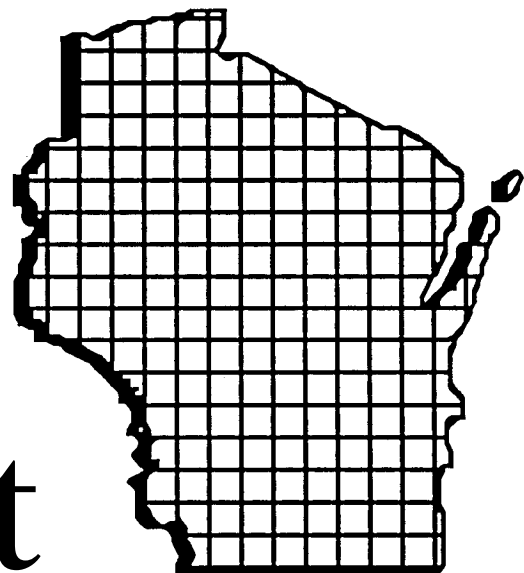


Wisconsin

Policy
Research
Institute

Report



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**PERFORMANCE-
BASED PAY FOR
TEACHERS IN
WISCONSIN:**

Options and Opportunities

REPORT FROM THE PRESIDENT:

The debate over teacher salaries continues in Wisconsin. It is still one of the classic issues in American education. On the one hand you have the educational establishment, led by the teachers union, who demand large increases for *all* teachers. On the other hand you have reformers whose view is that additional teacher compensation should be based on performance, not on union contracts. While there is little room for consensus, there are growing examples from around the country that demonstrate that performance-based pay for teachers is on the horizon.

We asked Thomas Hruz, a resident fellow at our institute, to examine current research on performance-based pay for teachers across the country. Hruz has a graduate degree in Public Policy Analysis and Public Administration from the La Follette School of Public Affairs. He has experience as a researcher for the Consortium for Policy Research in Education at the University of Wisconsin, and is currently finishing his law degree from Marquette University.

His research provides concrete examples of merit pay being successfully introduced around the country. There are, of course, enormous problems. The first is the intractability of the teachers union against allowing any kind of accountability for its members. The unions maintain that the only basis for additional income are years of teaching and the level of higher education. Whether teachers are actually effective in the classroom is of no interest to their union. That has to change.

There are few people who do not believe that many of our teachers are underpaid. The problem is how can we be expected to compensate them on the same level as their incompetent colleagues. There is no other professional organization where this kind of mentality still exists.

Hruz presents an almost moderate approach to how we can change this oddity in our educational structure. By examining other states, he formulates a process that would reward teachers through school-level performance-based pay programs. This is certainly one way to approach this problem. A more radical way would be to design a quantitative system of inputs and outputs for teachers, and reward them on an individual basis rather than on a collective, school basis.

Either way, we must start treating our teachers as professionals, and we must reward those who demonstrate their talent at increasing our children's educational skills. To accomplish this, we are simply going to have to begin saving money on teachers who cannot demonstrate any talent, and who do not belong in the classroom. This argument is not going to go away. Even the teachers unions will find it much more difficult in the future to explain to the majority of their members why they must suffer financially because of the incompetence of some of their colleagues.



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PERFORMANCE-BASED PAY FOR TEACHERS IN WISCONSIN: *Options and Opportunities*

THOMAS HRUZ

	PAGE
EXECUTIVE SUMMARY	1
INTRODUCTION: SHOWING THE MONEY	3
THE CURRENT STATUS OF TEACHER COMPENSATION	3
CALLS FOR REFORMING TEACHER COMPENSATION	5
THE BENEFITS OF TYING TEACHER COMPENSATION TO SCHOOL PERFORMANCE	7
ALIGNMENT OF TEACHER COMPENSATION REFORM WITH OTHER EDUCATION INITIATIVES	9
SKILLS- AND KNOWLEDGE-BASED PAY FOR TEACHERS: CLOSE COUSIN OF PERFORMANCE-BASED PAY	10
LESSONS AND INSIGHTS FROM OTHER PERFORMANCE- BASED PAY SYSTEMS FOR TEACHERS	11
RESEARCH ON PERFORMANCE-BASED PAY PROGRAMS	20
POLICY ISSUES WITH PERFORMANCE-BASED PAY PROGRAMS FOR TEACHERS	20
DEVELOPING A COHERENT AND BENEFICIAL TEACHER COMPENSATION REFORM IN WISCONSIN	29
CONCLUSIONS: PUTTING THE STATE'S EDUCATION MONEY WHERE ITS PERFORMANCE IS	35
NOTES	37

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EXECUTIVE SUMMARY

Public education in Wisconsin remains wedded to an antiquated system of teacher compensation. That system openly disavows the ability to pay teachers based on their performance. Instead, public school teachers only increase their pay based on their years of teaching and level of higher education. Common sense suggests that the ability of teachers to educate well is not determined solely or even primarily by these factors. Therefore, teachers, like many other professionals, should be compensated, at least in part, on how well they perform.

This report examines the desirability and feasibility of reforming Wisconsin's teacher compensation system by incorporating a performance-based component to teacher salaries. In particular, this report examines how schools in Wisconsin can become part of a school-based performance pay system, in which all teachers in a school can achieve increased financial compensation if their school, as a whole, meets a set of predetermined performance objectives. The report concludes that the State of Wisconsin, or any of its local school districts, should adopt such a performance-based pay plan and thereby benefit from the improvements this policy will engender.

The search for meaningful and workable ways to improve upon the current teacher compensation system continues. Contemporary proposals tend to advocate school-level performance assessments and rewards. Unlike past individual-level merit pay plans, school-based performance pay programs reward all teachers with a salary bonus in schools that improve performance or that perform at a high level.

Many education policy experts laud this policy reform for its ability to focus teachers on desired education outcomes and reward them for this focus. It also leads teachers to an increased sense of accountability and professionalism and avoids the divisive aspects of individual merit pay plans. Instead, a team-based, collegial atmosphere arises among teachers in a school. Moreover, there is early evidence that such programs actually lead to improved student learning and performance. Finally, while accomplishing all these goals, these programs also present quality teachers with an opportunity to be fiscally rewarded for their performance. Students and teachers both win.

The essential notion of a school-based performance pay system is that teachers and other school staff should be held accountable for whether they improve student performance and truly bring students up to an acceptable level of learning. To that end, the compensation of these educators should be determined, at least in part, by the school's performance across various academic and non-academic criteria. Most importantly, if their students learn more in a given year, then teachers should be rewarded. Such a change would signal to teachers that their performance is valued more than just their level of seniority. Pay-for-performance can also better motivate teachers — both in terms of drawing more quality teachers into teaching and by getting current teachers to focus their performance on valued school goals.

School-level, performance-based pay programs also complement and align with other major elements of contemporary education policy. These other reforms include the move toward greater school accountability, standards-based reform, increasing school-based management, and even school choice. The fit of these education reforms with performance pay also reflects the relative ease with which pay-for-performance programs can fit within present education policy in the state.

The administrative feasibility of a performance-based teacher pay system is equally compelling. There is now a growing list of states and local districts from all across the country that have implemented school-based performance pay. These programs provide many different insights. The programs have been implemented at the district, state, and school level. They have been undertaken by predominantly low-income and relatively affluent school districts. They have emphasized diverse education goals. A review of the issues these various localities faced while implementing school-level performance-based award programs, how they addressed those matters, and what appear to be the best elements from each program's approaches, yields a repository of knowledge for Wisconsin educators to use in constructing their own performance-based pay system. Yet the state must also tailor its program to Wisconsin's particular educational needs.

Based both on observations of these other programs and on the academic research on the topic, a growing understanding of school-based performance pay systems can be constructed. A well-designed program will address the following issues:

- Performance goals must be challenging yet attainable. The types of performance objectives that can be used to determine satisfactory school performance may include both student achievement measures and other measures of student and staff behavior. In terms of measuring student achievement, student testing remains the most efficient, feasible, reliable, and accurate means of student assessment.

- Student performance goals may be in the form of an absolute measure of student achievement or some more relative, value-added measure of increases in student achievement. Comparisons can be made to a pre-defined standard, whereby student performance must reach a specific level for a school to be rewarded. Comparisons can also be measured by looking at a school's movement toward a set standard. Finally, student performance goals can be set by a value-added analysis that follows specific cohorts of students as they progress through school and measures how well they improve.
- By spreading the burden and responsibilities of the assessment across more teachers and more students, the inclusion of more grade levels and more students as part of the assessment system can also be very helpful. At the same time, a sensitive method of incorporation may be needed for certain populations of students, such as learning-disabled students and those with limited-English proficiency. Furthermore, factors that may be deemed outside of the control of schools, such as student motivation and students' home and social environments, can be controlled for under a pay-for-performance plan, if there are concerns that schools in more affluent areas will have unfair advantages.
- The size of performance award bonuses must be large enough to be meaningful in the eyes of teachers in order to motivate them to alter their behavior. Conversely, if bonus awards are too large, the program as a whole may not be affordable or acceptable to policy makers. Other decisions regarding award amounts to consider include: whether to make them greater for teachers in more challenging schools, whether there should be multiple levels of awards based upon varying degrees of success, which school staff within school buildings should receive performance-based awards, and whether the size of the bonuses will be contingent on how many schools earn awards.
- The more controversial issue of whether sanctions should also be designed for poor performing schools remains. Under a compensation scheme where high-performing teachers are to be paid higher salaries in reward, it would appear that those teachers and staff within schools that consistently fail to perform at satisfactory levels should receive lower pay, smaller raises, or possibly be terminated from employment.

Overall, there are many important issues that must be addressed while establishing a pay-for-performance compensation system for teachers. These issues are varied and sometimes difficult. Yet for each design issue, there exists an equally diverse number of very workable solutions. This means that any opposition to school-based performance awards should not be based on the administrative feasibility of the program. If opposition exists, it only consists of philosophical qualms with the simple notion of paying any portion of teachers' pay based on their performance. All operation questions have answers.

Wisconsin's school accountability system is also primed for the incorporation of performance-based teacher compensation reform. The Wisconsin Student Assessment System, the Wisconsin School Performance Reports system, and the state's Annual Review of School Performance all provide measurements of school performance that could fit nicely into a school-based performance award system. These school performance assessment systems can be used, in whole or in part, as the basis from which the state or districts could derive performance-based awards for school staff. This fact would greatly facilitate the establishment of an effective and workable school-based performance pay system in the state.

It is time to revive and expand upon proposals for a school-based performance pay program for Wisconsin teachers. The state should explore this policy while also allowing and encouraging individual districts and individual schools to establish performance-based pay reform. A performance pay approach that rewards achievement gains along with academic excellence will signify that the state is willing to financially reward schools, and teachers within those schools, that both significantly improve student performance over time and those that maintain high-levels of student achievement. This fact will attract a wider variety of educators to support such a system and should address some of the "fairness" concerns with performance-based pay for teachers.

Teacher salaries maintain a prominent place within debates over education policy in general, and school finance issues in particular. While many call for increases in teacher salaries, others contend, quite reasonably, that it is objectionable to simply raise the pay for all teachers without having a system for allowing pay differentiation based on performance. It is not unreasonable for the taxpaying public, which funds public school teacher salaries, to expect performance in return for salary increases. Therefore, to the extent that future pay raises are sought for Wisconsin's teachers, the state should develop a mechanism to ensure that a significant portion of those pay increases are made contingent on school performance.

INTRODUCTION: SHOWING THE MONEY

This report examines the feasibility and desirability of reforming Wisconsin's teacher compensation system by incorporating a performance-based component into the determination of teacher salaries. In particular, this report examines how schools in Wisconsin may become part of a school-based performance award system, in which all teachers in a school can achieve increased financial compensation if their school, as a whole, meets a set of predetermined performance objectives. The report concludes that the State of Wisconsin, or any of its local school districts, should adopt such a performance-based pay plan and benefit from the improvements this policy will engender.

Teacher compensation comprises roughly 50 percent of all funds put into public education,¹ which is more than any other single element of the budget for public schooling. Therefore, any alterations in the amount of teacher pay, or with how salaries are distributed among teachers, can have dramatic effects on public school budgets and the personnel priorities of school administrations. Moreover, teacher salaries maintain a prominent place in debates over education policy in general and school finance issues in particular. There remains a great deal of contention between views over the size of teacher salaries (whether they are too large or too small) and over whether the factors that allow teachers to increase their pay are conducive to quality schooling. Many education policy experts, leaders of teachers unions, teachers, and members of the general public argue that teacher salaries and benefits should garner even greater portions of public education budgets. An equally large number of people contend that teachers are paid fairly, proportional to their work. In the alternative, they argue that is objectionable to simply raise the pay for all teachers, without a system for allowing pay differentiation based on individual teacher performance.

Yet these statements tend to only reflect the cost side of the equation. An equally important question is what effect on teaching quality and student learning can occur from altering the teacher compensation system in a manner that rewards performance? If greater teacher pay has a positive correlation with desired educational outcomes, such as significantly increased student performance (especially among traditionally low-achieving students), increased student attendance and graduation rates, and a reduced number of student retentions at grade, then the net social gain from such an investment could be positive. Therefore, undergirding this entire report is the connection between how pay-for-performance can better motivate teachers, inspire more qualified persons to enter the teaching profession, and signal to teachers that their performance is valued more than just their level of seniority. Another theme is that Wisconsin has many of the assessment tools already in place to facilitate the implementation of a performance-based pay system.

Overall, this report provides a forceful primer on school-level, performance-based pay for Wisconsin schools. Much of it takes the form of a blueprint for state and local policy makers, who can then be armed with both descriptive and normative arguments for tying teachers' pay — to some degree — to school performance. It also provides detailed information on how various issues and concerns with effectively implementing performance-based teacher compensation reforms can be addressed, thereby aiding the success of such a policy in Wisconsin. Finally, this report serves as a sensible argument for why Wisconsin schools should begin teacher compensation reforms that will help financially reward those groups of teachers that actually achieve the learning goals that have been set by the state and local school districts.

THE CURRENT STATUS OF TEACHER COMPENSATION

Teacher compensation has remained relatively unchanged in structure and motivational effect for the past half-plus century. The current system for determining a public school teacher's salary is commonly called the "single salary schedule." It consists of only two considerations: (1) the amount of educational units or degrees a teacher has amassed; and (2) the numbers of years of teaching experience, with time at one's current school usually weighted more heavily than overall teaching experience.²

Figure 1, a suburban Wisconsin public school district's salary schedule, illustrates the nature of this system and how an individual teacher's pay will increase according to the various steps in the schedule. For example, a teacher who only holds a bachelors degree and who has enough years of experience to be on the eighth rung will earn \$34,800; a teacher with the same amount of teaching experience at the school but who has thirty additional academic credits will earn \$37,300, a \$2500 difference.

**FIGURE 1 EXAMPLE SINGLE SALARY SCHEDULE FOR TEACHERS
(WAUKESHA PUBLIC SCHOOL SYSTEM, 2000-01)**

	Bachelors Degree	BA+15	BA+30	Masters Degree	MA+15	MA+30
(3)	\$29,100					
(4)	30,300	\$31,100				
(5)	31,375	32,275	\$33,500	\$34,850	\$35,800	\$36,975
(6)	32,575	33,450	34,650	36,050	37,025	38,175
(7)	33,800	35,100	36,050	37,225	38,200	39,350
(8)	34,800	36,050	37,300	38,500	39,400	40,525
(9)	36,000	37,200	38,700	39,600	40,625	41,700
(10)	37,450	38,750	40,000	41,100	42,350	43,500
(11)	38,700	39,700	41,050	43,100	44,150	45,350
(12)	41,100	41,300	42,600	44,225	45,325	46,800
(13)	41,800	44,130	44,000	46,025	47,400	48,400
(14)	43,450	44,625	47,200	48,125	49,075	50,300
(15)	46,900	48,400	47,850	50,050	51,150	52,300
(16)			52,190	51,150	52,350	53,750
(17)				56,825	58,530	61,755

Source: Waukesha Public School District, Department of Human Resources

The benefits ascribed to this current salary system are few, but they are powerful in the eyes of the teachers unions that bargain for public school teacher salaries. Most noticeably, the benefits include the system being predictable, as teachers know precisely what limited occurrences will lead to an increase in their pay — with the primary factor being years of experience. The system is also very easy to administer, as decisions on which teachers should receive pay raises, and when those raises should occur, are determined by objective measures that are easily ascertainable. Finally, and perhaps most importantly, the system puts a premium on equality and eliminating overt discrimination among teachers or more clandestine instances of subjective evaluation and favoritism by those who would otherwise decide a teacher's pay. For example, under a system of principal review of performance, in which school principals have discretion to set individual teacher salaries, the common fear is that principals will reward those teachers who submit to the principal's own visions and demands, and not necessarily the most productive teachers. As a result of these various concerns, the pay for public school teachers is not allowed to deviate from this system for any reason of merit or performance.

For the most part, all Wisconsin public school districts adhere to the single salary schedule method of determining pay for its teachers. Within this system, Wisconsin's average teacher salary in 1998-99 was \$43,507, which is 52 percent higher than the average Wisconsin worker's salary in general.³ Of course the range of these salaries varies greatly. The average is pulled up by older teachers near retirement, who have accumulated many years of service and/or education credits, which thereby places them higher on the salary schedule. Beginning teachers earn considerably less than the \$43,500 state average and their long-tenured colleagues. Obviously, as more teachers with extensive years of experience retire, or as more young teachers enter the profession in the state, the lower the average teacher salary will become.

