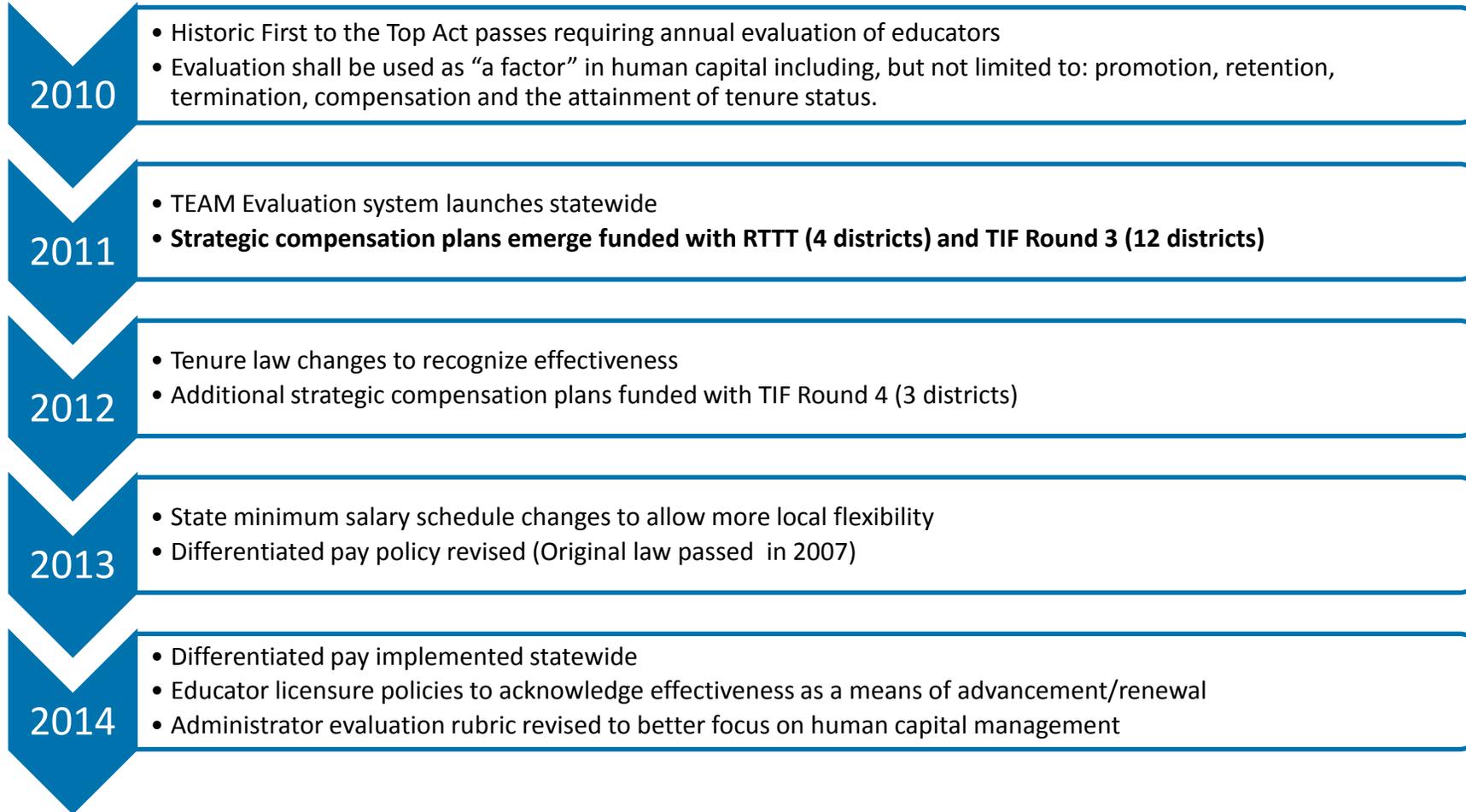
This presentation from TDOE provided an overview of the State's efforts to create differentiated compensation systems across districts. It includes the goals, processes and outcomes of the State's initiative as well as a summary of components of specific districts' compensation plans. Additionally, the overview highlights challenges the State encountered and next steps it plans to pursue.



