Center for
Educator Compensation
Reform

Meeting the Challenges of Fiscal and Programmatic Sustainability:

Lessons From Teacher Incentive Fund Grantees

The Harvesting Project

Patrick Schuermann
Vanderbilt University

Sarah Archibald
Ray Kluender
Kirsten Ptak
Value-Added Research Center
University of Wisconsin-Madison

Meeting the Challenges of Fiscal and Programmatic Sustainability:

Lessons From Teacher Incentive Fund Grantees

Introduction

A total of 33 sites, including states, school districts, charter school coalitions, and other education organizations[1] make up Cohorts 1 and 2 of the Teacher Incentive Fund (TIF). These sites received funds beginning in the fall of 2006 and spring of 2007 to redesign compensation programs for teachers and principals. The U.S. Department of Education named a third cohort of TIF grantees on September 23, 2010.

TIF grantees have confronted numerous challenges as they have worked to design and implement new performance-based compensation programs. These challenges include effectively engaging and communicating with stakeholders, developing a set of measures to assess teacher and principal effectiveness, and ensuring that data quality procedures are in place for such high-stakes decisions. As Cohort 1 and 2 grantees near the end of their five-year Federal funding period, fiscally and programmatically sustaining TIF programs has become a top priority.

This paper describes the ways in which TIF grantees have approached fiscal and programmatic sustainability. The paper draws from multiple sources, including TIF program monitoring reports, Center for Educator Compensation Reform (CECR) technical assistance notes, grantees' internal and external evaluations, and interviews with selected grantees. We reviewed and analyzed these data with an eye toward shedding light on the following issues:

1. What fiscal and programmatic sustainability challenges have TIF grantees faced?
2. What approaches to fiscal and programmatic sustainability have grantees taken?
3. What lessons can grantees learn about sustaining performance-based compensation systems in our current economic climate?

This paper uses named grantees in describing examples of sustainability efforts. A few examples also use non-TIF sites that have developed innovative new compensation programs. Wherever we use examples, they are illustrative, not exhaustive, as the particular historic, economic, and political context of each district offers nuanced challenges and solutions. One goal of the brief is to share what has worked for some grantees as a means of helping Cohort 1 and 2 grantees sustain performance-based compensation after their grants end. Another aim is to help new TIF grantees develop their programs with an eye toward sustainability.

Before beginning to answer the three focus questions that frame this paper, we first take up the issue of defining "fiscal" and "programmatic" sustainability.

1 For example, New Leaders for New Schools and the Community Training and Assistance Center.

Defining Fiscal and Programmatic Sustainability

"Fiscal sustainability" refers to a state, district, or school's ability to continue to pay for incentives included in its performance-based compensation system after funding from the original TIF grant ends. Few mistakes will undo an alternative compensation plan faster than a school organization failing to pay bonuses or financial awards to those who justly earned them (Guthrie, Schuermann, & Prince, 2009). Many factors influence the fiscal sustainability of a performance-based compensation program. For example, by earmarking funds for performance-based programs, such as the revenue collected from a mill levy, states can make performance awards more sustainable. States can easily reallocate funding streams like Title I A to other programs and away from performance incentives, so using existing funds may be less sustainable than earmarking funds specifically for performance pay.

"Programmatic sustainability" occurs when grantees fully integrate performance-based compensation systems into the culture of the district, school, or charter network. Districts, schools, or charter networks can help build a culture that embraces a performance-based compensation program by maintaining engagement with key stakeholders and establishing pay incentives that closely align with goals and initiatives. In today's challenging economy, programmatic integration of performance-based compensation systems into the district, school, or charter network's culture helps ensure that innovative programs sustain beyond the bounds of the original TIF-funded project.

Key Fiscal Sustainability Challenges

Since the 2006-07 school year, 33 TIF grantees in Cohorts 1 and 2 of the program have implemented performance-pay programs for principals and teachers. Each grantee has taken into consideration the specific challenges facing its state, districts, and schools and has implemented a range of different programs. For example, grantees may provide incentives for schools with high levels of achievement growth, compensate teachers and principals for working in high-need schools and subject areas, or provide performance pay for teachers and principals in a network of charter schools based on a group reading assessment at an individual charter school. A brief description of each grantee is on the CECR website: *www.cecr.ed.gov*.