It is important to recognize that the issue of how large overall teacher salaries in the state should be and the issue of whether teachers should be paid according to their performance are distinct in principle, while related in practice. In other words, one's view on whether performance-based pay should occur and whether teachers should be paid more do not necessarily need to be congruent. To illustrate this point, one simply needs to recognize that a state or school district can allocate a large amount of funds to teacher salaries solely according to a single salary schedule *or*

it could also allocate those resources across schools based upon their relative level of performance. Likewise, a low-spending district could also pay teachers irrespective of school-level performance *or* it could pay teachers under a performance award system. Therefore, while the remainder of this report discusses the benefit and feasibility of tying teacher compensation to school-wide performance, it does not pass judgment — directly at least — on whether the overall level of teacher salaries should be the same, higher, or even lower. The point is that *whatever* the public decides to spend on public school teacher salaries, those expenditures should be allocated, at least in part, in a manner that rewards teachers in schools that either show significant improvement in student achievement or that consistently perform at high levels.

CALLS FOR REFORMING TEACHER COMPENSATION

The single salary pay system is commonly recognized as being overly bureaucratic, along with being terribly minimal and weak in its requirements of skills and performance.⁴ It uses the two measures of education credits and years of experience as proxies for quality teaching. Yet these are frequently not reliable indicators of who really are the quality teachers in the classroom. For example, many teachers go on to earn graduate credits to raise their position on the salary schedule, but often the classes taken are less than rigorous or are not even tied to the subjects they teach. Overall, common sense suggests that a teacher's ability to educate well is not determined solely or even primarily by the factors rewarded by the single salary schedule.

Those favoring reforms of the teacher compensation system disagree with the two common arguments against merit pay plans: that they are unworkable and that they do not fit with the nature of public education. According to one commentator, "For too long we have hidden behind the fact that teaching is an art, not a science, and so have avoided making hard decisions about which teachers should get raises and how large they should be."⁵ In a profession where the outcome produced is considered so important — teaching today's youth, and tomorrow's leaders — it seems odd for that profession to be wedded to a system that openly renounces rewarding those groups of teachers that are better at causing the desired outcome.

School district administrators perceive their own reasons for establishing more performance-based systems of teacher compensation. According to one public school district in Pennsylvania that has adopted both individual and group performance-based pay, the drive for performance-based compensation is led by four key beliefs:

- That public school compensation systems can be modeled after those in the private sector;
- That tenured teachers working under traditional systems that use longevity and educational attainment as measures for salary hikes do little to improve classroom performance;
- That truly outstanding teachers should be paid more than poor or mediocre teachers; and
- That student achievement will improve if teachers have tangible incentives to improve their teaching.⁶

These comments capture the shift in mindset meant to occur in public education under performance-based pay for teachers, principals, and other school staff. The movement is toward focusing on educational outcomes, and having teachers own some of the value of those results by having part of their compensation determined by those results. The current system has no connection between teacher pay and the production of these results. Therefore, the argument that performance-based pay does not fit within the current education system is accurate, but it is also precisely what inspires the call for change.

Labor economists also find fault in the present teacher compensation system. For example, Dale Ballou and Michael Podgursky, professors of economics at the University of Massachusetts-Amherst and the University of Missouri-Columbia, respectively, argue that the current teacher salary structure completely ignores market forces and the benefits available from allowing a greater degree of pay differentiation between teachers based on factors besides education degrees and years of experience. They state that "by thoroughly standardizing teacher pay, the single salary schedule suffers from a major flaw: It deprives the managers of public schools of the authority to adjust an individual teacher's pay to reflect both his performance and market realities."⁷ Ballou and Podgursky dismiss the claim that school principals or other supervisors can not adequately evaluate the quality of teachers, arguing that private schools are commonly managed this way.

Public Support for Performance-Based Pay

Measures of public opinion also reflect a growing desire from the public to establish some reasonable system of teacher compensation that ties the level of pay to teachers' manifested performance. A 2000 Gallup poll conducted for the teaching fraternity Phi Delta Kappa showed that a strikingly high 70 percent of Americans believe that teacher salaries should be tied to how well students perform.⁸ Other poll numbers, while not directly related to performance-based pay, also intimate that the public favors such accountability measures. For example, a Harris Interactive poll conducted in March 2001 found that 87 percent of Americans favor testing students annually in grades 3 through 8 in reading and math, with 78 percent of Americans also supporting accountability by principals and teachers for how well students perform on these tests.⁹ This pro-accountability sentiment appears to reflect an inclination to performance-based pay.

These expressions of public opinion relate to a larger point germane to public school teachers and their desire for greater compensation. When teachers operate under a compensation system that openly disavows the ability to distinguish between the quality of teachers, and have them be paid accordingly, the tax-paying public seems less willing to improve overall teacher salaries. Moreover, this failure to include at least some element of performance-based pay can only exacerbate the occasional public perception that teaching is less of a true profession,¹⁰ which is arguably very misguided. Nonetheless, whatever level of professionalism should be accorded to the teaching profession, it is clear that the current salary structure does little to convince the public that teachers are assessed and rewarded based on their performance, as are most other "professionals."

Past Efforts: Career Ladders and Individual-Level Merit Pay Plans

Unfortunately, past efforts at performance-based pay in public education have generally not survived long nor have they seemingly worked well. The two, most-common, early forms of teacher compensation reform were career ladders and merit-pay plans for individual teachers. Career ladders were an attempt to award high-quality teachers by offering them high-level administrative positions in schools and school districts, which were jobs that usually carried with them significantly higher salaries. Career ladders lost favor mainly because these systems had the perverse effect of taking the best teachers out of the classroom or, in the alternative, communicating to superior teachers, many of whom greatly enjoyed the classroom environment, that they would have to relinquish their classroom work in order to receive greater pay.

Individual merit pay plans failed for a variety of reasons. Some of the reasons were political; others dealt with the educational effects of the plans. In political terms, teachers unions and many public school teachers were extremely skeptical of allowing pay differentiation between teachers, whether the differences were to be decided by measures of student performance or based on principal or peer review. In educational terms, these plans failed because of:

the lack of consensus about what makes for effective teaching; the fact that gains in student achievement often reflect not just the actions of an individual teacher but also the more general environment for learning in the school; and the growing recognition that rewarding individual teachers encourages them to compete with one another rather than to work cooperatively.¹¹

Another researcher, while echoing the preceding concerns, also added that "the problems frequently identified by researchers include the difficulty of specifying organizational objectives and assessing performance, the costs of maintaining programs, and the unintended organizational consequences they carry."¹² This latter problem included, most prominently, a feeling of competition among teachers, which fostered rivalry, dissension and jealousy. Overall, the notion of trying to isolate a single teacher's contribution to student learning is viewed as flawed and antithetical to the collaborative atmosphere desired in schools.

The true merit or demerit of these past individual-level merit pay systems will remain forever clouded in union obfuscation and self-fulfilling prophecies of the failure of such compensation systems. While there are certainly some difficulties in devising a system that allows for individual teachers to be paid according to some measure of performance or ability, it hardly seems that the teaching profession is that terribly different from so many other professions that have developed mechanisms for such pay discrimination, even for jobs involving intangible products and services. Yet even if value is to be found in these merit pay plans, the political opposition to them by the public school system and teachers unions remains incredibly strong. Therefore, as these reforms were abandoned, the teacher compensation system in the United States has largely reverted back to the egalitarian, single salary schedule approach.

Renewing the Call: School-Level Performance-Based Pay

Despite the troubles with career ladder and merit pay reforms in the past, education policy experts and administrators have continued to search for meaningful and workable ways to improve upon the current teacher compensation system. Current proposals now tend to advocate school-level performance assessments and rewards. This emphasis is in part due to the growing recognition of the effect one teacher can have on the outcomes of subsequent teachers with the same students. This is sometimes called the “residual” effect. For example, if a student has an extraordinarily good first grade teacher, that student’s second grade teacher will also be made to look good because the additional skills learned in the first grade will help that child learn in the second grade.¹³

Unlike individual-level merit pay plans, school-based performance awards reward all teachers with a salary bonus in schools that improve overall performance or that perform at a high level. Many education policy experts laud this policy reform. They claim that school-based performance awards and other collective incentives work to focus teachers on desired education outcomes, reward them for doing so, and avoid the divisive aspects of individual merit pay plans.¹⁴ These programs also “recognize that student outcomes are the joint product of many people working together in a school.”¹⁵ Finally, while accomplishing all these goals, these programs present quality teachers with an opportunity to be financially rewarded for their performance.

THE BENEFITS OF TYING TEACHER COMPENSATION TO SCHOOL PERFORMANCE

The basic purpose of a school-based performance pay system is strikingly simple, yet also powerful. The essential notion is that teachers and other staff within a school should be held accountable for whether they improve student performance and truly bring students up to an acceptable level of learning at a certain stage in their education. To that end, the compensation of these educators should be determined, at least in part, by the school’s performance across various academic and non-academic criteria.

The idea of performance-based pay for teachers is bolstered by elements of economic theory, by views of motivational theory, and by the values of accountability and rewarding results. Each of these perspectives helps to show how performance-based pay systems can benefit an array of people, including students, school administrators, taxpayers and the general public, and even teachers.

The Education Labor Market and Performance-Based Pay

Performance-based pay for teachers will instill within the traditionally bureaucratic nature of school finance and teacher salaries a much needed element of market economics. Perhaps the primary difficulty with a government-operated system of public education is that the economic realities dealing with the provision of education are influenced by few market factors. In other words, most of the benefits of markets are not witnessed by public education, including price signals for wages. Some counter that public education should not face market forces, since they are inimical to the public schooling concept. While it is debatable whether a publicly financed education system must also be a publicly operated education system, that debate does not have to be waged to recognize the benefit of performance-based pay for teachers. Even a public school system, as currently exists in this state, can react to *some* market factors and still maintain the overall goal of public education, as defined today.

Moreover, one must look at the staffing issues facing the K-12 educational system in Wisconsin, and how performance-based pay systems may alter the labor market. Although many studies repeatedly indicate that there should continue to be an adequate supply of teachers, particularly in Wisconsin, over the past few years many Wisconsin school districts, including some of its largest ones, have been scrambling to fill thousands of teaching jobs.¹⁶ When at least 25 Wisconsin school districts last year requested that the teachers unions allow them to hire teachers of certain subjects at higher salaries than provided in the existing contracts,¹⁷ basic economic theory was manifesting itself: schools wanted to break away from the confines of the single salary schedule.

Overall, allowing the public education labor system to respond to some market forces, such as wage demands, will allow schools to recruit and retain better teachers. While the current teacher pay system is appropriate if one’s fundamental goal is to eliminate any form of pay discrimination, whether warranted or not, such a system is deficient

in being able to financially reward exceptional teachers for their quality performances. It thereby fails to provide incentives to present and future teachers to shoulder the task of teaching today's youth in a high quality manner.

Math and Science Teachers

One stark example of how an understanding of market forces could be used to improve public education would be to allow differential pay scales based on the relative difficulty in recruiting quality teachers to teach in certain subject areas and certain districts. It is well-documented that some school districts, even in Wisconsin, are having a difficult time hiring quality mathematics and science teachers. One of the commonly offered explanations for this situation is the frank reality that well-educated people in these fields can receive much higher compensation from working in other professions. This economic reality tends to greatly bring down the supply of quality math and science teachers available to schools.

In a profession not bounded by unreasonable restrictions on pay differentiation, the response to this labor situation would be swift and simple: schools would pay teachers of these subjects, or those who have greater knowledge in these subjects (for elementary school teachers who teach all subjects during the day), more. Wisconsin schools should be allowed this flexibility, particularly if student test scores in math and science subjects are consistently below student performance in other content areas. In contrast, Ballou and Podgursky point to how private schools not burdened by the mandates of the single salary schedule more commonly respond to labor market forces and, therefore, will pay more for teachers who teach at the secondary level and who teach math, science and special education — areas in which demand exceeds supply.¹⁸

Furthermore, there is little to lose from attempting this approach to pay based on particular content-knowledge. While these newly recruited math and science teachers would find themselves with higher salaries, they would also be expected to improve student performance in these areas. Otherwise it would be efficient for the district to revert back to paying the smaller wages of the equally less effective teachers; if gains are lacking, the district should do so. Yet if these new, higher-paid teachers did eventually raise performance levels in these subjects, then it can be presumed that these teachers have worked harder, truly had superior skills, or both, thereby earning their higher salary.

Increased Accountability and Professionalism

The teaching profession continually yearns to be treated more as a true profession than as a mere vocation. Two of the most recognizable traits of professionalism are a significant degree of autonomy, coupled with an expectation that the professional produces quality results. While teachers tend to have a significant degree of autonomy, at least within their classrooms, the current teacher pay system has thoroughly avoided elements of performance evaluations and basing teacher pay on those evaluations. This practice is counterproductive to increased professionalism. Instead, it appears that an indispensable element for allowing school teachers to be accorded more "professionalism" is the establishment of a system where at least some measure of compensation is tied to their level of performance.

Sympathy to the often difficult work that teachers must perform is a strong and reasonable emotion. Certainly, there are many circumstances in which quality teachers are doing an extraordinary job and are, therefore, deserving of greater compensation. Yet this recognition must be coupled with an understanding that many other teachers are not doing as good a job and should not be rewarded equally with those superior teachers. It makes little sense, from both an efficiency and fairness standpoint, to raise the pay of all teachers equally, simply to reward the superior teachers currently not being paid according to their worth.

In terms of accountability, the role of performance-based pay is fairly clear. Tying at least some teacher compensation to performance, whether measured at the individual level or school-level, serves to reinforce to teachers that the improvement of student achievement is a primary, if not the primary, goal of schools.

Motivational Impact

The extent to which workers face incentives to meet extrinsic awards, liked increased compensation, the more likely they are to exert the effort to perform in a manner that will eventually bring about those awards. This point, while seemingly obvious, has amazingly been long-ignored in public education. A teacher pay system that recognizes this fact could better encourage teachers to reach certain education goals by simply making a portion of their pay contingent on satisfying those goals.

Furthermore, if persons contemplating entering the teaching profession know that they have some chance of improving their level of compensation based upon the quality of their performance, then they will be more inclined to enter the profession and to alter their behavior to achieve these financial rewards. Conversely, the current compensation system likely dissuades possible high-quality teachers from entering the profession, given that they know in advance that their salaries will not be affected in any meaningful manner by the quality of their performance. Moreover, under the current system of teacher pay, exceptional teachers face frustration when they see their work rewarded, in financial terms at least, equally with less-skilled and less-productive teachers who may simply have the same number of years of service and degree credits. To the teachers who believe they are very good at their craft, the inability to have their talent recognized and rewarded is incredibly disconcerting and frustrating.

Clarifying School Goals

As with education standards and general school accountability programs, performance-based pay systems help to specify to teachers, students, and the general public what are the valued outcomes of schooling. Under a pay-for-performance system, schools and teachers who desire to receive pay increases will allocate more of their time and energy to reaching their performance objectives. The rewards also can be structured to reflect the actual weight assigned to each objective, by having the accomplishment of certain objectives count more toward a school's ability to receive pay bonuses. This design will further signify the degree to which each education goal is valued.

Improving Student Learning

Finally, one of the perceived benefits of performance-based pay is that it will lead to increased student learning. In fact, this is a built-in supposition of the program, since the increased costs that may occur under this new pay system would only be acceptable if students actually learn more than they did under the former pay system.¹⁹ In the private sector, performance-based pay plans are viewed as self-funding, for the increased productivity that is generated enables employers to pay the bonuses to employees. While this productivity concept does not completely translate into public education, it does relate to the value schools should place on student achievement. It does so by performance-based pay systems formally making increased pay contingent on increased student achievement. Furthermore, increased student performance can sometimes lead to improved educational productivity and costs savings, in such areas of reduced grade retention rates and special education costs.²⁰ Moreover, as the value of public education improves in the state, all state citizens benefit in one form or another from a highly knowledgeable population and able workforce.

ALIGNMENT OF TEACHER COMPENSATION REFORM WITH OTHER EDUCATION INITIATIVES

School-level performance-based pay is closely linked to other education initiatives, many of which tend to overlap and complement each other. These education policies tend to comprise the heart and soul of the current education reform movement, and school-level performance-based pay naturally fits within and supports these reforms. Some education experts have also spoken to how group-based performance awards aid in systemic reforms of education.²¹

The first education policy naturally aligned with performance-based pay is the overall push for greater school accountability. Schools performing at stagnate or below-standard levels are becoming less able to avoid the specter of aggressive oversight. Schools are increasingly being asked to account for both their relative and absolute levels of success, and to be held accountable when success is consistently absent. School-based performance measures are but one component of this overall accountability push, which also includes such things as public recognition of school performance, school choice, and possible state intervention of school management. Performance awards and sanctions can be a key ingredient, precisely because they tie the important aspect of teacher pay to performance accountability.

The second education reform related to performance-based pay involves the growing movement towards school-based management (SBM). The link between SBM and performance-based pay is both natural and desirable: if schools are to be held accountable and paid accordingly, then they must be given the freedom to work in the manner

they see best-suited to reaching their accountability goals. Part of this freedom should involve greater control over the school's financial resources, including the distribution of salary funds. For example, the Milwaukee Public School system (MPS) has recently provided its schools with enhanced flexibility in their school operations, and through recent decentralization efforts more than 90 percent of the school operations budget is being allocated directly to individual schools. MPS Superintendent Spence Korte states that teachers, parents, principals, and the "school community" have the authority to make decisions on how their funds will be spent.²² Yet Korte also adds that with flexibility should also come accountability, and school-based performance awards would directly connect this increased accountability and increased control of financial resources with meaningful financial rewards for success.