Tennessee Compensation

RSN Convening

Tennessee's policy changes are focused on improving educator effectiveness and using data to drive decisions about who teaches our students



Strategic Priority 1: Expand students' access to effective teachers and leaders



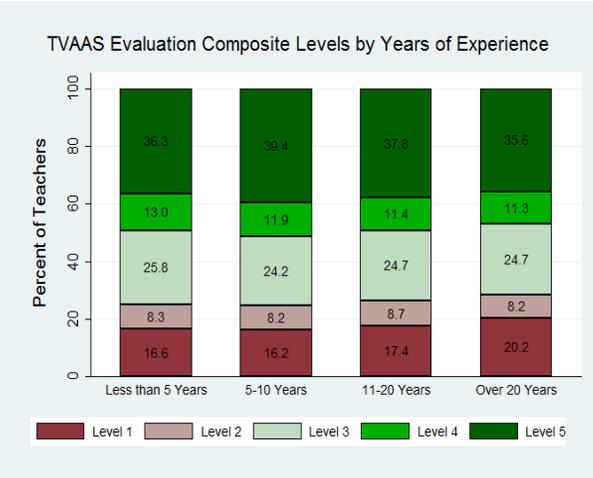
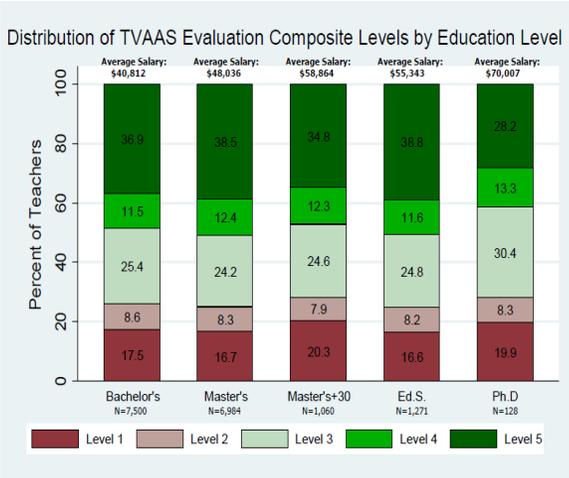
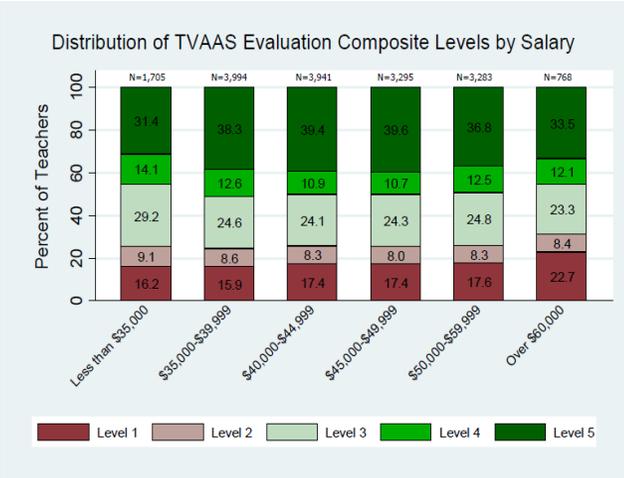
Driving belief: Tennessee students need great teachers and leaders, focused on preparing their students for college and careers. Our best teachers and leaders should reach as many students as possible.

Key Strategies

- Create marketplaces and supports for districts to hire the most effective teachers
- Strengthen the links between effectiveness, licensure and program approval
- Expand recruitment and supports for districts to hire effective principals
- ***Encourage and fund strategic compensation to attract and retain effective teachers***
- Expand the reach of our most effective teachers and leaders to access more students

Distribution of TVAAS

TVAAS distribution does not differ substantially by education level, salary or years of experience.



Compensation Law and Related Policies

- One Law
 - T.C.A. 49-3-306, adopted in 2007, requires that LEAs differentiate how they pay licensed personnel.

- Two Policies
 - Revised annual minimum salary schedule for 2013-14
 - Revised differentiated pay guidelines for 2014-15
 - No presently employed teacher can earn less than they currently make, they can only make more.

- Districts have flexibility under the law to develop and implement pay plans that meet their specific priorities, needs, and context:
 - Reward teachers who teach in high needs schools or high needs subject areas
 - Reward teachers for performance based on state board approved evaluation criteria
 - Additional compensation to teachers who take on additional instructional responsibilities (i.e. teacher mentors, instructional coaches)
 - Adopt alternative salary schedules