The U.S. Department of Education (ED) clearly articulated the desire that grantees sustain their programs after the expiration of the TIF grant. To this end, the Department required grantees to gradually scale up their own contribution toward their incentive programs. By the end of the five-year grant period, ED expects each grantee to cover at least 75 percent of the total cost of the incentives with funds from sources other than TIF. Although grantees that received program funds in Cohort 1 or 2 could apply for TIF money in later competitions, they cannot use funds from the new competition to fund the existing program or serve schools that have already benefited from TIF funds. In order to implement a program that will remain viable after the expiration of the TIF funds, grantees must focus on the fiscal and programmatic sustainability of their program.

In education, as with many other services that compete for limited public resources, fiscal sustainability for new programs is always a challenge.

But in an economic downturn, fiscal sustainability becomes an even greater problem, as exemplified by the Cohort 1 and 2 grantees that have struggled to secure local and state funding for their programs as Federal funds have diminished. By examining data on some of the Cohort 1 and 2 grantees, we can learn about the contextual challenges grantees face to implement their program and glean some lessons about how to build a fiscally sustainable program. This brief presents a synthesis of these findings.

While all grantees must contribute at least 75 percent of the funding for their pay incentives by Year 5 of the grant, the grantees have differed in their approach to meeting this mandate. Figure 1 shows the local funding contributed by 21 grantees across the first four years of the program. This figure demonstrates the increase in grantee matching funds over the grant period. Grantees reported that costs were often greater in the initial years because of the cost of implementing new data systems, hiring supporting employees, and setting up the programmatic infrastructure. After these initial investments, grantees increased the percentage of funds they contributed toward matching Federal funds provided by the TIF awards. When we examine Years 2 through 4 of program implementation, we see that the percentage that each grantee contributed locally varied significantly, indicating that grantees implemented a range of strategies in an attempt to ensure fiscal sustainability by Year 5 of the program.

Given that the TIF 1 and 2 cohorts are still receiving Federal funding, there is little we can say about what makes for a more effective strategy for achieving the match requirements. Understanding the different strategies is particularly important in the context of the suggested match percentages because it shows that grantees implemented varied approaches to secure and ramp up their funding.

As the section above outlines, TIF projects are contending with a host of contextual challenges to sustainability. The next section of this brief provides school- and district-based examples of the innovative ways TIF sites are seeking to ensure the fiscal sustainability of their TIF programs.

Approaches to Fiscally Sustaining Performance-Based Compensation Systems

TIF 1 and 2 grantees have initiated a variety of sustainability approaches. Securing external funding and reallocating existing funds are the two primary ways that TIF grantees are currently approaching sustainability. We describe below specific ways that TIF grantees are using external Federal, state, local, and foundation funds, as well as re-allocating existing funds.

Prospective Sources of External Funding for Performance-Based Compensation Systems

One of the primary challenges confronting TIF grantees has been: Where can we find existing funds, from Federal, state, local, or private sources, to supplement and sustain our performance-based compensation system? Because many Federal, state, and local funds have stipulations and guidelines, grantees can draw only from a discrete pool of funding sources. Tables 1 and 2, respectively, show the funding sources that TIF Cohort 1 and 2 grantees used to make up their contribution. These figures provide an overall picture of the different funding sources, breaking them into four main buckets: non-TIF Federal funds, specific state appropriations for performance-based compensation, combinations of state and local funding, and private foundation sources. We drew the information in the figures from TIF grant proposals and self-evaluation reports provided by grantees.