Another related education reform is that of the standards movement. Educational standards are now prominent at the state, national, and local level, and are seemingly becoming more so by the day. In many ways the connection between standards-based reform and performance-based pay for teachers appears obvious: teachers are expected to perform so as to have their students achieve the established subject matter standards for the school. It seems to naturally follow that schools that satisfy these standards should be rewarded, financially and otherwise, more than schools which either dismiss these standards or fail to achieve them. Furthermore, well-constructed standards help to guide teachers in their instruction. In a sense then, standards close the circle between instruction and assessment, with performance awards potentially serving as the added motivation holding together these elements.

Finally, school-based performance awards also relate in an intriguing manner to another burgeoning form of school accountability: school choice. Presently, a small but increasing number of parents and students in Wisconsin have the opportunity to choose the school in which they will enroll. In making the decision over which school to select, the reported levels of performance between schools serve as a readily available means of distinguishing the quality of individual schools. This point relates to the general idea that, even without monetary bonuses or sanctions tied to a school-based performance, the public reporting of school performance against the criteria of the program serves as a signal to parents.

The manner in which a school-level, performance-based pay program complements and aligns with these other major elements of education reform further suggests its desirability. The fit of these education reforms with performance awards also reflects the relative ease with which pay-for-performance programs can fit within the present education policy in the state.

SKILLS- AND KNOWLEDGE-BASED PAY FOR TEACHERS: CLOSE COUSIN OF PERFORMANCE-BASED PAY

Another element of teacher compensation reform, which has occurred largely concurrently with the development of school-based performance awards, is that of awarding pay supplements to teachers based on their acquisition and manifestation of higher-level teaching skills. Although this report focuses almost solely on the performance-based pay element of teacher compensation reform, a few brief comments should be presented on this other, important element of the teacher compensation reform movement.

Over the past few years, a series of teacher assessment instruments have been developed to identify those teachers who have superior skills or knowledge relevant to teaching. Three nationwide assessment tools stand out.²³ The first is a product of the Educational Testing Service (ETS), an organization more known for its administration of various norm-referenced student tests. The ETS has developed the PRAXIS series of teacher assessments, which involves various assessment instruments emphasizing different elements of teaching. PRAXIS tests require participating teachers to exhibit their knowledge of subject content and general pedagogy. States or districts that use these tests can decide what levels of performance are sufficient to result in pay increases and what elements of the test should be considered in making this determination. Second, the Council of Chief State School Officers has also developed an assessment instrument that, like PRAXIS, is generally used to measure the skills of teachers during the first few years of their career. The Council developed the Interstate New Teacher Assessment and Support Consortium (INTASC), which lists teaching standards in various subject areas and then allows for beginning teachers to have their classroom performance compared against these standards.

The third, national skills-based teacher assessment system is the National Board for Professional Teaching Standards. It is used for national board certification of teachers. Unlike the PRAXIS and INTASC assessments, this program is geared toward assessing experienced teachers. For a cost of about \$2000 (of which some districts and states, including Wisconsin, will cover some or all of this cost), experienced or highly qualified individual teachers

apply to become board certified. To determine a teacher's qualifications for board certification, a teacher engages in a year-long assessment process that requires them to exhibit their ability to reach rigorous standards for high quality teaching, as defined by the board. The assessments entail various forms of teacher observation, including portfolio compilations. The pool of applicants for board certification is comprised of some of the best teachers in the country. The fact that only 40 to 45 percent of those who apply actually receive certification attests to the assessment's rigor. In 1999, the State of Wisconsin began offering stipends of up to \$2500 per year, over the ten-year length of the national certificate, for teachers in the state who are awarded this status. As of earlier this year, Wisconsin has had 43 teachers successfully complete the NBPTS program.²⁴

Although all three of these teacher assessment programs can be used for purposes other than to signal which teachers are worthy of pay increases (such as aiding new teachers in their continuing professional development), the natural connection between successful performance on these tests and consideration for increased pay for those teachers is strong. According to Allan Odden, director of the Consortium for Policy Research in Education (CPRE) Teacher Compensation Project, "The key concept behind a knowledge- and skills-based compensation structure is that teachers can earn increases in pay on the basis of demonstrated acquisition and use of specific knowledge and skills."²⁵ In other words, unlike what occurs under the present system, teachers would be financially distinguished based upon their ability to teach well. Furthermore, the psychometric validity and reliability of these assessment instruments are considered strong, suggesting that they are appropriate in meeting the goals of accurately identifying the most able teachers.

While there is a great deal of merit to using various measures of teacher skill and knowledge as the basis for meaningful salary supplements, this report focuses solely on performance-based pay elements. This focus is not meant to disparage the development in Wisconsin schools of skills-based pay systems rooted in the concepts just described. In fact, one of the best features of skills-based pay is that it actually establishes a mechanism for individual teachers, in whatever schools they may teach, to receive greater recognition and possibly salary increases. In that sense, it is one of the only financial awards available to individual teachers. Nonetheless, skills-based pay, while a marked improvement over the traditional teacher salary structure, still works by measuring teacher quality (and subsequently increased pay) through a series of input-orientated determinations. Performance-based pay systems, by contrast, are more directly concerned with the manifestation of desired educational outcomes, largely irrespective of which forms of pedagogy teachers decide will best produce those outcomes. Furthermore, school-based performance pay is more easily aligned with local standards and needs, and will cover a far wider range of teachers.

LESSONS AND INSIGHTS FROM OTHER PERFORMANCE-BASED PAY SYSTEMS FOR TEACHERS

This section of the report inspects how some other states, school districts, and even individual schools have already implemented performance-based pay systems for teachers. The growth in performance-based pay systems across the country in the past few years has been noticeable, and the trend is likely to continue. The programs discussed below exist in such regions as North Carolina, Maryland, Kentucky, Philadelphia, Boston, Denver, Dallas, and Cincinnati, along with some individual charter schools across the country, one of which is discussed in detail. This section will review the general issues these various localities faced while implementing school-level, performance-based award programs, how they addressed those matters, and it will compare and contrast these programs.

It is possible within the confines of this report to only touch briefly on the main elements of each of these programs; many ancillary issues related to these programs — such as concurrent professional development and administrative enablers to assist teachers and schools, and detailed matters related to the political and administrative history of the programs — are omitted or simply touched upon briefly. More detailed knowledge of the intricacies of these programs can be acquired by contacting those people directly involved with these programs and by reviewing the research material cited in the descriptions of each program. Moreover, the programs discussed below do not represent the entirety of state and local performance-based pay programs that have developed across the country. Performance-based pay reward systems have also been developed in South Carolina, Texas, Indiana, Florida, and elsewhere, with an even greater number of states actively considering such plans. These other reforms can also be inspected to glean further insights on the process of pay-for-performance for teachers. The sampling of programs in this report, though, serves to provide a general overview of actual performance-based pay systems, and to highlight the programmatic elements of how school-based awards and sanctions are being developed.

Programs Including Salary-Supplement Awards

The following state and local school-based performance award programs either direct or allow schools to use their performance awards as pay bonuses to school staff.

Kentucky's School-Based Award and Accountability Program²⁶

Kentucky was one of the first states to establish a form of school-level performance awards, although unlike other areas that have established such a program, Kentucky basically fell into its program. In the late 1980s, the Kentucky Supreme Court ruled that the state's public school system was unconstitutional due to the significant inequities in academic achievement that existed between wealthy and poor school districts. In response, the state government passed the Kentucky Education Reform Act (KERA) in 1990 to address a court order to improve the state's schools. This comprehensive education reform plan included many provisions for education reform, including a school accountability and incentive program, and a student assessment system — dubbed the Kentucky Instructional Results Information System (KIRIS) — which would be utilized to determine a school's relative performance under the accountability system.

Under KERA, schools receive rewards, sanctions, or state assistance based on a school's ability to improve student achievement — the primary component of the schools' assessments — and to satisfy other “non-cognitive” goals, which most notably include reductions in drop-out rates and increases in student attendance rates.²⁷ Under this accountability system, schools have their performance measured over a two-year period, in which the first year serves as a baseline from which the school must improve by specified amounts in the subsequent year. Over the years of the program, more grade levels and more subject areas have been included within the assessment system. KIRIS now tests student performance in reading, writing, mathematics, science, social studies, arts and the humanities, and practical living/vocational skills. Most of the assessment data are derived from tests taken by students in three grades: fourth, eighth and eleventh grade.²⁸ Also, while student group activities and open-ended questions on tests were originally included as part of these student assessments, in recent years the state's assessment instrument has become increasingly based primarily on multiple choice, objective style test items.

To receive awards, schools must meet pre-determined improvement goals based on a school's accountability index, which is geared largely toward getting all students to at least a proficient level of knowledge.²⁹ The accountability index sets specific numerical improvement targets that schools must aim to for improving the average achievement of all its students in all tested areas, plus non-cognitive areas. Depending on how the school's overall performance changes from the baseline year to the second year, schools are placed into one of five categories: 1) those which significantly reach above their improvement goal and who move a certain percentage of students out of the lowest-performing level; 2) those which perform at or above their goal, but not to the degree of the first category; 3) those that stay at or above their baseline level, but below their improvement goal; 4) those who score slightly below their baseline score; and 5) those that score significantly below their baseline performance.

Monetary rewards and sanctions are then determined by the category in which the school is placed. Rewards currently go to schools in either of the two “improving” categories. The amount of the reward is based on two factors: (1) the total number of schools attaining award status (by the law, the amount of awards given out in any year cannot exceed a certain percentage of the gross salary paid to school staff); and (2) which of the reward levels the school is placed and the number of staff in the school. Unlike some of the other school-based performance awards, certified staff in the school decide how the award funds will be spent (i.e., salary bonuses, or school improvement or training, etc.), but as a matter of fact, most schools apportion the funds for monetary awards.

Unfortunately, the Kentucky school-based performance award program has experienced some fairly serious problems, which should be considered by Wisconsin policy makers if the state or any of its districts wish to implement a similar program. The first major problem dealt with a programming error one year by the testing company scoring the schools, resulting in two of the tested subject areas showing incorrect scores for elementary and middle schools. The practical result was that many schools' performances were ranked in a lower category than they should have been, with about one-quarter of all schools eventually being placed in a new category when the correct data was used. The political effect of this error was to give already weary educators and the general public more reason to doubt the validity of the entire testing system in determining a school's performance.

Another perceived design problem is that the awards are based on comparisons of student improvement gains made between two different cohorts of students. In other words, student performance in the grades tested in the base-

line year are compared against student performance in the next year from students who had been in the grade behind the year before. Fortunately, Kentucky has established within its accountability system means of changing perceived problems and altering the assessment system to account for current problems.

The Dallas Public Schools System School-Based Performance Award Program³⁰

While Kentucky was establishing a school-based performance award system for teacher compensation statewide, the Dallas Public School System in the early 1990s was creating a similar system for its member schools. In conjunction with a large movement to school-based management within the district, the School Board established a performance reward program.

Under the program, individual schools in Dallas are measured against an Effectiveness Index that employs three measures: (1) student test results from a battery of different state and national tests; (2) school-wide attendance, drop-out/graduation rates, and promotion rates; and (3) at the high school level, participation rates in advanced placement classes and college entrance examinations. The student achievement measures carry the majority of the weight in figuring out a school's performance (70 percent and 80 percent of the performance index in K-8 schools and high schools, respectively). In order to calculate improvement, the district uses a very complicated regression analysis, essentially aimed at determining value-added gains experienced by students, after controlling for certain socio-economic factors.³¹ As with other school-based performance awards, individual student gains count toward the index in equal amounts, whether the student was originally low-performing or high-achieving. This means that schools have no incentive to ignore low-achieving students, but rather have an added incentive to do so, given that these students have a greater margin for improvement, which will be included in the overall, average school performance measure.

The School Effectiveness Index is norm-referenced, meaning that award schools are those that perform the best relative to all other schools in the district, and not according to performance aimed at some fixed standard. After schools are ranked from the highest performing to the lowest, awards are given from a fixed sum of money (meaning that awards will be distributed to each school down the list until the pool of award money dries up). Nonetheless, in order to receive awards schools must reach a minimum performance level, whereby at least half of each cohort of students maintains or increases their scores from the preceding year. While funding for the program has varied throughout its existence, including the amount that the business community has contributed to the award funds, expenditures for the program are about \$1.4 million per year. Each school that receives rewards gets \$2000 for the school at-large, while the principal and teachers receive individual bonuses of \$1000, and non-professional staff gain \$500.³² The Dallas Public School System uses this system also to identify the lowest-performing schools, so that it can refocus resources and assistance to these schools.

Dallas' performance award program includes a focus on limited-English proficient students, and many of the testing mechanisms include bilingual elements. Interestingly, due to a Texas law passed in 1995 mandating individual teacher performance evaluations, Dallas schools have available to them a Classroom Effectiveness Index, analogous to the School Effectiveness Index, but particularized to individual teacher performance. Although this index is used to evaluate teachers, the district has decided to not incorporate this measure as a basis for individual performance awards; therefore, the rewards remain determined strictly by school-wide performance. Although there have been fluctuations in student performance over the years, the trend appears to be upwards.

The main problems noted with the Dallas program are the complexity of calculating the School Effectiveness Index and the fact that awards are based not upon the reaching of some specific level of performance, but simply based on relative comparisons with other schools.

Douglas County (Colorado) School District Performance-Based Pay Plan³³

In 1994-95, Douglas County, a relatively affluent Colorado school district that is among the fastest growing in terms of student enrollment, established changes to its teacher compensation system in order to attract a greater number of teachers to work in the district. Combined with budgetary pressures and a quickly expanding student base, along with the district's inability to raise funds through district referenda, the district turned to the largest segment of the budget — staff compensation — as a means to alter its school system.

The resulting compensation reforms built upon the district's existing, single salary pay system, but added a variety of other, contingent pay elements. These compensation possibilities, which are added to a teacher's base pay, include: skills-based pay, a \$1000 outstanding teacher bonus award, and a group incentive pay element, among some other minor opportunities for additional pay. Of concern to this report's topic are the outstanding teacher award and the group-based performance awards.

The district's outstanding teacher award provides \$1000 bonuses to individual teachers who participate in a year-long assessment program, during which the teacher will develop a portfolio to exhibit the quality of their teaching in one of three manners. The first two portfolio options are assessed at the district level and deal with a teacher's performance at either: (1) basic instruction, content knowledge of subjects taught, pedagogical proficiency, and collaboration skills; or (2) implementing district academic standards and instruction in congruence with satisfying those standards. The third portfolio option is to engage in national Board Certification, in which teachers involved in this process submit the portfolio they develop for National Board Certification to district officials for review. All teachers are eligible to apply for this award and to receive its pay bonus.

The group incentive plan, considered the most popular element of the compensation reform among the district's teachers, provides pay bonuses to all teachers in a school, or to groups of teachers within a school, who successfully undertake a specially-designed performance plan. Unlike in other school or group-based performance based pay programs, Douglas County teachers submit performance proposals setting their own criteria for success to a review committee within the district. These performance proposals must fit within the district's parameters and must be clearly articulated and contain means of assessing the teachers' progress. Many of the performance goals that have been attempted deal with improving student competencies and achievement, but others have dealt with more nuanced elements of schools, such as student behavior, technology skills, and mentorships for at-risk students, to name a few. The money received for successful completion of these objectives will be equally distributed from a fixed pool of money to all successful teachers. In 1998-99, 33 of 36 groups that applied for group incentive pay were rewarded for meeting their objectives, with the corresponding award of \$413 per teacher.

Much of the uniqueness of Douglas County's plan is that it offers a range of incentives, most of which are skills-based pay supplements, while its group-based performance award is also relatively unique. But it also requires individual teachers to take time to put together their applications.

North Carolina's ABC Accountability Program³⁴

The State of North Carolina established a school-based performance award system in 1996 as part of its ABCs of Public Education accountability program. Under this program, accountability goals for schools were made based on school performance on the existing state testing system. The program emphasizes rewarding growth in student achievement from year-to-year, for according to program designers, the goal is for each student to receive "one year's worth of growth for one year's worth of schooling."

Schools receive performance awards based on both their growth in school-wide performance on the assessment criteria and based on the percentage of students performing at or above grade level. Elementary school students are tested in reading and mathematics in grades 3 through 8, and are tested in writing in grades 4 and 7. Gains are measured by how well cohorts of students improve their scores compared to the expected growth assigned to that cohort, with the expected growth derived from historical statewide average growth between grades. Using complex regression analyses, including statistical standardization procedures that create a composite index between the subjects tested, a school is rated by how well it performs in terms of average achievement growth in all test subjects in each grade, relative to the school's expected growth.

Performance measures at the high school level are broader, including test results on a large variety of course topics within the areas of mathematics, science, English, history, and civics. High school performance is also determined in part by the percentage of students who complete college or college tech preparatory classes, with drop-out rates scheduled be added in the future to a high school's performance measure. Unlike at the elementary and middle school level, improvement for high schools is defined by the percentage of students who score at higher levels on the state's end-of-course tests.³⁵

For all schools, monetary rewards are based solely on the schools' value-added growth, while "recognition" levels are contingent on a school getting a satisfactory number of students at or above grade level. Schools that exhibit exemplary growth [achievement at least 10 percent above expected growth standards] will see each of their certified staff members receive a \$1500 bonus, with each teacher assistant receiving a \$500 bonus. Schools that reach their expected growth [but do not exceed it by more than 10 percent] will have each certified staff member awarded a \$750 bonus, and each teacher assistant a \$375 bonus. Schools also receive various forms of non-monetary recognition, especially those performing in the upper echelon. Schools may, if their staff decides to, allocate up to 30 percent of the school's award funds to purchase instructional materials to be used by the school, instead of for salary bonuses.