2012-13 State Minimum Salary Schedule

Years of Experience	Doctorate		Education Specialist		Master + 30 hours		Master		Bachelor		3 Years of	2 Years of	1 Year of	0 Year of
	Teachers/ Principals	System-wide Personnel	College	College	College	College								
0	40,785	41,775	37,525	38,855	36,050	37,345	33,835	35,115	30,420	31,715	25,865	25,095	24,345	23,580
1	41,370	42,370	38,105	39,450	36,640	37,955	34,430	35,740	30,990	32,315	26,340	25,580	24,800	24,015
2	41,370	42,370	38,105	39,450	36,640	37,955	34,430	35,740	30,990	32,315	26,340	25,580	24,800	24,015
3	42,060	43,060	38,725	40,100	37,215	38,560	34,975	36,305	31,475	32,810	26,750	25,965	25,175	24,385
4	42,940	43,980	39,510	40,920	37,955	39,325	35,690	37,050	32,080	33,450	27,280	26,470	25,670	24,860
5	43,830	44,885	40,340	41,770	38,775	40,175	36,465	37,855	32,750	34,140	27,845	27,020	26,205	25,380
6	45,030	46,115	41,440	42,905	39,815	41,245	37,450	38,870	33,610	35,045	28,565	27,720	26,880	26,050
7	45,985	47,090	42,330	43,830	40,655	42,115	38,265	39,715	34,315	35,780	29,175	28,320	27,450	26,595
8	47,385	48,510	43,595	45,100	41,850	43,355	39,400	40,915	35,320	36,820	30,015	29,135	28,250	27,370
9	48,410	49,570	44,540	46,120	42,750	44,295	40,245	41,785	36,065	37,590	30,645	29,750		
10	48,590	49,755	44,720	46,310	42,945	44,490	40,430	41,965	36,220	37,760	30,790	29,885		
11	49,625	50,825	45,680	47,300	43,875	45,460	41,310	42,885	37,005	38,575	31,455	30,525		
12	49,835	51,030	45,875	47,505	44,040	45,625	41,480	43,050	37,170	38,755	31,600	30,670		
13	50,905	52,135	46,855	48,510	44,995	46,615	42,385	44,000	37,950	39,565				
14	51,090	52,315	47,045	48,725	45,180	46,800	42,590	44,200	38,125	39,745				
15	52,190	53,445	48,060	49,760	46,140	47,800	43,500	45,155	38,940	40,595				
16	52,190	53,445	48,060	49,760	46,140	47,800	43,500	45,155	38,940	40,595				
17	53,130	54,405	48,910	50,645	46,945	48,630	44,260	45,930	39,590	41,270				
18	53,130	54,405	48,910	50,645	46,945	48,630	44,260	45,930	39,590	41,270				
19	54,105	55,405	49,775	51,540	47,770	49,485	45,025	46,735	40,255	41,965				
20	54,105	55,405	49,775	51,540	47,770	49,485	45,025	46,735	40,255	41,965				

2013-14 State Minimum Salary Schedule

Base Salary = \$30,876	Year 0	Years 1-5	Years 6-10	Years 11-15
with Bachelor's Degree	Base = \$30,876	Base + \$570 = \$31,446	Base + \$3,190 = \$34,066	Base + \$6,585 = \$37,461
with Advanced Degree	Base + \$3,415 = \$34,291		Base + \$7,030 = \$37,906	Base + \$10,890 = \$41,766

Phase 1: Communication and Awareness

- When: April to August 2013
- What:
 - Gathered feedback from various stakeholder groups
 - Held regional meetings, fiscal workshops, and state level organizations
 - Assessed district needs and desired support
 - Developed FAQs and website
- Who:
 - Tennessee Education Association
 - Tennessee Organization of School Superintendents
 - Directors of Schools
 - Executive Committee of the Superintendents Study Council
 - District Fiscal Staff
 - Other states/districts implementing similar salary policies (Louisiana, Indiana, Florida)

