



NEVADA
LEGISLATIVE
COUNSEL BUREAU

FEBRUARY 2010

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RESEARCH BRIEF ON

TEACHER PAY: DIVERSIFIED COMPENSATION PLANS

The most common teacher compensation programs are calculated on years of teaching experience and other acceptable service plus the accumulation of additional college credit hours leading to the acquisition of graduate degrees. In recent years, some pay systems have recognized state or district professional development options in addition to college credit hours. Known as the “steps and lanes” salary schedule, this structure is predictable; it recognizes teacher seniority and does not foster competition among teachers. On the other hand, unlike professionals in other fields, highly effective teachers receive no more compensation than those who are not as productive.

Changing the way teachers are paid to include outcomes, such as student performance, or incentives for teaching in at-risk schools is gaining support in districts and states across the country.

DIVERSIFIED COMPENSATION PLANS

Supported by research indicating that teacher quality impacts student achievement, the accountability movement has generated interest in diversifying teacher compensation systems, including some measure of performance. There are multiple types of alternative pay programs including merit pay, career ladder, knowledge- and skills-based pay, and performance pay. According to a February 2003 report by Mid-continent Research for Education and

Learning (McREL) titled, *Recruiting and Retaining Teachers with Alternative Pay*, the following defines the various programs:

- **Merit Pay:** This program adjusts salaries upward or provides compensation for higher levels of performance. A standard for individual performance is set, such as increased student achievement. If a teacher meets or exceeds this standard, then the teacher receives a bonus or an increase in salary.
- **Career Ladder:** Introduced in the 1980s, there are three kinds of career ladder programs. Performance-based ladders promote teachers as they demonstrate increased levels of competency (i.e., novice teacher, regular teacher, and master teacher). Job-enlargement ladders can involve giving teachers additional responsibilities outside of the classroom, such as supervising or mentoring new teachers. Professional development ladders reward teachers for developing knowledge or skills through professional development, advanced degrees, or National Board of Professional Teaching Standards (NBPTS) certification.
- **Knowledge- and Skills-Based Pay:** One of the more recent alternative compensation programs, this program reflects trends in education toward accountability and standards. In a knowledge- and skills-based system, teachers are compensated for the acquisition of the specific knowledge and skills required to meet higher expectations for performance. This system is similar to the professional development career ladder.
- **Performance Pay:** This program can be awarded on an individual or group level. In the past, the most common form of individual performance pay was merit pay. Today, another approach is to create group performance incentives that

encourage educators to work together to achieve collective goals. An example of a group performance award is a school performance award that ties bonuses to school goals and benchmarks.

PROPOSERS AND OPPOSERS

Proponents suggest that a diversified compensation plan will enable experienced teachers to stay in the classroom while advancing along a career path. Teachers will no longer need to enter administration or leave teaching altogether to earn a professional salary and greater responsibility. Highly effective teachers may also be compensated for mentoring beginning teachers to improve the profession.

Opponents assert that measuring teacher performance is difficult. Moreover, if teachers do not trust the evaluation instruments, they will not accept the premises of a pay-for-performance plan. If a system has a limited amount of funds so that teachers must compete for increases, others suggest that the competition will negatively impact the collaboration necessary to improve student achievement overall.

RESEARCH

According to a February 2007 Policy Brief by the Consortium for Policy Research in Education (CPRE), titled *Teacher Performance Pay: Synthesis of Plans, Research, and Guidelines for Practice*, research evaluating the impacts of the various alternative pay plans has been conducted at both state and district sites across the country. However, the number of studies is small, and few estimate the effect of implementing a plan on student academic achievement.

The CPRE Policy Brief indicates that research findings on knowledge- and skills-based pay plans are varied, due to the

number of different types of plans that have been evaluated. The competency demonstration plan that was implemented in Douglas County, Colorado, was generally well received by teachers. However, teachers reported difficulty in understanding the specific requirements and payouts, and they were bothered by the preparation and paperwork demands of the plan.

For school-based performance pay plans, the CPRE found that teachers experienced a large number of both positive and negative outcomes and that both the size of the bonus and the fairness of the bonus system were of critical importance to teachers. Another key finding was that teachers' expectations that their own efforts would help the school meet its performance goals actually predicted whether the school subsequently did so.