Funds for the awards are provided through state appropriations, and disbursement is contingent on the number of schools that reach award-level status each year. Yet unlike some other programs, the award amount a teacher will

receive in any given year does not vary by the comparative number of other schools that achieve award status. Instead, all teachers receive the specified bonus regardless of how many other teachers in any year are eligible for the same reward. In 1997-98, expenditures for the state's performance awards totaled \$124 million.

One of most notable features of North Carolina's program is that awards are based upon value-added, average student achievement growth within the particular school. This design has two primary effects: (1) schools with traditionally low-achieving student populations can receive awards by raising their student performance, even if the level it is raised to is still, in relative terms, low; and (2) since student averages are used (and schools' scores are reduced significantly for each student who is eligible for testing that does not actually take a test), all students have to be taught to improve in order for a school to meet its performance targets.

North Carolina's program is relatively new, but it is interesting to note that a very large number of schools are listed in the "successful" category. This has prompted the John Locke Foundation, a state-level think-tank in North Carolina, to assert that the goals under the ABC program are not challenging enough, adding that the emphasis on growth neglects other issues related to whether students are actually performing at an adequate and proficient level.

The Charlotte-Mecklenburg Award Program³⁶

Before the State of North Carolina had established its ABC's accountability program, the local school district of Charlotte-Mecklenburg had already instituted its own school-based awards program. This program, called the Benchmark Goals Program (BGP), arose out of a community education reform movement sparked by leading educators and community members. Part of this overall education reform was a component recognizing the need to reward effective teaching. The original BGP was established during the 1992-93 school year, and included academic targets based on improving scores on the state's student assessments and improving non-academic measures, such as attendance, enrollment in advanced-placement courses, and dropout rates. After targets are given for each individual school, schools that meet their goals fall into one of two award categories, which would allow teachers and certified staff to receive a bonus of either \$750 or \$1000.

Much of Charlotte-Mecklenburg's local award system has been subsumed under the structure of the state's ABC program. Teachers in the district now receive awards for satisfying the ABC's criteria, plus they receive additional compensation for also reaching the BGP's goals. In effect, the Charlotte-Mecklenburg BGP program supplements the state's ABC program, as the performance goals in each program are basically the same. Therefore, teachers in schools that meet the "exemplary growth" target (the highest category of recognition under the ABC) now receive a bonus of approximately \$2250, with \$1500 coming from the state and the remainder flowing from the district's funds. The value of the bonuses is now viewed as substantial, even after taxes are deducted, which had been a concern with the early BGP award amounts.

Perhaps the most interesting feature of the BGP school improvement program — and certainly one of the most controversial — is that different goals are set for student performance based on whether the school is a "low-performing" or "high-performing." Given the manner in which improvement targets are set, low-performing schools must meet higher targets. Those involved with the BGP program have come to recognize this feature to mean that larger improvement targets are found in schools with the largest percentage of African-American students. This element of the program has its roots in the fact that the BGP was born out of the city's school desegregation order of the early 1970s, and the district's conscientious targeting of eliminating racial disparities in student learning. Nonetheless, this decision has caused some discord, yet it is consistent with the notion of closing the achievement gap between low and high-performing students.

The Vaughn Next Century Learning Center Charter School³⁷

One of the educational settings perhaps most prone to establishing a performance-based pay system would be the growing number of charter schools that exist across the public school landscape. Charter schools, already unencumbered by many of the administrative regulations and personnel limitations of traditional public schools, are seemingly ripe candidates for a variety of teacher compensation reforms. One such charter school that has decided to walk down this path of pay reform is a public charter school within the Los Angeles Unified School District, the Vaughn Next Century Learning Center.

Vaughn was previously a part of the Los Angeles public school system, and became a charter in 1993, three years after the arrival of a new, reform-minded principal at the school. Vaughn's student population is almost entirely composed of ethnic minorities, with about 95 percent of the students being Hispanic and of limited English proficiency. The school is also located in a low-income and high-crime area, and has traditionally performed very poorly on academic measures of student performance.

Along with a knowledge- and skills-based pay system, the school began in the 1998-99 school year a school-based performance award program. This plan was part and parcel of the school's overall decentralized nature and inclusive decision-making process between the entire school staff. It was intended to instill a new alternative pay system, to help bring about improved student achievement, and to reinforce the school's faith in internal accountability, again reflective of its charter status. The school staff recognized that tying part of the teaching and administrative staff's pay to student performance would exhibit the school's commitment to that primary objective of schooling. While originally only new teachers and current teachers with less than five years experience participated in the awards program, the design team later decided to include all staff into the performance-award process.

The two performance objectives from which awards are to be granted involve: (1) successfully getting more students in the school to be redesignated from limited-English proficiency to English language learners; and (2) increasing school-wide student achievement. No other non-cognitive elements, such as attendance or drop-out rates, are included in the performance assessment. The school combines three measures of student performance to determine its relative success at the student achievement objective. Two of these measures are student performance on commercially available tests (the Stanford 9 reading, mathematics, and language test, along with the Terra Nova reading and mathematics test), while a third measure is based on internal reporting of school-wide report card grades.

For school staff to receive an award, the school must first show an increase of at least three percentage points over the previous year's school-wide average performance on the Stanford 9 tests. If and only if this goal is accomplished, the school then looks to whether at least one of two other performance objectives are met: (1) the school's average of the mean scores it records on the Terra Nova tests are at or above the 37th percentile nationally; or (2) students' average report card grades are a "C" or better. Only one of these two objectives must be met to earn the award, but the improvement on the Stanford 9 tests is a necessary condition to receiving the awards.

Vaughn staff then directly receive a bonus of \$1500 if they are among the certified staff, with non-certified staff receiving a fraction of that amount. The funding for these bonuses comes from annual state aid that is above the presumed cost-of-living adjustment of two percent per year. For 1998-99, the total amount appropriated for the school's awards program was \$120,000.

Programs Consisting of Non-Salary, School-wide Awards

As mentioned above, some schools that receive performance-based pay awards are given either total or partial discretion in how those funds are distributed, either to staff salaries or more general school improvement investments. By contrast, a few districts undergoing school-based performance awards have constructed their programs such that the monetary awards must go to school enhancement and are forbidden from being used as pay bonuses to school staff. Such systems offer a slight contrast, in terms of both focus and motivational effect, from programs designed specifically for salary bonuses.

Although these programs do not allow for schools to use their award monies on salaries, it is clear that any of these programs could easily operate in the same manner they do currently *and* include pay bonuses based on the meeting of their performance criteria. Therefore, the elements of these programs offer equally insightful knowledge as to how school-level performance awards with salary bonuses may work.

The Maryland School Performance System³⁸

Since 1989, the State of Maryland has followed a statewide school assessment system that is closely linked to the accomplishment of state standards for education. Maryland public schools have their performance measured by an index composed of school attendance rates and student performance. Student performance is measured by the administration of two testing instruments. First, basic competency tests of student knowledge in reading, mathematics, writing, and citizenship are given to students at various grades in middle and high schools. Second, students in the third, fifth, and eighth grades partake in the Maryland School Performance Assessment Program (MSPAP), which is a test of how well students apply their knowledge in subjects of reading, writing, language usage, mathematics, science, and social studies. These assessments deviate greatly from traditional standardized tests used to measure student achievement, and necessitate that students, over five full days of observation, demonstrate, both individually and among groups of students, their critical thinking and content application skills. School performance is ranked as either being "excellent," "satisfactory," or "not met" based largely on how the students' performance relates to the proficiency standards set by the state.

In 1996, monetary awards became tied to schools' performance under this program. Schools that exhibit two years of statistically significant gains toward their School Performance Index are eligible for rewards. The size of the rewards depends on school enrollment and how many other schools are eligible in any given year, with awards having ranged from about \$14,500 to \$51,000 per school. School Improvement Teams at each school decide how the funds should be spent with relative flexibility, with the restriction that the funds cannot be used as salary bonuses. The Maryland program also imposes sanctions on schools that are below satisfactory levels and declining. These schools become reconstitution-eligible, meaning that the school's administration, staff, organizational structure, or instructional system all become open to state alterations.

Boston Public Schools Awards Program³⁹

As part of a broader effort aimed at improving student achievement in the Boston Public Schools, the district created a comprehensive School Accountability System in the late 1980s, of which one element eventually became a School Improvement Award program. The accountability system was premised on the idea of giving individual schools more authority and control at the school site, in return for being subjected to rigorous accountability measures.

The award program's performance indicators include measures of academic performance and of non-academic measures, with the latter category including student and staff attendance rates at all grade levels and drop-out rates in middle and high schools. The testing instrument currently used by the BPS is the Stanford Achievement Test-9, and student achievement on the mathematics and reading portions of this test are used to rate student proficiency into one of four categories: Below Basic, Basic, Solid, and Superior. Schools are then awarded points based on their ability to get a sufficient number of students out of the Below Basic category and also on the ability of the school to get more students performing at the Solid and Superior levels.⁴⁰ Points are also awarded for the level of yearly progress towards these goals, with added weight given to scores from students who have remained with the school over the whole year. Because of these design features, the performance measures are geared toward having schools show both growth in student achievement and also from the school's ability to achieve district-wide standards and remain at that level.

Awards are distributed on a per-student amount of \$25 for a maximum of up to \$25,000 per school, and the distribution process is formally part of the district contract. Again, it is important to note that these funds may not be used for salary bonuses, rather school site councils decide how the school will use the funds as long as they are generally applied toward improving teaching and learning as defined in the school improvement plan. There is also a significant degree of publicity related to the awards program, which works as an added incentive for schools to both gain public esteem and, conversely, to not gain notoriety as being a low-performing school. In years past, approximately 37 percent of schools have received awards in a given year. The overall funding for this program is relatively meager at \$500,000 (only 0.12 percent of the school system annual budget), with the funds coming from the school system's city budget.

The district has maintained an emphasis on adjusting the program as needs seemingly arise, and problems need correcting. Over the years, the BPS has changed its measuring instrument for student performance and has altered other performance measures, such as adding new analyses of the reading and mathematics open-ended achievement tests.

Philadelphia Public Schools Performance Award Program⁴¹

Another school-based awards program that limits the monetary awards to non-salary purposes was developed by the Philadelphia Public Schools (PPS) in 1996-97. Philadelphia is a high-poverty, traditionally low-performing school district, which has struggled for years to satisfy desegregation issues within the district. After a judge ruled in 1994 that the district had failed to adequately desegregate and provide poor and minority students with satisfactory educational opportunities, the Philadelphia public schools hired a reform-minded superintendent who worked to develop an accountability-based plan for the district.

Pursuant to this plan, the district established a student assessment and school incentive program as a means of altering the historically low-performance of its students. Premised on the notion that rewards and sanctions linked to higher student performance will inspire teachers to teach better, the district constructed a series of standards in various academic subjects (these standards were largely drawn from national standards) and assessments meant to measure student performance against these standards. As with other school systems that have created performance-based rewards, the PPS has decided to use the Stanford Achievement Test-9 to measure student achievement in reading, mathematics, and science. These academic measures account for three-fifths of a school's performance measure. Schools are also evaluated based on their promotion rate (elementary and middle schools) or graduation rate (high

schools) and on their student and staff attendance, with both categories of performance accounting for one-fifth of a school's performance measure. A school's performance across these three measures are placed into various performance levels, which will determine their Performance Responsibility Index.

Schools must accomplish certain goals to receive awards or avoid sanctions. Primarily, schools must improve upon their baseline numbers for the various performance assessment areas described above. School targets are determined in two-year increments that coincide with the district's goal of having all schools reach a certain, higher level of proficiency twelve years after the program's start in 1995-96. Given a school's baseline, as measured by the number of students scoring in each of the performance levels (there are seven performance levels for the academic component and six levels of performance for the attendance measures), schools must improve upon the percentage of students in each category, with a special emphasis placed on getting students who score below the "basic level" up to at least that level. This design feature ensures that a school must improve student achievement among all students, even the lowest performing students, to reach its performance targets.

As part of this Performance Responsibility Program, schools that exceed their individual targets will receive public commendations and awards of \$1500 for each teacher and \$500 for each other staff member. Schools that only meet their performance target receive public commendation but no monetary awards, while schools that improve above their baselines but do not meet their targets receive special attention toward how the school can improve its practices. In terms of sanctions, besides public recognition for failing to meet their school goals, schools that exhibit continued lack of improvement can face reconstitution and significant staff replacements. While schools are strictly prohibited from using these funds as salary supplements, school are otherwise given broad discretion on how to allocate the award money. After the first two-year accountability cycle, 145 of the 249 schools in the program received awards, which totaled \$11,150,000.

One interesting element of the program's student achievement assessments is that not only do eligible students who fail to take the tests get scored as a zero toward the points needed by a school to satisfy its goals (a procedure common among some of the other school-wide performance award programs), but students who take the test and fail to show any reasonable effort are also scored as zero. This feature of the program has produced some consternation among teachers and school principals. Other elements of the Philadelphia program that have caused concern are the relative lack of understanding among teachers as to how student test scores are actually used to calculate a school's overall performance index, and on how the staff attendance standard does not seemingly account for legitimate staff absences, such as long-term illnesses. Issues have also been raised over whether the performance indexes are accurate and meaningful, or whether they simply reflect such factors as schools having more students taking the tests or the existence of very low baselines for schools.

Other Recent School-Based Performance Award Reforms

In addition to the programs discussed above, other performance-based pay plans for K-12 teachers have arisen in the past year or so. In Iowa, lawmakers have considered a bill to considerably alter teacher training and compensation. The plan, largely a response to market forces compelling the state to more effectively recruit and retain teachers, would instill greater professional development opportunities for teachers and alter the pay system. Individual teachers, once they satisfy certain criteria of performance, would receive salaries that are competitive with national levels for teachers. Moreover a "variable pay" component would be added, which awards teachers in schools that meet school-wide improvements up to an additional 15 percent of their base pay.⁴²

Under an agreement between the Denver Public Schools and its local teachers union, the Denver Public Schools will be implementing a new pilot program for teacher compensation in the 2001-02 school year.⁴³ Performance objectives, which will be based on district and school goals designed by both the local teachers union and district administrators, will be determined by one of three measures: (1) Student achievement as measured by scores on the Iowa Test of Basic Skills; (2) student achievement as measured by performance on teacher-designed criterion-referenced tests; or (3) obtaining of teacher knowledge and skills related to student achievement and behavior. Teachers in participating schools will receive \$500 for simply participating in the pilot program, and will be eligible to receive additional awards of \$500 to \$750 for each performance objective that is reached, for up to a total of \$1500 per year. The pilot program will involve an estimated twelve percent of the district's teachers. After the pilot program has been run, the district Board of Education will use the results in deciding how to revise the teacher salary structure, and possibly include permanent, districtwide performance-based pay element.

Meanwhile, in Memphis, Tennessee, the city school board began a school-based performance award program beginning in the 1998-99 school year, which is being funded from a private, anonymous donor. The program is part of an attempt to increase student achievement and promote greater school-level accountability, and was designed by a broad range of groups, from teachers, principals, community members, to district administrators. Schools are now being evaluated based on the degree to which they meet specific objectives related to state and district education goals. The objectives, which vary from school to school and employ a value-added approach, include such things as improved student achievement across a variety of academic subjects, increased promotion and attendance rates, decreased drop-out rates, general reading and writing proficiency, and other initiatives rated to improved school environment. Based on whether schools reach certain threshold percentages of their goals, they have the opportunity to be placed in one of three award levels, with schools in the top two levels receiving monetary awards that can be used by staff for education needs, but not as salary bonuses. Schools at the top level earn \$30 per student enrolled in the school; those in the second award level receive \$20 per student; and those in the third reward level simply receive public recognition.⁴⁴

Perhaps one of the most prominent district-created school-based performance award plans has been the new Cincinnati Public Schools (CPS) program.⁴⁵ After working through a series of pay plans through the mid- to late-1990s that would have tied partial teacher compensation to either individual teacher job performance or to school-wide performance, one of which was voted down by the teachers union, the CPS in 1999 finally established a school-based performance award component to its School Accountability Plan. These reforms were again part of an overall decentralization process aimed at establishing more school-based management on the part of schools, with performance-based awards as a central element of accountability and recognition. The district's accountability plan reviews each school's annual performance, establishing targets for each individual school, and then measures whether the schools' improvements meet these goals. Three-fourths of a school's performance is determined by specified gains made on student achievement indicators, with the remainder of school performance goals involving student and staff attendance rates, drop-out rates in high school, and student promotion rates in all schools.

Schools are then categorized into one of five groups, with the top one carrying with it a cash award. Two Cincinnati schools reached this award category in the 1999-2000 school year, whereby all staff at the school received monetary bonuses in the amount of \$1400 for teachers and principals, and \$700 for non-teaching staff. Interestingly, one of these schools is characterized as being a traditionally high-performing school, while the other was lauded for having pulled itself up from the bottom ranks of the district's schools by showing two years of marked improvement. This fact suggests that the award system was designed to adequately recognize both significant improvement and high achievement.

Summary

As is witnessed by the preceding overview of reforms from across the country, there are a multitude of styles on how to accomplish a school-based performance award program. These reforms have been attempted at both the district, state and school level, have been undertaken by predominantly low-income and relatively affluent school districts, and have emphasized diverse education goals. The states and districts that have attempted this reform tend to have been motivated by compelling educational needs, such as consistently low performance among students or the need to decrease the disparity between minority student and non-minority student achievement. Also found in the areas that have adopted these reforms have been teachers unions that are fairly progressive and reform-minded, and, therefore, willing to experiment with novel ideas of teacher compensation reform.