Phase 2: Accelerated Planning Cohort

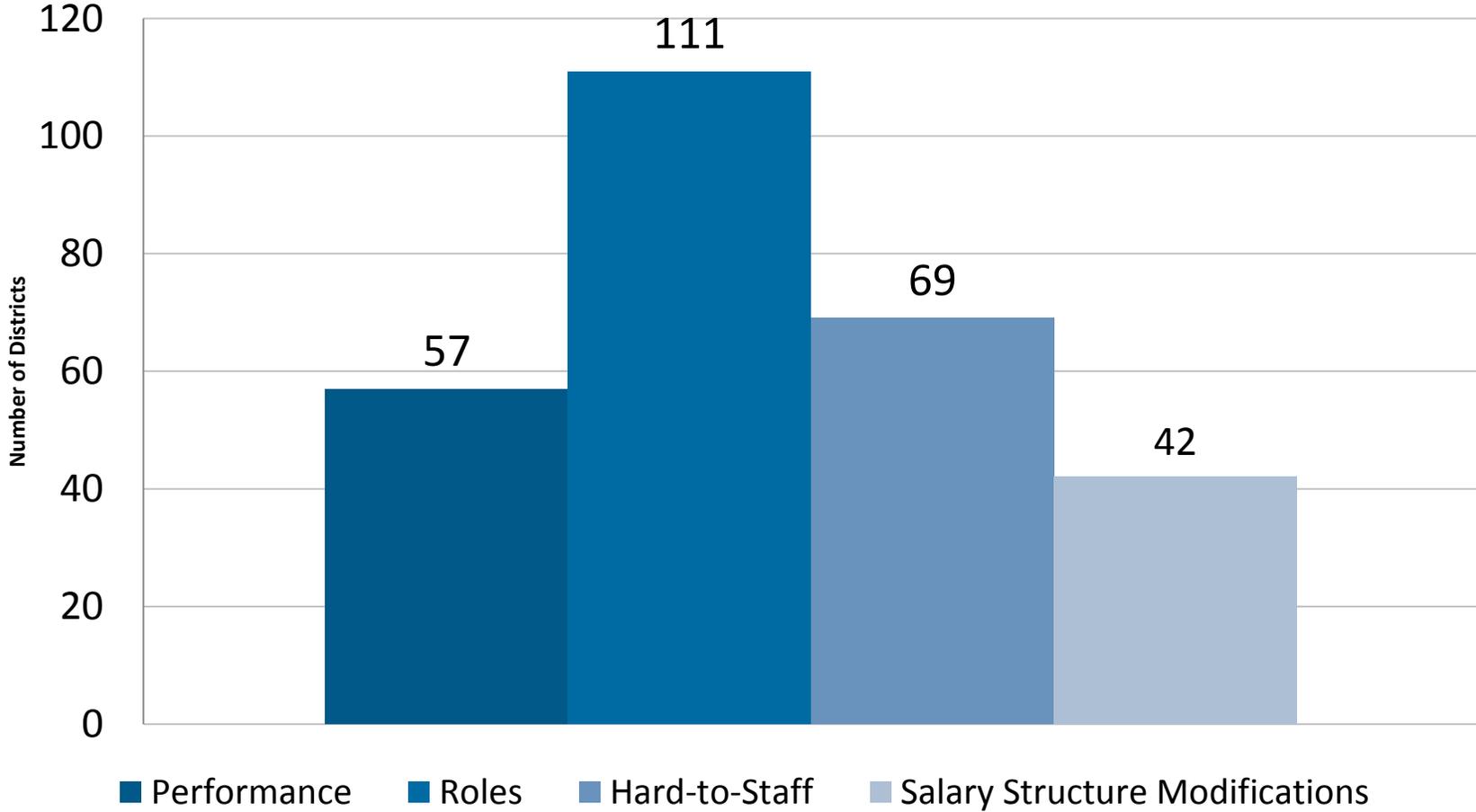
- When: September to December 2013
- What:
 - Partnered with Education Resource Strategies to deliver four intensive support sessions for a select number of districts
 - Session 1 - Assess current compensation against strategic compensation and discuss improving its structure
 - Session 2 - Discuss potential costs and performance impact of plans, strategic staffing, roles and career pathways.
 - Session 3 - Present **districts' preliminary revisions of revised pay schedules; identify budget trade-offs** and potential resources.
 - Session 4 - Discuss plan implementation: communications, logistics and process, finance, analytics and data.
 - Districts created draft plans and received feedback from peers throughout the process
- Who:
 - Cohort of 34 districts

Phase 3: Statewide Support

- When: October 2013 to April 2014
- What:
 - Regional and webinar-based planning sessions
 - District-level planning support as requested
 - Differentiated Pay Resource Guide
 - Online compensation design and financial modeling tool
 - Planning support from Battelle for Kids
- Who:
 - All districts