Table 1. Funding sources for Cohort 1

		Federal				State	State & local	Private
Grantee	**State**	**Any**	**Title IA**	**Title IIA**	**Other**	**Specific incentive appropriation**	**Discretionary funds**	**Foundations**
COHORT 1								
Chicago Public Schools*	IL	✗		✗	✗		✓✗	✓✗
Chugach School District	AK	✗				✓	✗	
DC Public Schools (New Leaders, Inc.)	DC	✓✗	✗	✗			✓✗	✓✗
Dallas Independent School District	TX	✓✗		✓		✓✗	✗	
Denver School District	CO	✗					✓✗	✓✗
Eagle County School District	CO	✓✗	✓✗	✓✗	✓✗	✓✗	✓✗	
Guilford County Schools	NC						✓✗	✓
Houston Independent School District	TX					✓	✓✗	
Memphis City Schools (New Leaders, Inc.)	TN						✓✗	✓✗
National Network of Charter Schools (New Leaders, Inc.)	DC						✗	✓✗
Northern New Mexico Network	NM	✓✗	✓		✗	✗	✓✗	✓✗
Ohio Department of Education	OH	✓✗		✗			✓✗	✗
Philadelphia School District*	PA	✗	✗				✗	✗
South Carolina Department of Education	SC	✓✗	✓✗	✓✗			✓✗	
Weld County School District*	CO						✗	
SUMMARY Cohort 1 (percent of grantees using source)		66.7 percent	33.3 percent	40.0 percent	20.0 percent	33.3 percent	100 percent	60.0 percent

✓ = Self Evaluations
✗ = Proposals
✓✗ = Self Evaluations and Proposals
*Indicates a lack of complete information included in the self-evaluations used to compile the table.

Table 2. Funding sources for Cohort 2 and summary information for Cohorts 1 and 2

		Federal				State	State & local	Private
Grantee	State	Any	Title IA	Title IIA	Other	Specific incentive appropriation	Discretionary funds	Foundations
COHORT 2								
Amphitheater Unified School District	AZ	✓✗	✓✗	✓✗			✗	
Beggs School District #4	OK	✓✗	✓✗	✓✗	✗		✓✗	✓✗
CEI-NYC* (Center for Educational Innovation/10 NYC Charters)	NY				✗			✗
CTAC-Charlotte*	NC						✓✗	
Cumberland County Schools*	NC	✗		✗	✗	✓	✓✗	
Edward W. Brooke Charter School	MA						✓✗	
Florence County School District 3	SC	✓✗	✗	✗	✓		✓✗	
Harrison School District Two*	CO	✗	✗	✗	✗		✓✗	
Hillsborough County Public Schools*	FL	✗	✗	✗		✓✗	✗	
Lynwood Unified School District*	CA	✓✗	✓✗	✗	✗			
School Board of Miami-Dade County*	FL	✓				✓	✓✗	✓
School Board of Orange County*	FL	✗	✗	✗			✗	
School District of Pittsburgh*	PA						✓✗	
Prince George's County Schools*	MD	✗				✗	✓✗	✓✗
School of Excellence in Education	TX	✗	✗	✗		✓	✗	✗
South Dakota Department of ED	SD	✓✗	✓		✓	✓✗	✓✗	
University of Texas System*	TX	✗	✗	✗	✗	✓	✗	
SUMMARY Cohort 2 (percent of grantees using source)		76.4 percent	58.8 percent	58.8 percent	47.1 percent	41.2 percent	88.2 percent	29.4 percent
BOTH Cohorts (percent of grantees using source)		71.9 percent	46.9 percent	50.0 percent	34.4 percent	37.5 percent	93.8 percent	43.8 percent

✓ = Self Evaluations
✗ = Proposals
✓✗ = Self Evaluations and Proposals
*Indicates a lack of complete information included in the self-evaluations used to compile the table.

Tables 1 and 2 illustrate some of the variation in funding sources across TIF grantees. The following sections provide details regarding the different ways Cohort 1 and 2 grantees are using external funds to financially sustain their performance-pay programs.

Non-TIF Federal Funds

Many TIF grantees use Title I and II, Part A funds to pay for portions of their performance-pay programs. A list of performance-pay-related uses for these funds follows.