The details of these programs are provided to give the reader a sense of some of the intricate issues involved in the establishment and implementation of a performance-based pay system for teachers, and how these other jurisdictions have dealt with the issues, either successfully or unsuccessfully. According to the CPRE Teacher Compensation project, "there may well be no single plan that can be put forth as a universal one-size-fits-all, and that one must tailor and develop a program that meets the unique needs of a particular school district or state, based on its own articulated goals."⁴⁶ Therefore, while Wisconsin can learn a great deal from these other school-based performance awards programs, the state will also have to tailor its program to Wisconsin's particular educational needs.

RESEARCH ON PERFORMANCE-BASED PAY PROGRAMS

The insertion of performance-based pay scales into public education remains a relatively slow and cautious enterprise. Moreover, the recentness and limited nature of these school-based performance pay plans has yet to yield a large amount of research on the impact and efficacy of these programs.⁴⁷ Nonetheless, some general insights can be seen.

Most of the academic and evaluative research on school-based performance pay has occurred within the context of looking at one or more particular programs. The available evidence on these programs seems to suggest that they have been successful, both for students and teachers. According to the CPRE Teacher Compensation Project, some of the beneficial effects seen from current performance pay incentive programs have been:

- The incentives help cause teachers and principals to focus their efforts on improving student achievement.
- Teachers view setting performance improvement targets as a legitimate way to manage schools.
- Teachers believe they can cause the improved student performance needed to meet the goals, if given adequate support.⁴⁸

Perhaps of utmost importance is the issue of whether student performance improves in schools under pay-for-performance reward programs. Again, the relative newness of school-based performance awards programs limits the ability to answer this question definitively. Yet some of the programs have witnessed comparative gains in students taught under a teacher pay-for-performance program. For example, student outcomes in Dallas have improved relative to students in comparably large cities in Texas since the Dallas Public Schools instituted their program.⁴⁹

It is important to recognize that the success of a pay-for-performance program cannot, necessarily, be measured simply by the number of schools earning awards. If the performance objectives that schools must meet to receive an award are truly difficult and highly valued, then the correlation between the number of schools meeting their objectives and the overall success of the program will be strong. But if the program's performance objectives do not involve the actual realization of significantly improved or high-level student learning, then the number of schools receiving awards is irrelevant to the program's actual success at improving student learning. In other words, to determine whether student achievement is truly improving under the program, the program must have meaningful goals.

Finally, there is a principled argument for performance-based pay that goes beyond the empirical effect of these programs. School-level, performance-based pay systems are not only desirable in their ability to motivate teachers to teach better and thereby improve student achievement — although these are certainly important results that are desired and expected of such a system. These programs also represent a serious change in the bureaucratic values currently dominating public education personnel policies, as it allows for pay differentiation based on performance. This pay system also empowers teachers to at least partially control their ability to be rewarded for actual performance. Moreover, some commentators have emphasized the symbolic value of group performance-based awards, suggesting that the motivational effects of focusing on results and collaborative action among staff may be more significant than the financial incentives of the bonuses themselves.⁵⁰ This point only further shows how such a focus on education results is lacking under the current compensation system.

POLICY ISSUES WITH PERFORMANCE-BASED PAY PROGRAMS FOR TEACHERS

Having canvassed some of the existing school-level performance based pay systems, it is instructive to distill and expound upon the various key issues that must be addressed by such policies. Furthermore, an understanding of how to confront these issues can help guide the State of Wisconsin or its member school districts in devising their own pay-for-performance systems.

This section discusses how design issues concerning a performance-based pay system can be addressed. These issues include: who should be involved in designing the program; the varying criteria that can be employed to assess relative teacher performance; what type of standards and goals will be used to determine satisfactory student achievement; whether student performance goals should be in the form of an absolute measure of student achievement or some more relative, value-added measure of student achievement increases, or both; how rewards should be designed, how large they should be, and how they should be distributed; if sanctions should also be designed for poor performing schools; how the program should be funded; and what can be expected in schools and districts that first begin implementing such programs.

Who Should Be Involved in Designing a Performance-Based Pay Program

If the Wisconsin state government were to pass legislation requiring or allowing for a school-level pay-for-performance plan, the next step would be to flesh out the intricacies of how that program should be designed and operated.

Decisions over who should be involved in the design of any performance-based pay system are important for a number of reasons. First, the degree of success achieved at the design period can set the stage for how the program will eventually be accepted by all those involved, and how well each party involved in the process will feel their interests are represented. Second, by sufficiently funneling the various concerns, desires, and questions of the respective parties involved, potential problems can be addressed early in the process, before the program starts implementation. Major changes made to the program after it has begun being implemented will be costly and potentially destructive to the whole reform of performance-based pay.

Given these considerations, the parties that should have input into the design of performance-based pay plans should include the following: elected officials and other policy makers; community and business representatives; teachers and the teachers union representatives; school administrators and their representative organizations; school board members; and local and national education policy experts. All of these parties have a stake in the eventually created performance-based pay program or can offer specialized insights into how that program can best be developed. The composition of the design team will of course be affected by whether the program will be statewide or for just a single district.

Once it has been determined who should be involved, the next question is what level of involvement each party will have in designing the program. CPRE researchers have identified three general styles of design processes for these reforms: (1) a high-involvement, collaborative method, in which responsibilities and input are actively distributed across all parties involved; (2) a top-down approach, where top administrators and policy experts make most of the decisions over the program's design; and (3) a collective bargaining approach, in which the program itself and its elements are debated between the parties, with an emphasis placed on teacher representatives.⁵¹ While more collegial and inclusive decision-making processes have the benefit of group ownership of the policy, they also have greater risk of suffering from inertia, in which final decisions never reach a workable consensus.

Often the design process and relative roles of the parties involved is determined by the context in which the program is born. For example, under the Kentucky system, the majority of the KERA program, including its rewards and sanctions component, were established by the law creating the accountability system, thereby limiting the ability of other parties to influence the program's elements. Other times, such as in Philadelphia, private monies were used to start funding the program, in which case community and business leaders providing those funds may deserve a greater input. In Wisconsin, any program developed is likely to be based on the volitional activity of policy makers at the state or local level, which should allow for much more discretion. At the same time, a great deal of patience and compromise will be required both to design an effective program and to ensure that the main participants in the program (especially teachers) express some level of attachment to making the program work. This may be very difficult, given the general aversion to performance-based pay expressed by the Wisconsin Education Association Council, the state's largest teachers union.

Carolyn Kelley, a researcher with the CPRE Teacher Compensation Project, has discussed in detail some of the decision-making processes that relate to the teacher compensation reforms.⁵² Kelley stresses that policy makers and administrators should value and respect the views of teachers expressed over such pay-for-performance reforms. In other words, getting teachers on board to at least some degree is helpful to the program's eventual success. Likewise, evidence from current teacher compensation reform programs suggests that when the time is taken to change teachers' beliefs over their salary structure, it works better than when these programs are mandated in a top-down fashion.

Nonetheless, there should also be adequate concern over teachers and the state teachers unions gutting the force of a pay-for-performance system, such that any performance bonuses come to be simply de facto salary increases, with little concomitant change in the actual performance of teachers and schools. Even Kelley recognizes this concern by suggesting that for teacher compensation reform to be successful "teachers too must be willing to take risks and experiment, even when leaving the known is uncomfortable and inconvenient." In other words, policy makers must remain resolute on ensuring that meaningful exhibitions of performance must be present before pay increases to teachers will follow; and teachers must be willing venture into the tradeoff between potential benefits of increased compensation and potential risks of sanctions for poor performance.

What Types of Objectives Will Be Used To Determine Satisfactory School Performance

One of the central elements of any performance-based pay program is what performance measures will be scrutinized to determine the success of schools. There are varying criteria that can be employed to assess teacher and school performance, broadly including: (1) student achievement measures; (2) staff activities; and (3) various non-cognitive measures of student behavior.

The performance standards for schools will eventually set the eligibility criteria for performance pay available under the system. Deciding which measures to use will often be determined by a number of variables, including whether the program is implemented statewide versus for a single district or a single school; whether student achievement is the only priority stressed in the program or if other elements of the school should be valued; and whether reliable assessment systems of student performance are available. Certainly, what type of teacher performance is valued, and how that performance should be measured, will vary with the context in which a teacher performs and a student must learn.⁵³ Performance measures should be varied, so as to stress the multiple goals of learning, and broad, so that they will be relevant to all teachers within a school and between schools.⁵⁴ Overall, the performance objectives of these programs should reflect the most valued goals of the schools involved,⁵⁵ and should reflect a general consensus about what is and should be demanded of teachers and other school staff.

Student Achievement

Invariably, the central element of determining a school's performance should be satisfactory or exemplary student learning. Yet many educators will demur that assessing student learning in any manner, whether subjectively or objectively, is fraught with difficulty. And of course opposition to student testing, in general, continues to mount, and critics who dismiss the desirability of testing as a means of ensuring adequate student knowledge will likely comprise the same critics of student testing that is used to determine a portion of teacher pay. Nevertheless, if the primary goal of education is getting students to learn useful knowledge, then educators must resolve to determine whether students have in fact learned that knowledge.

To be certain, student testing and student assessment are not concepts that are completely subsumed under each other. While student testing is an element — and a major element — of student assessment, other approaches exist to assess student knowledge and proficiency. These include such things as authentic assessment and portfolio assessments of student work, not to forget the age-old system of teacher grade reporting, which by nature includes a multitude of factors that a teacher considers, not all of which are based on tests. Nonetheless, testing remains one of the most efficient, feasible, and accurate means of student assessment, especially when the tests employed are tied to measuring school performance across a number of schools, such as what most school-based performance awards do.

School-based performance awards designed at the individual school-level, such as for a charter school, can most feasibly use student assessment instruments not tied to tests, but rather to other, so-called authentic assessment instruments. Vaughn Charter School, for example, includes student performance as measured by report card grades as one of its three factors that determine school performance. Such a measure of performance would cause great problems if allowed for across-school comparisons, as schools may have different grading policies, such as required grade normalization.

One concern about student testing in the context of performance-based awards is fashioning ways to ensure that students take their performance on these tests seriously, which can be difficult if students face no repercussions, positive or negative, from how they perform on these tests. One approach to address this issue is to have the test correspond to some meaningful result for the student. Another, less formal approach, is to put the burden on each school's staff to inspire their students to perform their best on these tests, and perhaps reward students for having taken the tests.

Other Performance Measures Not Based on Student Achievement

Other variables that do not deal with student achievement can be included in determining desired school performance. These include such things as student and staff attendance rates, drop-out and promotion rates, and even such variables as the number of students in advance placement courses in high school. Schools can be rewarded for reducing the measures that are detrimental to learning while increasing those activities that promote better learning. While these non-student achievement measures should be included, they should be weighed considerably less in a school's total performance rating than student performance measures. Most of the states and districts discussed above include these elements, yet they usually comprise only between ten to twenty-five percent of a school's total score.

If a performance-based pay program is developed at the district level, the district's individualized needs will determine which of these variables are included and their relative weight. For example, a district that is suffering from a considerable degree of student absences (such as in Milwaukee) may place more weight on student attendance measures, under the reasonable understanding that students have little chance of learning at all if they are not even in the classroom. Other districts that may be performing at already relatively high levels may wish to stress having more of their high school students taking advanced placement tests.

There should be an emphasis on making teacher pay related more to student achievement measures than to other, non-cognitive measures of student activity. CPRE researchers suggest that student achievement in core content areas should comprise at least 50 percent, and probably more, of a school's performance measure.⁵⁶ While these other measures are concededly very important, success on measures not related to student achievement has a much looser connection to the actual work of schools and individual teachers. In fact, linkages between student behavior and teacher compensation has been historically criticized by some educators for the alleged inability of teachers to overcome factors beyond their control. This is especially true of student activities that necessarily take place outside of the classroom and school walls, such as whether a student decides to attend school. Furthermore, given that incentive programs tend to make teachers focus on the program's measured goals, it is only desirable for teachers to do more of that focusing on student learning, the primary purpose of education.

Differences Between School Levels

A common issue for statewide and districtwide school-based performance awards programs is whether performance measures should vary based on the education level a school serves. This question applies to both student achievement measures and non-cognitive measures. Such variation is often recommended, as it accounts for reasonable differences in school goals, subject matter differences, and differences in student characteristics and needs found at each school level. One of the differences may include using graduation rates at the high school level, while grade promotion rates at the elementary and middle school level. Likewise, the types of tests used to assess student performance may be different, with high schools being more appropriate for norm-referenced tests as opposed to criterion-referenced tests at the K-8 level. One other possible difference is allowing for some high school performance awards to be based on departmental performance, where teachers in various departments are rewarded for student achievement specifically in their content area, even if others teachers in the same school who teach different subject areas do not meet their goals.

Determining Performance Levels Necessary to Receive Bonus Awards

Another key issue for a performance pay plan is what level or levels of performance will trigger a school's ability to receive monetary bonuses. All performance goals must be challenging so as to reflect desired improvement that is meaningful. But they should not be so difficult that only a few schools will ever reach their goals, causing most teachers to feel unmotivated by the pay incentives since they do not foresee their ability to reach these goals. At the same time that performance objectives must be obtainable, they should not be so easily accomplished as to not be meaningful, and instead simply cause the program to act as a de facto pay increase for teachers who have not truly altered their performance. In addition, improvement targets must be identified and communicated in advance to school staff so that they can understand what is expected of them and develop strategies to reach those goals. Finally, performance targets should have both long-term and short-term considerations.⁵⁷

When using student testing within the context of school-based performance awards, some salient issues arise. One primary issue is whether student performance goals should be in the form of an absolute measure of student achievement or some more relative, value-added measure of student achievement increases, or both. CPRE researchers have described three general ways in which student performance can be measured as part of a pay-for-performance program.⁵⁸ First, comparisons can be made to a predefined standard, whereby student performance must reach a specific level for a school to be rewarded. This approach puts a premium on encouraging all schools to perform at higher levels and also has the advantage of being fairly simple and clear to understand. The negative side of this type of performance target is that it does not consider variations in student characteristics across different schools. Therefore, schools that have little hope of reaching this performance standard may find the motivational effect of the rewards minimal, since the performance goals are viewed as unobtainable.

A second mechanism for measuring performance involves looking at a school's movement toward a set standard. Under this method, schools will be rewarded for adequately showing that they have improved student performance in a manner that suggests the school will eventually reach the objective standard of performance sought. This system

has the benefit of rewarding progress toward goals and encouraging all schools to work toward improvement. This is true of even those traditionally low-performing schools that are quite a distance away from reaching the overall performance goal. Some programs modify this approach to have each school's performance goals determined by that school's own past performance.

Finally, student performance goals can be set by a longitudinal, or value-added, analysis that follows specific cohorts of students as they progress through school. Under this approach, goals are set for a group, or cohort, of students based upon their previous achievement, and then schools are assigned expected increases for those cohorts. If students in a school meet or exceed their expected increases, then the school will be rewarded. Most commentators advocate a longitudinal approach to comparing student performance. The benefits of this approach are: (1) the effect of student mobility between schools on scores can be better accounted for; (2) it represents a more valid measure of how well a school has been improving student performance, for it looks to gains made by individual students; (3) this approach can track actual student performance across all grades in a school; and (4) academic progress is measured against the same cohort of students.

Each of these methods for defining student achievement and school performance can of course be combined or adjusted in a variety of ways to fit a state or district's priorities. Likewise, all of these approaches have advantages or disadvantages relating to their level of perceived fairness, their complexity and clarity, their likelihood of motivating teachers, and the educational objectives that each tend to value. To balance the competing interests between not just awarding pay increases to schools in already highly financed or high-performing school districts but also rewarding schools (even in high-spending districts) for doing well, bonuses should be based on a mixture of criterion-referenced and value-added measures of student performance.

Testing All Students

The inclusion of more grade levels and more students as part of the assessment system, while not imperative, can also be very helpful. It is helpful in spreading the burden and responsibilities of reaching the school's performance objectives across more teachers and more students. Including more grades in the assessments can also help alleviate any special problems that may develop based on only particular cohorts of students being assessed in any given year. Guarding against students being omitted from the testing is crucial to a performance-based pay system, for it reduces the benefit of schools attempting to "game" around the program and falsely manipulate their results so as to show higher achievement or larger gains in performance. The testing of more students helps prevent "cream-ing" of students taking the tests, whereby schools find ways to have only their more competent students comprise the group of students whose performance is used to measure school success. To encourage schools to test all students, many current performance-based pay programs require that students who are eligible to take the test, but fail to do so, will still count against the total (often a score of zero value weighted into the average), which can greatly diminish a school's ability to reach its goals.

At the same time, a sensitivity to testing certain populations of students may be needed. Special thought must be given to how the performance of learning-disabled students and limited-English proficiency students should be incorporated into a school performance index. Some programs have decided to completely or partially exempt these students. The better route may be to segregate the test results for students that fall within the parameters of one of these exemptions, and then compare performance between these similarly situated students both from year to year within a school or across schools that also have these populations. The alternative of leaving out students who are defined as learning disabled or limited-English proficient sends the message that the performance of these students is not valued. Moreover, under a performance-based pay program that omits these students' performance from being a determining factor in a school's performance level, teachers will have less incentive under the system to concern themselves with improving the education of these students. This result must be avoided.

Controlling for Factors Outside the Control of Teachers

One of the most contentious issues with any teacher pay system that is tied to measures of student activity, whether they are student performance or student attendance and drop-out rates, is whether teachers should be held accountable for factors considered outside of their control. These factors include such considerations as student motivation, students' home and social environments, and a multitude of other influences on student learning that are exogenous to the school setting.