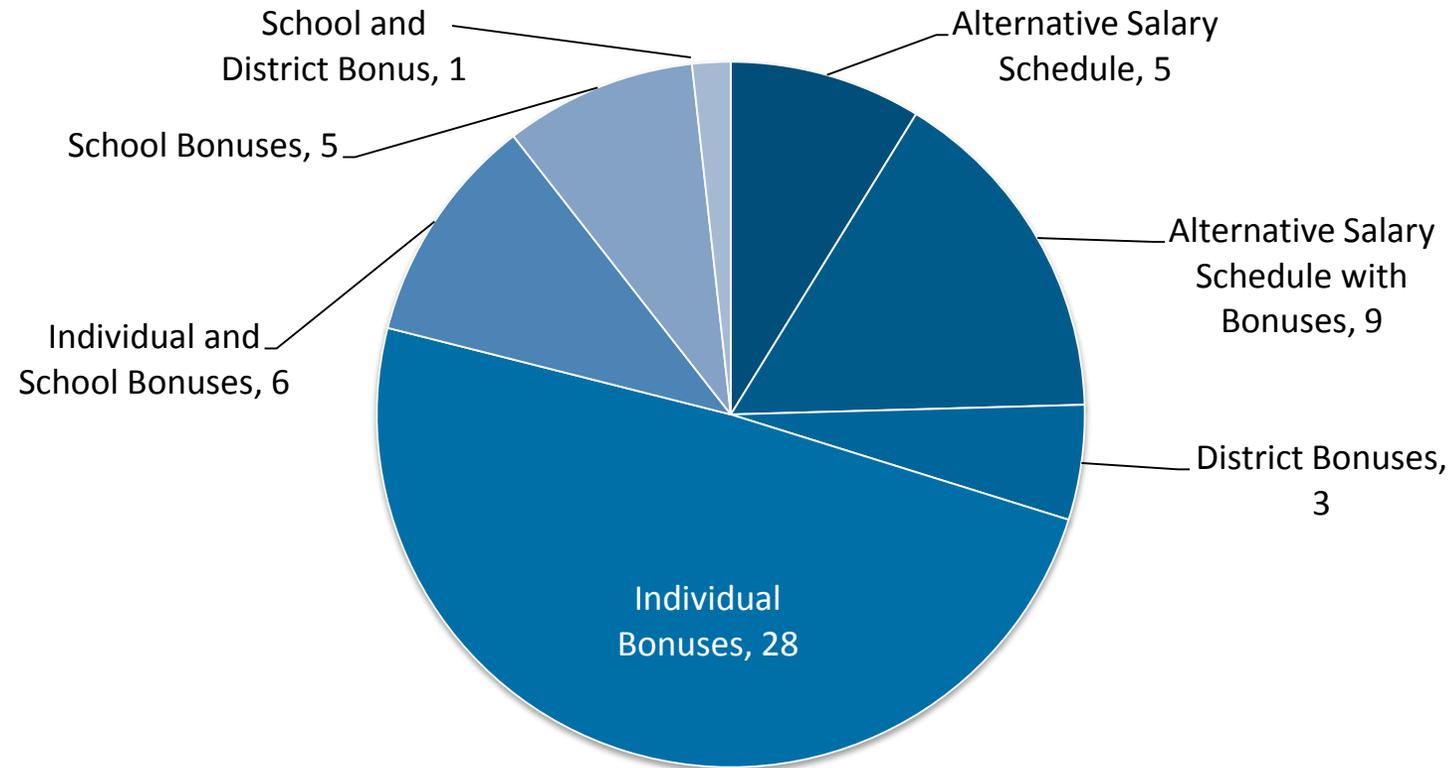
Summary of Plans and Promising Practices

Districts submitted plans containing various combinations of differentiated pay elements



More than one-third of districts implemented performance-based plans

- 57 districts developed either individual, school, or district performance awards



The structure of performance-based plans varied according to district needs and goals

- 14 districts are implementing alternative salary schedules
 - **Wilson County:** Yearly base pay increases of \$250-\$700; raise base salary by almost \$4,000
- 34 districts are implementing individual bonuses
 - **Henderson County:** Eligible for bonuses of \$300-\$500
 - **Jefferson County:** \$25,000 yearly bonus pool for eligible teachers
- 15 districts are implementing school and district bonuses
 - **Union City:** \$400 bonus for school level growth scores
 - **Warren County:** Bonus if the district meets the majority of AMOs

Districts created a variety of new roles for teacher leaders

- 111 districts included compensation for additional roles and responsibilities in their plans
- Teacher leaders
 - **Sullivan County:** 102 new teacher leader and community leader roles
 - **Maury County:** \$1500 stipend for new RTI² coordinators
- Mentors
 - **Marion County:** Level 4 and 5 teacher mentors to support new teachers
- Tutors
 - **Alamo City:** Stipend for Level 4 and 5 math and reading teachers to serve as afterschool tutors

Nearly half of districts included hard-to-staff incentives in their plans

- 69 districts offered hard-to-staff school or subject incentives
- School Incentives
 - **Carter County:** Stipend for high performing teachers who transfer to a lower-performing school
- Subject Incentives
 - **Rutherford County:** \$3,000 signing bonus for physics, chemistry, and math