According to the CPRE Policy Brief, the overall conclusion that emerges from the review of research is that performance-pay plans have met with some, but limited, success. The CPRE believes that these findings may be due more to a matter of how the plans have been designed, implemented, and managed, rather than a reflection of inherent flaws in the programs. This finding is supported by other groups, as well. For example, in a 2007 report released by the Center for Teaching Quality (CTQ), titled *Performance-Pay for Teachers: Designing a System that Students Deserve*, 18 of the nation's best teachers provide keys to developing a performance-pay plan that is fair, strategic, and likely to win teacher support.

KEYS TO DEVELOPING AN EFFECTIVE PERFORMANCE-PAY PROGRAM

According to the CPRE's Policy Brief, stable and adequate funding is a necessity in designing performance-pay programs. Without it, the program will likely not

proceed, or if it is implemented, it will likely fade away. In addition, the report released by the CTQ notes that the following should be considered in developing a performance-based pay program:

1. Get the base-pay system right.
2. Supplement the base-pay system with a performance-pay system that is open to all teachers.
3. Reward teachers who help their students make significant academic gains.
4. Provide additional pay for additional degrees and professional development, but only if the training is relevant.
5. Allow local flexibility.
6. Encourage collaboration.
7. Offer incentives to teachers who want to teach in high-needs, low-performing schools, but only if they are qualified.
8. Reward leadership, not seniority.
9. Include accomplished teachers in any efforts to overhaul teacher compensation plans.

CURRENT NEVADA DIFFERENTIATED PAY PLANS

Differentiated pay plans already exist in Nevada. Since 1999, school districts have been required to add 5 percent to the salary of a teacher who holds National Board for Professional Teaching Standards certification. Teachers are also reimbursed approximately \$2,000 for their expenses associated with obtaining the national certification.

In 2005, the Legislature enacted Assembly Bill 580 (Chapter 482, *Statutes of Nevada*) to create a pilot program of performance pay and enhanced compensation. The measure included an appropriation of \$5 million in each year of

the biennium to support locally designed programs. The 2007 Legislature, through the enactment of Assembly Bill 3 (Chapter 10, *Statutes of Nevada, 23rd Special Session*), continued the program with the same level of funding for the 2007-2009 Biennium. Although school districts developed programs in compliance with the provisions of A.B. 3, this appropriation for the performance-pay program was eliminated in the first round of budget cuts in the 2007-2009 Biennium.

In addition, *Nevada Revised Statutes* (NRS) 391.166 creates the Grant Fund for Incentives for Licensed Educational Personnel. This fund was approved by the 2007 Legislature through the enactment of Assembly Bill 1 (Chapter 8, *Statutes of Nevada, 23rd Special Session*) to assist in the attraction and retention of licensed teachers, school psychologists, school librarians, school counselors, and administrators who are employed in at-risk schools. This section also includes incentives for certain teachers with endorsements in mathematics, science, special education, English as a second language, or other areas of high need, as determined by the Superintendent of Public Instruction. Five years' experience in the identified position category is required.

The Grant Fund for Incentives for Licensed Educational Personnel replaces the previous one-fifth year retirement credit program as previously provided in NRS 391.165. Eventually the one-fifth year retirement credit program will be phased out. However, as long as a teacher qualifies on the basis of employment in a school designated as *in need of improvement* that teacher may continue to be eligible to receive the one-fifth year of retirement credit rather than any other type of financial incentives offered by a school district, pursuant to NRS 391.166.

PROHIBITION ON USE OF STUDENT DATA

In Nevada, a pay-for-performance system that includes provisions tying teacher compensation to improved student achievement must recognize the provisions of NRS 386.650. Section 1 of NRS 386.650 provides that the information relating to student academic achievement must be used for improving student achievement and improving classroom instruction, but may not be used for the purpose of evaluating an individual teacher or paraprofessional.

ISSUES

The provisions of NRS 386.650 have become a factor in Nevada's eligibility to apply for a grant of federal funds. In 2009, the United States Department of Education issued guidelines for application by states for grants from the Race to the Top Fund (Section 14006, Title XIV, American Recovery and Reinvestment Act of 2009, Public Law No. 111-5). These guidelines require that at the time of submission of an application a state may have no statutory barriers to the use of student achievement data in the evaluation of teachers and principals.

In the event that the Legislature considers differentiated pay plans for education personnel, one option available would be to develop a State framework for a diversified compensation plan with common elements and purpose that could be adapted to local conditions.