To some extent, any school accountability system needs to be resigned to the fact that teachers do not work in a perfect world, even though factors such as student motivation and behavior, and more general social influences, can have an impact. Nonetheless, it is not unreasonable to include in a teacher's job the expectation of motivating students and getting them excited about learning. That aside, performance objectives that are based on value-added improvements in student achievement present one method of confronting this issue. Value-added measures look precisely at how far students have improved from where they began. Therefore, when measures of gains in student performance and actions are used, while the success of teachers will be driven in part by outside factors, those factors would have also impacted the baseline measures schools face. In a sense, then, these factors should be considered a constant. Yet to the extent that performance-based pay is determined by absolute standards of student performance (such as having a certain percentage of students at a proficient knowledge level), then these factors will have a greater impact on the likelihood of success for school staff.

Some commentators argue that available research shows that merely using baselines of student performance without statistical controls for socio-economic factors is insufficient, because these factors affect not just the level of student achievement but also its rate of growth.⁵⁹ To the extent this contention is true, and it is perceived to undermine the fairness of the school assessment system, statistical controls may be required to ensure that schools are only compared based on student performance that takes into account these socio-economic factors. Other school-based performance reward programs have shown that measurable influences on student performance can be controlled for in the analyses of whether schools meet their various performance objectives. For example, the Dallas plan includes a wide range of statistical controls to account for factors that can influence student ability that occur outside of the school. Of course, the more complicated is a system that accounts for these outside factors, the more difficult it becomes for teachers to recognize what precisely is expected of them, given their student populations. This result is undesirable for motivational reasons. Furthermore, these concerns may also undermine the goal of encouraging schools to have all students, regardless of their socio-economic status, learn more and perform at higher levels achievement.

Size of Performance Awards

The size of bonus awards to teachers for meeting school-wide performance goals is a critical element in any performance-based pay program. The size of a bonus must be large enough to be meaningful to teachers, so as to motivate them to alter their behavior in a manner that the performance awards are specifically designed to engender. In other words, encouraging teachers to meet their performance objectives is aided by the size of the reward. Conversely, if an award is too large, the program as a whole may not be affordable or acceptable to policy makers and taxpayers.⁶⁰

Another key issue is whether the benchmark for receiving awards should be singular — that is, if a school reaches a specified level of performance, they get the salary bonuses, but if they miss, they receive nothing — or if there will be varying levels of rewards based on degrees of success at meeting the school's performance goals. Under the latter option, schools that perhaps meet or minimally exceed their performance target would receive bonuses in a certain amount (say \$1000 per teacher), while schools that exceed their goal by greater amounts receive larger awards (say \$2000).

The benefit of this approach is that it may help to motivate schools with low-performing students; by establishing more award levels, it is more likely that a greater number of schools can receive at least some awards.⁶¹ This layered approach also introduces a sense of marginal productivity to the pay system, a key feature of labor economics largely missing under the current teacher pay structure. Some of the possible drawbacks of multiple award levels are that they may diminish the importance and urgency of improving school performance, they may fail to reinforce the significance of the program, or they may lead to confusion and measurement error while determining which bracket a school is placed in at the end of an accountability cycle.⁶²

Some other decisions policy makers could make regarding award amounts include whether to make them greater for teachers in more challenging schools, whether to take into account the effect of tax reductions on the net amount of an award, and whether the size of the bonuses will be contingent on how many schools earn the reward.

Distribution of Performance Awards

One of the key features of a school-based performance award program is that bonuses go to all teachers in a school, as opposed to being received by just a few individual teachers. For reasons discussed earlier, this report advocates that education policy makers in Wisconsin, whether at the state or district level, establish school-level performance awards. While advocating school-level performance awards, this author is not disparaging the idea of performance-based pay based on various measures of individual teacher performance.⁶³ Nevertheless, given the problems that have been experienced with some individual-level merit pay plans, and the dramatic change in school decision-making structures that would have to accompany such a system, it may be better to focus efforts on collective incentive pay systems. Moreover, it is certain that school-level, performance-based pay plans are much more politically viable than individual-level merit pay plans.

A group-based performance award system must decide which employees within a reward-achieving school will receive bonuses and what the amount of those bonuses will be among employees. Some may argue that only teachers should receive increased compensation for satisfying school-based performance goals. Others argue for the inclusion of administrative staff and support staff. The argument is made that people in these non-teaching positions also contribute to the school environment that affects a school's ability to perform well in both student achievement and other performance criteria. Yet it necessarily follows that the amount of awards going to non-teaching staff will diminish the amount that teachers could have been awarded if the same pool of bonus funds is distributed only among teachers.

Once decisions are made as to who should receive pay bonuses, the next question is whether all personnel in the school should receive the same amount? A defensible reaction is to give teachers the lion's share of a school-based performance reward, and to award pay bonuses to other staff at some lesser rate. From the perspective of economic analysis, such discrimination between the levels of awards may be justified as mimicking the notion of awarding staff based on their marginal productivity of labor, at least labor that directly contributes to the outcome/product desired. The work of teachers in a classroom clearly has a much more direct and meaningful impact on student learning and performance.

A key feature of a pay-for-performance award program is that the bonuses given for a school's ability to meet its performance objectives must be awards that are earned each year, not a continual addition to a teacher's salary.⁶⁴ After all, these programs exist to provide motivational effects that must be present each year. Therefore, one year's quality performance should not result in perpetual pay bonuses. This design feature also signifies that teachers will be expected to continually perform well; when awards must be continuously earned, the motivational effect will remain in each period of the award program.

Finally, district superintendents should also not be left out of the performance-based pay mix. In fact, before many districts instituted performance-based pay for teachers and principals, they either mandated or coaxed their local superintendent to make some of their annual salary contingent on the district's performance. Superintendents in both small and large schools districts, with the latter category including Cincinnati, Minneapolis, Philadelphia, Palm Beach County (Florida), and Houston, found percentages of their base salary, varying from three to sixteen percent, dependent on district-wide performance. Included within this group was Rod Paige, current U.S. Secretary of Education and former Superintendent of the Houston Public Schools. While in Houston, Paige received a \$25,000 bonus one year as a result of his district seeing its performance improve considerably better than other districts in Texas.⁶⁵ While some groups have complained that such bonuses cause superintendents to place unreasonable pressures on school principals and staff, recipients of these bonuses note that they also can lose money and their jobs if their districts fail to improve.

Overall, the more school personnel that are involved in the performance awards system, the better the program will be at motivating all those involved, to some degree or another, in helping schools meet their annual performance objectives.

Sanctions

As it stands now, teachers have no need to avoid punishment for their poor performance, and, conversely, no ability to enrich themselves for quality performance. As a result, in the labor market for public education, we have

burned the stick and eaten the carrot. Teachers face neither. Performance awards help rectify this situation in terms of the carrot, but what about the stick? Therefore, the more controversial issue of whether sanctions should also be designed for poor performing schools remains.

Under a compensation system where groups of high-performing teachers are to be paid higher salaries in reward, it would appear that those teachers within schools that consistently fail to perform at satisfactory levels should receive lower pay, smaller raises, or, after appropriate support and efforts at aid have failed, possibly even be terminated from employment. Unlike a program that consists solely of rewards, where if performance targets are unmet it only signifies the loss of an opportunity for additional pay, sanctions entail direct, negative action against schools and teachers that perform poorly. As a result, sanctions can cause more pressure and stress on teachers, yet thereby also causing a great deal of incentive. Still, this author is unaware of any school-based pay system actually deducting pay from teacher salaries on the basis of continually poor performance. Instead, teachers tend to find their base salary essentially locked in, with the bonuses only serving to add to that salary.

The most common sanctions currently found in performance-based pay programs involve some form of school reconstitution — whereby a school that shows continued poor performance will find itself taken over by district or state authorities, a step that could include significant staff changes. Usually, before low-performing schools are threatened with reconstitution, they are allowed an attempt to improve, and are often given financial and professional aid to accomplish this improvement. While the frequent reaction is to set aside more funds to aid failing schools, such a step provides an obvious disincentive to schools improving, especially in the light of a performance-based pay system, as these schools also find themselves with increased funding. So while some aid may be necessary, the policy should be clear that additional funds will be only temporary and if school performance does not improve after the receipt of these funds, then sanctions, such as reconstitution, will necessarily follow.

Although not conclusive, there is evidence from some performance-based pay systems that sanctions for poor performance seemingly generate greater motivation than do monetary awards. According to teacher reactions from the Kentucky program, this certainly seem to be the case.⁶⁶ These reactions were built, in part, on the fact that there was initially greater doubt as to whether salary bonuses would actually materialize, while the belief that sanctions would occur was stronger.

In any event, while both rewards and sanctions should be of a nature and amount that are meaningful, a performance-based teacher compensation system should impose sanctions only in a manner that is roughly proportional to the reward amounts available. That way, the so-called up-side and down-side for teaching staff are both viewed as equally present.

Program Funding

Another key decision for policy makers at either the state or local level is to what extent are they willing to lock themselves into funding bonus awards, especially if the welcomed yet expensive result is that a large number of schools respond to the incentives and meet their performance goals. School-based performance systems, at least those which only offer salary bonuses in addition to already existing salary amounts, can be very expensive. In Kentucky, for example, the KERA program has dramatically increased state educational spending.⁶⁷ Is the money to attempt this type of program there?

At the state level, funds will have to be appropriated by the state government through its general public education budget, with a commitment to keep funding for the program continuing in successive years.⁶⁸ Given the current state budget projections, it appears that additional funds for a performance-based pay system are not available, unless they are to come from monies already allocated for other purposes. At the district level, more divergent funding sources may be available. In some of the districts that have implemented school-based performance awards, a portion or all of the funds have come from community leaders, frequently businesses, or from other private grants. To soften the budgetary impact of a performance awards program, one could also argue that bonus amounts to teachers in successful schools be acquired from the salaries of those teachers in low-performing schools, thus creating a possible zero-sum situation. This would be a most radical approach and would likely find an insurmountable degree of political resistance. Moreover, it has the perverse built-in assumption that there will be an equal or greater number of schools not meeting their performance awards as that do earn awards.

Still, if monies were to be available for such a program, some other issues must be answered. Perhaps the most important funding issue for performance-based awards programs is determining whether the monetary award amount

available to all schools in a given performance cycle will be fixed, or if expenditures will be determined by the number of schools (and staff) that qualify for a predetermined award amount. In other words, can all schools be eligible to receive predetermined award amounts (e.g., \$1000 per teacher) or will the award amounts to schools that reach their performance objective be decreased by the number of other schools that likewise become eligible for awards.

CPRE researchers have suggested that states and districts establishing a school-based awards program should set aside one to two percent of the total education budget, preferably in a trust fund to be renewed annually.⁶⁹ Another option would be to set a fixed dollar amount to be spent on the program each year. Either way, one interesting feature of school-based performance awards is that program expenditures are contingency-based, meaning that the funds only are disbursed if identified goals are met. That being said, there may be a temptation to spend the funds allocated for school-based performance awards even if schools are not meeting their performance goals. This should be avoided, or else the program will swiftly lose its legitimacy. Overall, the performance goals from which awards are determined should be sensitive to funding constraints, and the state or district should look to histories of school performance to gauge how likely schools are to meet various performance criteria, and thereby be due award funds.

A major issue with some of the present school-based performance award programs has been whether funding can be truly expected, and whether promised bonuses will actually materialize. Without this assurance, the motivational impact on teachers will diminish in proportion to the perceived likelihood of a reward actually being received, based upon their efforts. The state or district that establishes a performance-based pay system should work to ensure that funds will continue in the amounts promised *and* that teachers are informed of this commitment and believe in it.

Administrative Expectations for Schools and Districts Implementing Performance-Based Pay Programs

Change can be difficult. While the current salary system may not be perfect, teachers realize what it takes to get paid more — namely staying in the system long enough. As a result, many teachers have developed a comfort zone under the current single salary schedule. Yet many teachers still strive to be financially rewarded for their success, particularly among younger teachers who otherwise have little ability to earn higher salaries.

In many of the current school-based awards programs, a wide array of reactions have been generated by teachers, principals, government officials, and the general public. The most documented reactions are among the main participants in the process, namely the teachers and principals. According to the available survey research, teachers and principals involved in performance-based pay programs view positively the outcomes of personal satisfaction at seeing students achieve, the ability to face clear goals for the school, and, of course, pay bonuses. The negative results spoken of include public criticism for poor performance, additional job stress and pressures, and risk to job security.⁷⁰

One potential problem of school-based performance awards is that higher quality teachers or harder-working teachers may be dismayed by the fact that their colleagues who contribute less to the school's overall performance still receive equal awards.⁷¹ On the other hand, in schools that fail to meet their performance goals, these higher quality teachers may feel that their individual effort was not adequately recognized. These concerns are the converse of the negative effects experienced under individual-level merit pay plans. In any event, it appears that all teachers will desire to work in schools likely to receive annual bonuses, and may attempt to relocate in schools accordingly.

It is also clear that, following motivational theory, when pay incentives are contingent on meeting one or more specified goals, teachers will tend to focus much more of their time on those goals. While this is desirable to the extent that the goals rewarded under an incentive program include all those that should face educators, when other equally important education goals are not included, which are frequently those goals less easily measured in an objective fashion, the organizational nature of schools can be undermined.⁷²

Nearly all current performance-based reward programs have also established concurrent opportunities for extended professional development among teachers that are participating in the program. Frequently, and wisely, professional development efforts are geared to helping teachers be able to satisfy their performance objectives, whether it relates to curriculum and instruction design, or to greater content knowledge in the areas of student learning tested by the performance assessments. Most commentators have stressed that simply creating a performance-based award program without also providing teachers the requisite skills to achieve the performance goals is counterproductive.⁷³ Failure to provide for this professional development will not only thwart teachers' efforts at success, but it may also cause teachers to feel they are not being given the opportunity to have themselves or their colleagues reach the established performance objectives.

A final point to recognize is that performance-based pay systems should be relatively fungible, especially during their first few years. Performance goals should be shifted, added, or deleted as insights are gleaned from the program's operations. The award component of the program should likewise be open to constructive alterations, such as increases or decreases in award amounts, changes in the performance criteria, both across all schools and among performance levels, and so forth. A word of caution though: these changes should not be so common or so large as to make the program unpredictable to teachers. If teachers are uncertain about what they will have to accomplish to reach their school's performance goals, or if award amounts and award levels are tampered with, then that will likely reduce teachers' sense of efficacy and control over their ability to actually achieve an award.

The state or district that establishes such a program should give it some time to get fully operational, possibly even beginning with a pilot program. If a pilot program is used, the state could also solicit schools or districts to voluntarily participate (as did Douglas County's program), thereby eluding some of the political infighting that might otherwise occur at the outset of a mandated program.

Summary: Many Issues to Performance-Based Pay, Yet Also Many Answers

As the preceding pages have shown, there are many important issues that must be addressed while establishing a pay-for-performance compensation system for teachers. These issues are varied and sometimes difficult. Yet what is also shown by this analysis is that for each design issue, there exists an equally diverse number of very workable solutions. This means that any opposition to school-based performance awards should not be based on the administrative feasibility of the program. Rather, opposition will only consist of philosophical qualms with the entire notion of having any portion of teachers' pay based solely on their performance.

DEVELOPING A COHERENT AND BENEFICIAL TEACHER COMPENSATION REFORM IN WISCONSIN

Performance-based pay reforms in Wisconsin can happen at either the state or local level, and can be achieved if policy makers and education administrators are informed of the matters discussed throughout this report. The final sections of this report present recommendations for the State of Wisconsin and its individual school districts regarding how to incorporate elements of performance-based pay into the teacher salary system. In particular, this section explores how the principles and experiences discussed in the previous sections could apply to Wisconsin school districts. This section will also highlight some Wisconsin-specific elements of our public education system that may determine the administrative feasibility and success of a performance-based compensation system. In particular, it will show how Wisconsin's school accountability system is primed for the addition of a performance-based pay system.

Using the knowledge acquired from the preceding analyses found in this report, a set of reasonable and effective policy recommendations will be succinctly laid out. Each of these recommendations will highlight the desirability of a performance-based compensation system, while at the same time emphasizing the feasibility of tying at least some of teacher compensation to demonstrations of school-wide performance.

Yet first we look briefly at the current status of some performance-based pay proposals in Wisconsin.

Current Thoughts on Teacher Compensation Reform in Wisconsin

Compared to the programs underway in other states, the State of Wisconsin and its local school districts have been fairly hesitant to establish performance-based pay systems for teachers. The following is a sampling of some of the modest movements and ruminations in this state toward some system of performance-based pay for teachers.

The Proposed "Awards for Achievement" Program

In Governor Thompson's 2000 State of the State address, the former governor outlined a proposal for a new program called "Awards for Achievement," which would have established a form of performance-based pay for Wisconsin schools. The premise of the program was fairly simple and was framed as a way to reward public school teachers for effective teaching. In Thompson's words, "As we push our children and teachers harder, let's make sure we are rewarding success in the process."⁷⁴ According to Thompson, this program would strive to "create a stronger

correlation between the performance of our schools and the earning potential of our educators.” The framework for this program would have set certain standards of accountability, such as:

- Schools would have to test 95 percent of their students.
- Scores would have to improve for all students, including the disadvantaged.
- Schools would have to show year-to-year gains on measures such as achievement tests, attendance and dropout rates.