More than one-fourth of districts adopted changes to their salary schedules

- 35 districts modified the experience and education criteria in their previous salary schedules
- Alternative Salary Schedules
 - **14 Districts:** Modified years of experience and/or advanced degrees as a determining factor for increasing base pay
- Other Modifications
 - **Alcoa City:** Consolidated from 10 to 3 advanced degree lanes
 - **Hawkins County:** Advanced degrees must be aligned to current duties

Challenges

- Developing an understanding of state funding formula
- State budget shortfall for FY15 resulted in no new funds for compensation
- Competing priority areas and limited local capacity
- Winning hearts and minds about pay
- Limited state resources and capacity
- Coordinated and aligned messages at the state and local levels

Looking Forward and Lessons Learned

- **Appreciation for the “Tennessee Way”**—Clear policy with ample local flexibility
- Connecting compensation with other state human capital initiatives including the Equity Plan
- **Leveraging the experiences of “first movers” to encourage other districts to move forward on significant compensation reform**

Resources

- Available at our website: <http://www.tennessee.gov/education/districts/pay.shtml>
 - Differentiated Pay Summary Report
 - Resource guides and webinars
 - All district plans and salary schedules

Appendix B – ERS-State of Tennessee Partnership on Teacher Compensation Redesign: Lessons Learned

This presentation from ERS highlights the support it has given Tennessee and other State and local jurisdictions to redesign teacher compensation. The presentation describes the ERS partnership with Tennessee's 35 Accelerated Planning Districts and includes the lessons the State learned about design and implementation of new compensation systems. The presentation also provides insight into the types of technical assistance States can provide to districts to advance compensation reform.



ERS-State of Tennessee Partnership on Teacher Compensation Redesign: Lessons Learned

April 2015

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In addition, the instructional practices discussed or shown in this resource are not intended to mandate, direct or control a state's, local educational agency's or school's specific instructional content, academic achievement system and assessments, curriculum or program of instruction.

Approach

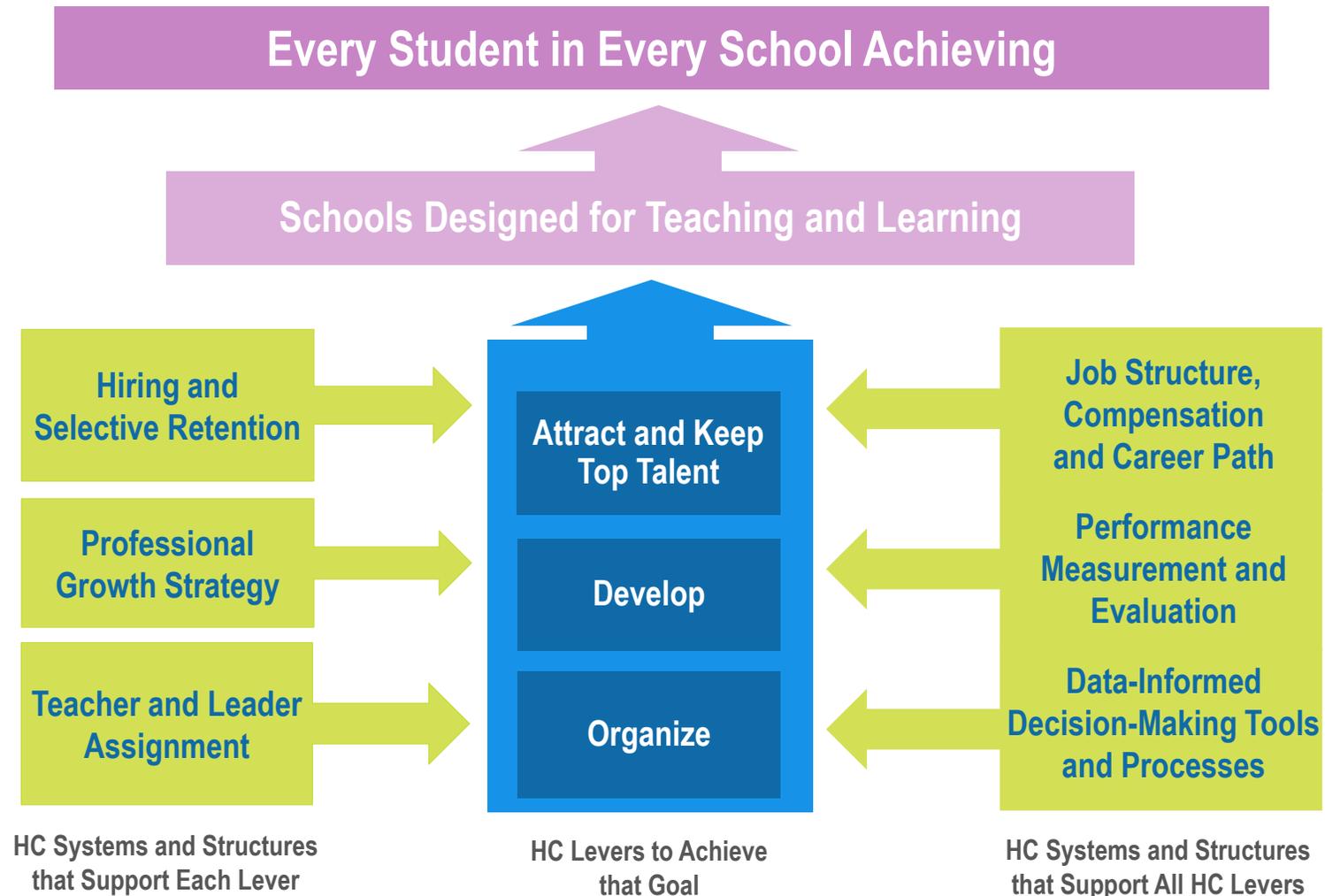
In 2014, ERS supported Tennessee's 35 Accelerated Planning Districts' compensation redesign in the context of an overall human capital strategy by:

- Holding **four monthly workshops** with participating district leaders,
- Providing **advisory services via four webinars** to fiscal consultants across Tennessee's eight regional support centers, and
- Offering **interactive tools**.

Project Impact:

- As of July 2014, when all of the new compensation plans had been submitted by all 136 districts in Tennessee:
 - 77% (112) of the Tennessee districts implemented differentiated roles for their teachers, versus 83% of participating districts;
 - 47% (69) implemented hard-to-staff positions, versus 60%;
 - 21% (30) modified or eliminated lanes (education pay), versus 29%; and
 - 10 of the 13 districts that adopted an Alternative Schedule were participants in the Accelerated cohort.

Compensation reform must be part of an overall human capital strategy.



Lessons Learned:

Four key takeaways on the role of the State and State policies in reforming teacher compensation

1. **Teacher compensation reform efforts should not get ahead of a rigorous and credible evaluation system.**
 - Untested teachers (Is a school score an acceptable proxy?)
 - Grandfathering can help districts adopt, but at what cost?

Recommendation: Vet, refine, and build consensus around effectiveness metrics before tying to compensation.

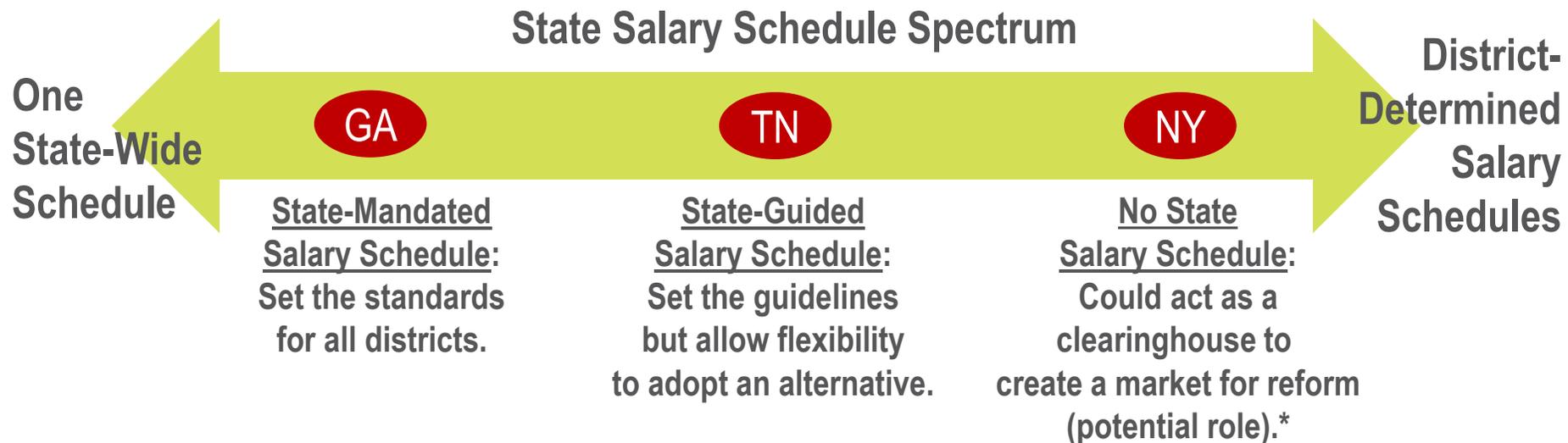
- Must be consistently applied, rigorous and trusted by teachers before tying evaluations to high-stakes outcomes.
- Must identify meaningful numbers of teachers at all effectiveness levels. (Hint: 1% ineffective is not meaningful.)
- **Important Tip:** Districts and States can invest now to vet and leverage (and refine) teacher-effectiveness data through “low stakes” practical managerial applications.