Under the initial outlines of the proposal, if the performance of a school’s students improves in these areas, then all staff in that school would receive financial awards of up to \$3,000. Thompson said that his plan could be greater specified and designed by working with members of the teachers union, school board members, district administrators, and legislators. He proposed that in order to maintain local control, participation in the program would have been voluntary during its initial years. After making this proposal, Thompson reiterated his central point, stating, “If a school maintains the status quo or recedes — the public will certainly hold them accountable and changes will be made. . . . [T]he future in education demands that we set high standards and push our students to achieve. And when our students do, we should award those who taught them.”

While the Awards for Achievement proposal never received serious consideration in the state legislature, the mere presentment of the idea represents a possible political opportunity for such a reform in the state.

Additional Thoughts on Performance-Based Pay in Wisconsin

The Wisconsin Education Association Council appears steadfast in its opposition to any form of performance-based pay in Wisconsin, even a school-level bonus awards program. The WEAC Representative Assembly has repeatedly resolved that it opposes *any* teacher compensation systems based on student achievement test scores. WEAC’s president also came out and ridiculed the Awards for Achievement program, calling it very simplistic, stating also that “it doesn’t take into account the socio-economic status of the student.” This opposition is unfortunate, as many of the most successful states and districts to have implemented school-based performance award programs have worked with progressive-minded unions willing to experiment and attempt to achieve the benefits of such a compensation system.

While this opposition to performance-based pay plans remains strong in certain sectors of public education in Wisconsin, one influential organization in particular has been agreeable to these reforms. The Wisconsin Association of School Boards (WASB) has voted in recent years at its state convention in favor of performance-based pay, and WASB’s executive director praised the Governor for his Awards for Achievement proposal. The WASB appears willing and eager to engage in at least experiments with a school-based performance award program. Moreover, not only has the WASB as a whole expressed this desire, but individual members of school boards across the state have also supported the concept.

In general, the political atmosphere in Wisconsin seems fairly averse to the notion of performance-based pay for teachers. Despite this sentiment, if policy makers take the lead and the public is further educated about both the feasibility and desirability of these teacher compensation reforms, a critical mass of support could develop. Moreover, further discussion in the state would force WEAC and other opponents of school-based (not individual teacher-based) performance awards to attempt to better articulate the reasons for their objections. For example, comments that such a program would be “overly simplistic” is clearly a phantom argument, given the design considerations outlined throughout this report.

School Performance Assessment Options for Wisconsin Amenable to a Performance-Based Pay Program

As part of the Wisconsin Department of Public Instruction’s School Accountability System, Wisconsin public schools are increasingly participating in an elaborate network of school and student assessments. Many of these existing or developing assessment programs carry a strong potential for being incorporated, with relative ease, into a school-based performance pay system. In fact, many of the school performance assessment indicators already available in this state are similar to the types of measures utilized by other states that have adopted school-level performance-based pay. The following is a discussion of these indicators of school performance and how they could fit within a pay-for-performance reward program in Wisconsin.

Wisconsin Student Assessment System (WSAS)

For over a decade, Wisconsin has required all school districts in the state to administer tests aimed at gauging overall student performance and proficiency at three grade levels — fourth, eighth, and tenth grades — in the subjects of reading, language arts, mathematics, science, and social studies.⁷⁵ These student assessment instruments are known as the Wisconsin Knowledge and Concepts Examinations (WKCE), and are comprised of tests designed to show student ability to demonstrate proficiency on samples of knowledge and concepts in these five, core content areas. Design, administration, and scoring of the tests are contracted out from the DPI to private testing companies, and in previous years have included the Stanford-8 series of tests; while now it is designed and scored by CTB/McGraw Hill publishing, which uses the CTBS Terra Nova series of tests for the WKCE. In addition, a reading test is given to third grade students to determine their level of reading proficiency.

Reports of school performance on WKCE examinations are provided to each school and school district, with the results presented both at the student-level (with individual student scores remaining confidential) and through summary analyses, the latter of which are also available to the general public. Schools are then able to be ranked and compared based upon their performance and the number of students who score in four proficiency categories:

- Advanced: Distinguished achievement; in-depth understanding of academic knowledge and skills tested.
- Proficient: Competent in the important academic knowledge and skills tested.
- Basic: Somewhat competent in the academic knowledge and skills tested.
- Minimal Performance: Limited achievement in the academic knowledge and skills tested.⁷⁶

These proficiency standards, which are aimed at measuring how well students have learned the content measured by the examinations, form the basis from which overall school performance is measured. The state's primary focus is to get a sufficient percentage of students in each school to a proficient or advanced level of performance. This goal is reflected in the state's annual review of school performance system, discussed in greater detail below. Currently, besides drawing public attention to how well or how poorly schools are performing, the data results from the WSAS are primarily used for highlighting which schools are in need of improving, so that districts and the state can establish improvement plans for those schools.

The nature of the WSAS and its use of ordinal level proficiency categories suggest its ability to be used in a school-based performance award program. Yet despite the accountability focus of these tests, the law establishing the WSAS has built-in some protections for teachers and schools from the use of these results. State law mandates that “the results of [WSAS] examinations . . . may not be used to evaluate teacher performance, to discharge, suspend or formally discipline a teacher or as the reason for the nonrenewal of a teacher's contract.”⁷⁷ This language appears to only apply to actions taken toward individual teachers and, furthermore, the only language relevant to a school-based performance award is seemingly the “teacher evaluation” element. A more troubling provision of the law, which could block the establishment of performance-based pay for teachers, is one dealing with the use of these tests results to determine state funding for schools. According to the statute, “The results of examinations under this section may not be used in determining general or categorical aids to school districts.”⁷⁸ These statutory limits may have a direct bearing on the ability to use WSAS results for school-based performance salary adjustments. Legislative amendments of these provisions will likely be necessary in order to allow the results of the WSAS to be used for a performance-based pay program.

Wisconsin School Performance Reports

In addition to the school performance measures generated through the Wisconsin Student Assessment System, in 1991 the state created the Wisconsin School Performance Report system. According to the DPI, this annual public school report card “represents the department's most comprehensive resource for data on school performance and student achievement.”⁷⁹ Generally speaking, the school reports provide an overview on what elements of successful schooling are available at a school and how well students are achieving at that school. To that end, schools are compared based on various student performance indicators and also on so-called “opportunity to learn” indicators.

In terms of student achievement, each school's performance report outlines how well the school has done in the areas of: (1) the Wisconsin Knowledge and Concepts Examinations; (2) the Wisconsin Reading Comprehension Test (in third grade); and for high school students only, (3) advanced placement tests and ACT tests; (4) graduation rates and post-secondary intentions. Opportunity to learn indicators include, at the district-level (1) advanced coursework, (2) general fund revenues and expenditures, (3) high school graduation requirements, and (5) pupil-staff ratios; and at the school-level (1) attendance and drop-out rates, (2) number of expulsions, suspensions, and habitual truancy,

(3) extra-curricular and community activities sponsored by the school. Within each of these general categories of indicators are a plethora of more detailed information relating to the broader indicator.

The information collected under the School Performance Report system includes many of the types of school performance measures traditionally used to set targets for school-level, performance-based awards. If the state or a local district is willing to adopt a pay-for-performance program, the data collected under these reports could easily be adopted into designing a composite performance index, particularly in non-cognitive areas of school performance. Furthermore, the state or local district could use whatever combination of data found in these reports it desires, omitting those measures deemed not appropriate for performance goals. It may also weigh each of these measures as seen fit under state or local education priorities.

Annual Review of School Performance

Another manner in which the performance of Wisconsin public schools is measured occurs through the state's annual review of school performance. From 1997-98, when the annual review process began, and through the 2000-2001 school year, schools could meet their annual review requirement by having a certain percentage of students in their school score at or above the proficient level of the WKCE subject tests. Called "the 90% rule," schools were expected to have this percentage of students be equal to or greater than 90 percent of the previous year's statewide average scoring at or above the proficient level, on that subject, in each of the three grades tested by the WKCE. Only students who are enrolled in a school for the entire prior academic year have their scores considered in that school's current year's percentage. Given the design of this rule, clearly it is easier for schools with a large percentage of students already performing above the state average to meet the goal, while those schools significantly below the average may have serious difficulty meeting this requirement.

The rationale of the 90% rule has been extended into a second procedure through which schools can now meet their annual review requirement.⁸⁰ Wisconsin public schools now must satisfy their Continuous Progress Indicator (CPI), which is a measure of the improvement of successive groups of students in the three grades to take the WKCE exams. Schools are credited for improvement in the percentage of students scoring at or above the "Proficient" category and for moving students from the "Not Tested on WKCE" or "Minimal Performance" categories into the "Basic" category or above.⁸¹ A school's performance baseline is set as the average of the school's percentage of students who are "proficient" or above for the two prior academic years.⁸² Schools at lower baseline achievement levels are expected to make more progress than other schools, and schools that already have 80 percent of their students at or above the proficient level are only required to maintain that level of performance. Under the required CPI program, schools that fail to meet the annual review criteria in any subject area for two consecutive years are identified as "in need of improvement." Once identified as such, a school must meet the annual review criteria for two of three consecutive years.

The primary problem with using the CPI index as an accountability measure (particularly if pay bonuses are to be tied the index's school performance goals) is that it compares improvements across different cohorts of students. The performance of one year's fourth grade class is compared to the subsequent year's fourth grade class. This fact may mean that differences in performance are less the result of better teaching but more due to different student characteristics each year. This problem can be especially acute in small schools. Concerns about variation in the characteristics of successive groups of students can be addressed by averaging results across a few years when calculating the CPI. This problem would also be fixed if the WKCEs were extended to all grades, or at least grades 3 through 8. In that case, the CPI could be adjusted to look at longitudinal improvements — how gains are experienced among the same set of students from grade to grade.

NAEP Performance

Besides the Wisconsin-specific assessment measures outlined above, Wisconsin public school students also participate in taking the National Assessment of Education Progress examinations. Student performance on these tests could also be included among performance criteria of a school, if more norm-referenced tests of student proficiency are desired.

Synthesizing Wisconsin's School Performance Indicators for Use In a Performance-Based Pay System

While this report suggests that student and school performance assessment systems already in place in Wisconsin could be readily used as part of a school-level pay-for-performance system, the state may also decide to start anew and design school performance assessments specifically tied to whether schools should be eligible for monetary awards. The problems with this approach are that it would be costly, especially given the "assessment infrastructure" already in existence, it would be duplicative, and it would run the risk of sending incongruent performance targets to

schools and teachers. Instead, it would be preferable to have educators facing only one, clearly-defined set of accountability goals and measures. Under such conditions, teachers and principals can focus their efforts and act accordingly. Of course, a middle ground process to follow would be to alter the existing state education accountability schemes only to the extent that their incorporation into a school-level, pay-for-performance program would not fit the demands needed of either current system.

Recommendations: Making Performance-Based Pay for Schools in the State of Wisconsin a Reality

A unique opportunity faces Wisconsin schools in their ability to establish a performance-based pay system for teachers. The current growth in the development of state education standards and state testing to coincide with those standards offers the state and local districts attractive student assessment instruments that can be used as the core measures of student performance under an awards program. Likewise, various school performance measures that are already being used to compare school performance stand waiting for the state to utilize as the performance criteria from which pay bonuses can be determined.

Taken as a whole, a pay-for-performance system will be the last component of a series of reforms that can dramatically alter the manner in which public education results are perceived — and rewarded. Not only will students be assessed to determine their relative ability and growth in knowledge over the years, but so too can the schools in which these students are acquiring (or not acquiring) this knowledge have their performance assessed. In fact, it only seems fair and reasonable that if student testing, and especially high-stakes testing, are to be faced by students, that the teachers of these students affix some degree of ownership to their students' performance. Yet unlike other education reforms aimed at highlighting school performance and accountability, performance pay programs work largely within the existing administrative framework of public education.⁸³ Therefore, in political terms, school-based performance pay systems offer a unique compromise between retaining the current administrative structure of public education in the state, while also imposing meaningful accountability and rewards.

Revive and Expand Upon the “Awards for Achievement” Proposal

Although the contours of former Governor Thompson's “Awards for Achievement” program were never fully defined, the proposal fits well with the message of this report. If such a program were brought into existence, it would allow the state to experience the benefits of performance-based pay for educators. Wisconsin policy makers should revive and review this proposal, and then make any necessary changes to incorporate the concerns addressed in this report about designing such a program.

Align Performance Targets with Curricula and State Standards

Any performance reward targets should be aligned and consistent with state or district curriculum and instruction, which themselves should be aligned with the respective academic standards (whether state or local) that have been established to guide school performance. The more that teacher performance will be measured against assessment instruments that reflect these standards, the more successful a pay-for-performance system will be in perception and effect. The benefit of using these state tests is that they will already be tailored to reflect the state's educational standards, which presumably reflect what subject content and curricula are desired within Wisconsin schools.

Reward Achievement Gains Along With Academic Excellence

The student achievement portion of any school-based, performance pay system in Wisconsin should be determined by a combination of growth in student achievement along with absolute measures of high-level student performance. Therefore, if the state decides to adopt a group-based performance pay system, the measures of teacher performance should be comprised of:

- A value-added component, which measures how well individual students have improved in relative terms over a specified period of time, and
- A criterion-referenced goal, which awards schools for having significant percentages of their students achieving at higher levels of proficiency.

Having a performance index that considers both of these factors will accomplish a variety of desirable objectives. First, the value-added portion will reward schools for *improvements*, which is particularly helpful to traditionally low-performing schools. Not only will these schools be able to reach reward levels based upon significant improvements — gains that still may not be high enough to get the school at an objectively high level of performance — it will promote learning among all students in the state. Allowing monetary rewards for these schools will also

limit the incentive for teachers to gravitate solely toward traditionally high-performing schools more capable of reaching objective performance targets.

Yet at the same time, schools that come to perform, or have always performed, at high levels should not be shut out of receiving public and monetary recognition. In fact, a greater weight should be assigned to rewarding excellence more than mere improvement. Once moderate- to low-performing students are able to arrive at high performance levels, they should continue to be rewarded based upon their ability to maintain those high levels. After all, a version of the law of diminishing marginal returns will set in, and it may be unreasonable to expect the same degree of improvements once a school has brought its performance up to a desired level.

Overall, a performance reward approach characterized by both these goals will signify that the state is willing to financially reward schools, and teachers within schools, that both significantly improve student performance over time *and* those that maintain high-levels of student achievement. This fact will attract a wider variety of educators to support such a system, and should placate some of the “fairness” concerns with teacher compensation policies based on student performance.

Establish Meaningful Sanctions for Poor Performance

The most contentious element of any pay-for-performance program for teachers is that of sanctioning schools and/or teachers for poor performance. While many people may react favorably to paying teachers more in schools that perform better and perform at high levels, the corollary reaction of paying teachers who fail to meet their performance criteria less in compensation is far less palpable. Yet for a performance-based pay system to mean anything, it must not only present rewards but also introduce some risks. Moreover, meaningful sanctions are needed to further legitimize the pay gains realized by staff in schools that meet the objectives of the performance award program.

Allow and Encourage Individual Districts to Establish Performance-Based Pay Reform

Regardless of whether the state institutes a performance-based compensation plan statewide, individual districts should be permitted to experiment with these alternative forms of teacher compensation. In fact, an argument may be made that the district and school level are more appropriate for performance-based awards, as the performance criteria from which awards are gauged can more readily relate to a district’s or school’s specific needs and academic goals.

Perhaps the district most in need of a performance-based pay system is the Milwaukee Public School system. This traditionally low-performing, urban district is the most similar to those districts where many of the current school-based-performance award programs are occurring (such as Philadelphia, Boston, Charlotte, Dallas). In fact, given the well-known level of student racial segregation evident in the MPS, the state and Milwaukee may have a lot to learn from the parallel experiences of the Charlotte-Mecklenburg school system.

Moreover, as mentioned earlier, a school-based performance reward program in the MPS would complement the district’s current efforts at devolving control to the school level and moving toward team-based schooling. Part of this devolution includes allowing principals wide latitude over teaching personnel decisions. A pay-for performance program, especially one based on gains in student achievement, might make teaching in Milwaukee public schools more attractive to teachers who now avoid the district. To the extent that other districts in the state are also given greater discretion over teacher management decisions as part of their collective bargaining agreement, the MPS does not have to be the only district to benefit from a pay-for-performance system.

As in North Carolina, after a local district begins operating such a system for a few years, the state could then establish a similar pay-for-performance system for the remainder of the state, building upon the elements and lessons learned from that district’s implementation. In any event, if both the state and local districts decide to implement performance-based awards programs, it is important for both programs to be aligned, so that teachers subject to both sets of incentives have consistent goals and demands set for them, or at a minimum, do not have competing goals between the state and district’s plans.

Options for Individual Schools

Finally, charter schools in Wisconsin should specifically be encouraged to develop these forms of performance-based pay for staff. The attractiveness for charter schools to attempt this type of reform is in many ways inherent with the nature of charter schools. For example, charter schools already have a high degree of site-based management, which is a key element for any pay-for-performance system. Likewise, charter schools have greater flexibility with their staff and teacher compensation options, which may draw in reform-minded teachers who are willing to put some of their pay at risk in exchange for receiving higher bonuses if they reach higher levels of performance. Charter

schools could serve as limited examples for implementing performance-based pay, from which other schools, districts, and the state could learn.

Tapping Into a Wealth of Knowledge

The state Department of Public Instruction, state policy makers, individual school districts, and individual schools should tap into the wealth of knowledge available on the issue of school-level, performance-based pay. This report provides an overview of many of the issues involved in the establishment of a performance-based pay system for teachers. More detailed analyses and insights can be found in the various materials that are cited within this report. In particular, interested parties should consult with the Consortium for Policy Research in Education, Teacher Compensation Reform Project, at the University of Wisconsin-Madison. CPRE-Madison houses the leading group of academics on the subject of teacher compensation reform in general, and on school-level performance award systems in particular. The clearinghouse of information available is extensive, and this resource is right in our own back yard. Moreover, the state can learn from the other states and districts that are currently attempting these reforms.

CONCLUSION: PUTTING THE STATE'S EDUCATION MONEY WHERE ITS PERFORMANCE IS

Performance-based pay for schools is a reform idea that is long overdue in public education. If done correctly, this reform of the teacher compensation system will greatly benefit public education in Wisconsin and will appropriately reward successful teachers in the process.

This report has discussed the general themes, issues, and considerations that enter into the development, establishment, and implementation of a teacher compensation system that is based, to some degree, on performance criteria. It began with an indictment of the current teacher compensation system, which is largely inefficient and unconnected to any meaningful performance incentives. It then explained why performance-based pay is desirable within public education. The report then provided an overview of some of the performance-based award reforms being implemented in other states, showcasing the various ways these programs can be designed.

Traditional merit pay plans for educators were criticized for focusing monetary awards at the level of individual teacher performance. Such systems were accused of causing dissension between teachers within schools, who were either explicitly or implicitly competing against each other to receive recognition as being a “superior” teacher. Likewise, these programs were said to be flawed in their inability to recognize that the education and learning that goes on within a school is a collaborative effort among all teachers and staff. With most politicians, school boards, and other education policy leaders having jettisoned the notion of merit pay for teachers based on individual performance, there still remains the viable option of making teachers within schools paid according to school-wide performance.

In fact, traditional criticisms of merit-based pay have been turned on their head with respect to school-level performance-based pay. Now the mentality is to create a “team” atmosphere within schools, and for teachers to work in a collegial and coordinated effort to bring all the school’s students, at all grade levels, up to higher levels of student achievement. School-level performance-based pay offers a very reasonable compromise between those who are pledged to keeping the current, inefficient single salary schedule in Wisconsin public schools, and those who would rather institute even greater market-based mechanisms in public education and accountability for both school and individual teacher performance.

There is also a symbiotic relationship between performance-based pay programs and other major education reforms, such as accountability systems, school-based management, school choice, and standards. Performance-based pay, especially when combined with local control and an overall system of increased accountability, can lead to a dramatic change in public school finance and administration. The movement is away from the command-and-control/bureaucratic mentality that has dominated public school administration for decades, including its teacher salary components.

While many teachers say they are not necessarily motivated by monetary incentives and instead derive most of their benefit from the intrinsic rewards of seeing students achieve, we do know that teachers and their unions continually argue that they deserve higher salaries. The common argument proffered by teachers, their unions, and other members of general public is that teachers should be paid more. The response to this directive is not necessarily a “yes” or a “no,” but rather that we *do not know* whether such pay increases are warranted, from an efficiency perspective at least. This is because pay is in no manner tied to student learning, the primary outcome desired of teach-

ers. Furthermore, should *all* teachers be indiscriminately paid more? Certainly some teachers likely deserve more pay due to their knowledge, ability, and success at having taught students to higher levels of learning. But bringing up the pay of those who have not done likewise, either due to lack of ability or effort, hardly seems fair, and it is certainly not economically efficient.

Due to the relative novelty of school-based performance pay programs, it is still too early to assess how well these programs work, to what extent they actually compel better teaching practices that result in higher levels of student learning, and whether the teaching profession can further embrace the overall concept of having elements of its pay structure determined by various measures of quality performance. Yet it is not too early for policy makers and educators to recognize that public education suffers from the deficiency of an antiquated pay system that completely ignores performance. Performance-based pay systems exhibit a greater degree of professionalism and signal to the general public that teachers are willing to accept greater degrees of responsibility if they are to be paid the types of salaries that teachers argue they deserve. It is not unreasonable for the Wisconsin taxpayers, who fund the public education system in this state, to expect some exhibitions of superior performance in return for significant pay increases.

NOTES

1. Odden, Allan. (September 1998). "Creating School Finance Policies That Facilitate New Goals," *CPRE Policy Brief*, Consortium for Policy Research in Education: University of Pennsylvania, p. 5.
2. Usually the measure of experience is made in "steps," with each step roughly being equivalent to one year of teaching, although moving between later steps is often contingent on multiple years of service.
3. LeFevre, Andrew, and Rea Hederman, Jr. (2001). "Report Card on American Education: A State-by-State Analysis, 1976-2000." Washington, DC: American Legislative Exchange Council. The 52 percent figure was the fourth highest in the nation.
4. A *U.S. News and World Report* expose into the negative effect of the teachers union on the teaching profession perhaps best explained the problems with the current pay system for teachers. It explained that under the single salary schedule "mediocrity gets the gold" and that the system "becomes a huge barrier to teaching excellence in public education, robbing many teachers of the motivation to excel and driving many of the best out of the profession." *US News & World Report*, February 26, 1996.
5. Hoerr, Thomas R. "ACase for Merit Pay," *Phi Delta Kappan*, Vol. 80 No. 4, pp. 326-27, Dec. 1998. Hoerr goes on to add that, "When it comes to determining raises, treating all teachers in a school system as if they were identical by relying on a matrix of college degrees and length of service hurts the profession, the teachers, and the students."
6. Sultanik, Jeffery T. "Bonus Pay for Teachers." *American School Board Journal*, Vol. 187, No. 2, Feb. 2000, pp. 34-36.
7. Ballou, Dale and Michael Podgursky. (2001). "Defining Merit: Let the Markets Decide," *Education Matters*, Vol. 1 No. 1, Spring 2001, p. 16. *See also*, Ballou, Dale and Michael Podgursky. (1997). *Teacher Pay and Teacher Quality*. W.E. (Upjohn Institute for Employment Research: Kalamazoo, Michigan).
8. *See*, *The Wall Street Journal*, June Kronholz, August 23, 2000, p. A4. Moreover, this poll is know for having a general leaning of results with a more liberal bias, as each year the public opinion numbers on private-school vouchers are overwhelmingly negative, and to a much greater extent than other national polls on these voucher programs.
9. *Milwaukee Journal Sentinel*, "Test preps take classroom time," April 16, 2001.
10. Hoerr, p. 326.
11. Clotfelter, Charles T., and Helen F. Ladd. (1996). "Recognizing and Rewarding Success in Public Schools." In *Holding Schools Accountable*, Helen F. Ladd (ed.). The Brookings Institution, p. 27.
12. Johnson, Susan Moore. (1986). "Incentives for Teachers: What Motivates, What Matters." *Educational Administration Quarterly*, Vol. 22, No. 3, p. 65.
13. *See* Sanders, William L., The Tennessee Value-Added Assessment System. <http://www.mdk12.org/practices/ensure/tva/index.html>.
14. *See* Firestone, William A. (1993). "Redesigning Teacher Salary Systems for Educational Reform." *American Educational Research Journal*, Vol. 31, No. 3, pp. 549-574.
15. Odden, Allan and Carolyn Kelley (1997). *Paying Teachers for What They Know and Do: New and Smarter Compensation Strategies to Improve Schools*. Thousand Oaks CA: Corwin Press, p. 112.
16. *See Wisconsin State Journal*, August 24, 2000, p. 3B.
17. *Id.*
18. Ballou and Podgursky (2001), p. 25.
19. Firestone, p. 569.
20. The concept of gainsharing programs have been suggested in this area. These program provide incentives to school staff to locate more efficient and lower-cost ways or realize school goals, by passing along a portion of the cost savings into salary bonuses. For more detailed information on how gainsharing programs can be used for teachers *see* Odden and Kelley (1997), p. 112-113.
21. *See, e.g.*, Mohrman, Allan M., Jr., Susan A. Mohrman, and Allan R. Odden. (1996). "Aligning Teacher Compensation With Systemic Reform: Skills-Based pay and Group-Based Performance Rewards." *Educational Evaluation and Policy Analysis*, Vol. 18, No. 1, pp. 51-71.
22. *Milwaukee Journal Sentinel*, "Korte touts city as 'education marketplace'," March 14, 2001.
23. Information provided on these three national teacher assessment programs is taken from, Odden, Allan (2000) Kappan etc. To learn even more about these programs see Odden Allan & Carolyn Kelley. *Paying Teachers for What They Know*

and Do, Chapter 5. See also the web sites for these programs: www.ets.org/praxis; www.ccsso.org/intasc.html; www.nbpts.org.

24. *Milwaukee Journal Sentinel*, "More teachers are finding national certificate a boon," Jan. 7, 2001.
25. Odden, Allan. (2000). "New and better Forms of Teacher Compensation Are Possible." *Phi Delta Kappan*, Vol. 81. No. 5, p. 362.
26. Information on the Kentucky performance pay program was gathered from: Willis, Tom, et al. (June 1999) "ACase Study of the State of Kentucky's School-Based Performance Award Program." Madison, WI: University of Wisconsin-Madison, Wisconsin Center for Educational Research, Consortium for Policy Research in Education.
27. Although a design team composed of various constituencies was created to construct and implement the elements of the state's performance standards and accountability system, much of the policy was dictated by the KERALaw itself. With the design team working out the general goals of the school assessment program, an independent company, Advanced Systems in Measurement and Evaluation, was contracted with to provide the technical elements of the student assessments tools and to calculate each schools status upon completion of the assessment.
28. The mathematics assessment has been moved from the fourth to the third grade, and originally, twelfth graders were tested, and not eleventh graders. See, Willis, et al. (June 1999).
29. Takes individual student achievement during the baseline year and places students into one of four performance levels: novice, apprentice, proficient, or distinguished.
30. Information on the Dallas performance pay program was gathered from: Mendro, Bob, et al. (January 1999). "ACase Study of the Dallas Public School's School-Based Performance Award Program." Madison, WI: University of Wisconsin-Madison, Wisconsin Center for Educational Research, Consortium for Policy Research in Education.
31. These socio-economic factors include: race, ethnicity, English proficiency, school mobility, school overcrowding and poverty level.
32. For a few years the district instituted a second-tier award amount for those school performing just below those receiving full awards, but due to funding constraints this second-tier award pool was dropped after the 1995-96 school year.
33. Information on the Douglas County performance pay program was gathered from: Kelley, Carolyn. (May 2000). "Douglas County Colorado Performance Pay Plan." Madison, WI: University of Wisconsin-Madison, Wisconsin Center for Educational Research, Consortium for Policy Research in Education
34. Information on the North Carolina performance pay program was gathered from: Johnson, Henry, et al. (June 1999). "A Case Study of the State of North Carolina's School-Based Performance Award Program." Madison, WI: University of Wisconsin-Madison, Wisconsin Center for Educational Research, Consortium for Policy Research in Education.
35. According to CPRE researchers, "This conceptual difference is because high school tests are not developmental in nature, i.e., rather than measuring a student's growth in an area, the tests measure a student's actual performance." Brief.
36. Information on the Charlotte-Mecklenburg performance pay program was gathered from: Johnson, Alvin, et al. (April 1999). "ACase Study of Charlotte-Mecklenburg Public Schools School-Based Performance Award Program." Madison, WI: University of Wisconsin-Madison, Wisconsin Center for Educational Research, Consortium for Policy Research in Education.
37. Information on the Vaughn Next Century Learning Center's performance pay program was gathered from: Archer, Jeff (June 14, 2000). "Changing the Rules of the Game." *Education Week*, and Chan, Yvonne, et al. (March 1999). "ACase Study of the Vaughn Next Century Learning Center's School-Based Performance Awards Program." Madison, WI: University of Wisconsin-Madison, Wisconsin Center for Educational Research, Consortium for Policy Research in Education.
38. Information on the Maryland performance pay program was gathered from: CPRE web site at: www.wcer.wisc.edu/cpre/tcomp/state/md/spap.asp.
39. Information on the Boston performance pay program was gathered from: Schwedel, Allan, et al. (March 2000). "ACase Study of the Boston Public Schools School Improvement Awards." Madison, WI: University of Wisconsin-Madison, Wisconsin Center for Educational Research, Consortium for Policy Research in Education.
40. These goals at the school level reflect the BPS's district-wide goals to get 99 percent of all students performing at least at the Basic level by the 2002-03 school year and 60 percent of all students performing in either the Solid or Superior level.
41. Information on the Philadelphia performance pay program was gathered from: Kellor, Eileen; Odden, Allan, & Conti, Eric. (September 1999)"ACase Study of the Philadelphia Public School's School-Based Performance Award Program." Madison, WI: University of Wisconsin-Madison, Wisconsin Center for Educational Research, Consortium for Policy Research in Education.

42. Information from CPRE, University of Wisconsin-Madison: <http://www.wcer.wisc.edu/cpre/tcomp/state/ia/proposal.asp>.
43. Information on the Denver performance pay program was gathered from: Archer, Jeff. (July 12, 2000). "Denver Pay-for-Performance Pilot Still Has Far To Go, Report Says." *Education Week*, and the UW-Madison CPRE web site at: www.wcer.wisc.edu/cpre/tcomp/state/co/denver.asp.
44. Information on the Memphis performance pay program was gathered from: CPRE web site at: www.wcer.wisc.edu/cpre/tcomp/state/tn/memphis.asp.
45. Information on the Cincinnati performance pay program was gathered from: Blair, Julie. (May 24, 2000). "Cincinnati Board Approves Pay-for-Performance Initiative." *Education Week*, and Kellor, Eileen and Odden, Allan. (January 1999). "Cincinnati: A Case Study of the Design of a School-Based Performance Award Program." Madison, WI: University of Wisconsin-Madison, Wisconsin Center for Educational Research, Consortium for Policy Research in Education.
46. Johnson, Alvin, et al. (April 1999).
47. See Cohen, David K. (1996). "Rewarding Teachers for Student Performance," In *Rewards and Reform: Creating Educational Incentives That Work*. Susan Fuhrman and Jennifer O'Day, eds.) San Francisco: Josey Bass, p. 62.
48. CPRE Finance Brief, Odden 1998.
49. Clotfelter and Ladd, p. 47-53.
50. Odden and Kelley, p. 113.
51. Odden, Allan, et al. (August 1999). "School-Based Performance Award Programs: Design and Administration Issues Synthesized from Eight Programs," Madison, WI: University of Wisconsin-Madison, Wisconsin Center for Educational Research, Consortium for Policy Research in Education, pp. 4-6.
52. Kelley, Carolyn, (1996). "Implementing Teacher Compensation Reform in Public Schools: Lessons From the Field." *The Journal of School Business Management* Vol. 8, No. 1, pp. 37-54.
53. Hoerr, p. 327.
54. Firestone, p. 561.
55. Odden and Kelley, p. 113.
56. *Id.* at p. 117.
57. Odden, Allan et al. (August 1999). p. 24-25.
58. *Id.* at p. 16-19.
59. Clotfelter and Ladd, p. 56.
60. Odden, Allan, et al. (August 1999). p. 31.
61. *Id.* at p. 30-31.
62. *See Id.*
63. For a further discussion on this point, see Hruz, Thomas. (2000). Quality Control: Merit Pay and Why the Teachers' Unions Stand in the Way." *WI: Wisconsin Interest* Vol. 9, No. 3, pp. 19-25.
64. Odden and Kelly (1997), p. 114.
65. Bushweller, Kevin. (June 1997). "Show Us the Money." *American School Board Journal*, Vol. 184 No. 6, pp. 16-21.
66. Kelley, Carolyn and Jean Protisk. (1997). "Risk and Reward: Perspectives on the Implementation of Kentucky's School-Based Performance Award Program." *Educational Administration Quarterly* Vol. 33, No. 4, pp. 474-505.
67. *Id.* at p. 476.
68. *Id.*
69. Odden, Allan, et al. (August 1999). p. 34.
70. Kelley, Carolyn, Herbert Heneman III, & Anthony Milanowski. (April 2000). "School-Based Performance Award Programs, Teacher Motivation, and School Performance: Findings from a Study of Three Programs," CPRE Research Report, CPRE: University of Pennsylvania.
71. Clotfelter and Ladd, p. 46.
72. See Helen Ladd, Introduction, *Holding Schools Accountable*, p. 12 (citing Milgron, Paul and John Roberts. (1992). Economics, Organization and Management, Prentice Hall, pp. 228-31.)
73. See e.g., Firestone, p. 569 "Although [new salary policies] modify the incentive mix teachers face, they do not change teachers' capacity to perform."

74. 2000 Wisconsin State of the State Address, Gov. Tommy Thompson.
75. Districts are given the option of designing their own grade-level examinations in these grades if they sufficiently compare with the WKCE examinations.
76. Proficiency Score Standards for the Wisconsin Student Assessment System (WSAS) Knowledge & Concepts Examinations: <http://www.dpi.state.wi.us/dpi/oea/profdesc.html>.
77. Wisconsin Statute 118.30(2)(c).
78. Wisconsin Statute 118.30(2)(d).
79. *See*, Wisconsin Department of Public Instruction, <http://www.dpi.state.wi.us/spr/>.
80. By the 2001-02 school year, the 90% rule will be discontinued as the CPI index will be the sole measure used to determine a school's annual performance review.
81. According to DPI rules, students excluded from WKCE who are performing at the "Pre-requisite Skill/English" level (Alternate Assessment) are counted in the "Not Tested on WKCE" group for CPI computation purposes.
82. Beginning with test results for 2000-01, the CPI would be calculated based on the four most recent years of test scores, with the average of the two most recent years being compared to the average of the two years preceding that period.
83. Clotfelter and Ladd, p. 24.

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