Effectiveness measures that fail to identify sufficient numbers of ineffective and developing teachers will fail to improve student performance.



Four key takeaways on the role of the State and State policies in reforming teacher compensation

2. The State role in compensation reform varies by the type of salary schedule.



*Various New York State laws requiring a master's degree for all teachers and annual raises for all public employees do impact salary schedules and reform opportunities across the State ...

Four key takeaways on the role of the State and State policies in reforming teacher compensation

3. Encourage **financially sustainable** components that improve student outcomes:
 - Typical first steps are often costly and have a low return on investment (for example, pay the top performers more [for the same role]).
 - A sustainable strategy starts with cost-effective reform elements:
 - More pay for expanded roles/contribution
 - Gradual, annual increases for top performers; no raises for each year's lowest performers

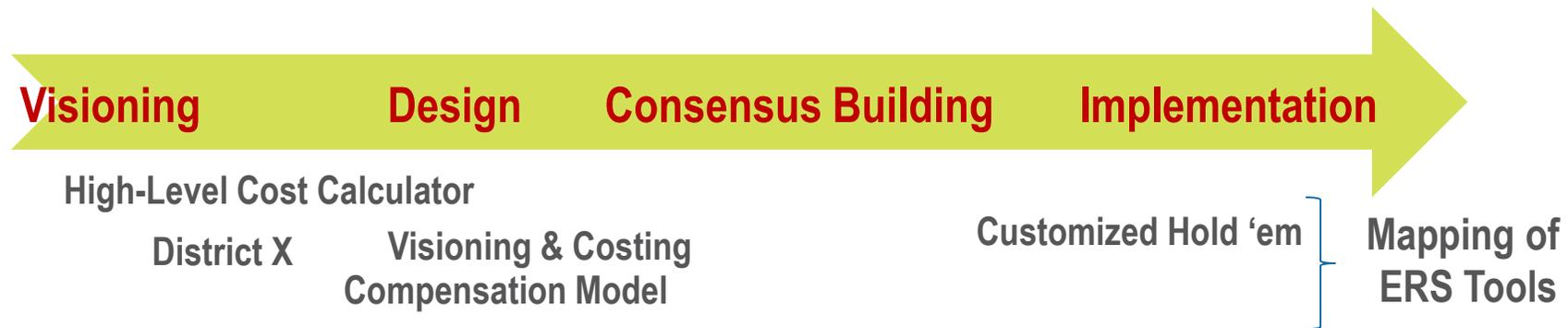
Four key takeaways on the role of the State and State policies in reforming teacher compensation

4. **Revise practices and policies that presume or reinforce legacy teacher staffing practices (for example, one-teacher classrooms).**
 - If the State funds districts based on strict requirements about numbers and types of staff, there is little room for innovative compensation reform.
 - In Tennessee, the class size mandates inhibited districts from adopting more innovative “extending the reach” models that look at class size increases or multi-classrooms with teacher leaders.

District Key lessons learned about compensation reform efforts at the district level

Districts need support in the following four distinct phases in teacher compensation reform:*

1. Visioning
2. Design and Analytics
3. Consensus Building & Stakeholder Engagement
4. Implementation



**Type of support required varies between urban and small, rural districts.*

Emerging insights about compensation reform efforts for States and districts

Emphasize

- Reforms that improve student achievement and the attractiveness of the profession
- More promotion opportunities for teachers to build career pathways with increased pay in ways that extend the reach of effective teachers
- Faster increase in pay in years 5 through 9 for effective teachers
- Base salaries for effective teachers that are competitive with other professions in YOUR labor market
- Tuition reimbursements in target subjects in lieu of permanent increases for degree attainment
- Rewards to attract qualified teachers to high-need schools, subjects and certifications

Emerging insights about compensation reform efforts for States and districts

Minimize

- Reforms with no effect on student achievement and a negative effect on school culture
- One-time bonuses linked only to test scores
- Large increases in salaries for existing teachers based on untested evaluation systems
- Across-the-board increases in salaries for all teachers, regardless of performance or roles
- Incentives that keep consistent underperformers in the system

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