Under the NCLB version of the ESEA, districts can use Title I and Title II, Part A funds for a variety of activities related to a performance-pay program. These uses include the following:

- Financial incentives for teachers who teach in subjects or in schools that experience a shortage of teachers, or that are designated as hard-to-staff;
- Financial incentives (bonuses) to attract and retain highly qualified teachers;
- Teacher mentoring; induction and support for new teachers;
- Incentives for schools that make substantial progress in preventing dropouts;
- Incentives for teachers and schools that improve the performance of students from low-income settings;
- Financial incentives to retain teachers who have a record of helping low-achieving students improve their academic achievement;
- Incentives to principals who have a record of improving student achievement;
- Incentives for teachers and principals who are highly effective promoting academic growth of immigrant students;
- Professional development for teachers and principals; and,
- In some cases, supporting the participation of pupil services personnel in professional development activities made available to teachers and principals.

State appropriation for incentives

Several states have allocated funds specifically for performance-pay programs. These include Texas's DATE (District Award for Teacher Excellence) program and South Dakota's Incentives Plus. Because states determine allocations annually, districts need to secure this funding each year, making it difficult to plan ahead. For example, Dallas had to ratify its local budget before it could allocate DATE funds to the district. If the state had not awarded DATE funds to Dallas, it would have been much harder for the district to secure local dollars after budget passage, thus threatening the district's ability to implement the program.

Reallocation of district resources

Currently, most performance-pay programs rely predominately on state or Federal allocations to fund performance bonuses. This situation does not ensure long-term stability or promote sustainability at the local level. A few TIF sites, namely Guilford County (NC), Harrison County (CO), and the New York PICCS Network, are strategically planning methods for reallocating existing funds to support their performance-pay programs over the long term. In Guilford County, district leaders decided to increase the pupil-teacher ratio by one student in select math classes in order to free $2 million in the budget to pay for performance incentives in 20 of the highest need schools. The Edward W. Brooke Charter School has another creative way of financing incentives by redistributing existing funds. As the charter school expanded and added grade levels and students each year, it received more funding than the marginal cost of educating the additional students. It used the leftover funds to fund performance incentives. Harrison County and the PICCS Network have shifted funds from stipends for advanced degrees and years of experience to allocations based on performance. In all of these cases, districts have taken creative measures to reallocate existing funds instead of looking for additional sources of external funds as a way to ensure long-term sustainability of their performance pay programs.

Other TIF grantees are able to reallocate district general funds to performance incentives from other uses. Both Columbus and Cincinnati fund their TAP schools this way. In addition, Denver uses a mill levy, which voters passed to support the ProComp system for teachers, to fund performance incentives for principals like the incentives currently funded by Denver's TIF grant. Denver is the best-known example of a school district that successfully persuaded taxpayers that an investment in pay for performance was worthwhile. As described on the program's website (www.denverprocomp.org), on November 2005, Denver voters approved an increase in the mill levy, adjusted for inflation, to raise an estimated $25 million each year to fund ProComp. The district has placed the additional money in a trust fund. The district's pay plan will eventually move all teachers from the single-salary schedule onto a system that links teacher pay to additional knowledge and skills, as well as to improved student performance. In Denver, the district's general fund provided principal pay. The principal-pay program costs a little over $2 million annually. To sustain the principal-pay-based TIF project, the district has money allocated from refinancing of district bonds to carry this program forward into the future.

As financial resources remain scarce, the surest way to work toward fiscal sustainability is through the reallocation of existing funds for performance-based compensation purposes. Districts spend large sums of money annually on single-salary payments they have based on years of teaching experience, degrees attained, and certification status. Although this is a commonly accepted practice in school districts, there is little empirical support for compensation policies that automatically reward teachers for additional degrees and experience.[2]

The single-salary schedule also pays teachers based on their level of education. The research, however, suggests that teachers who have completed graduate degrees are not significantly more effective at increasing student learning than teachers who only hold a bachelor's degree, with the possible exception of some advanced degrees in math and science.[3] Roza and Miller (2009) contend that automatic payments for master's degrees make little sense from a strategic point of view because master's degrees in education, on average, do not systematically

2 Marguerite Roza and Raegen Miller, *Separation of Degrees: State-By-State Analysis of Teacher Compensation for Master's Degrees. Schools in Crisis: Making Ends Meet.* CPRE policy brief. July 20, 2009; Dan Goldhaber, Dominic Brewer, and Deborah Anderson, A Three-way Error Components Analysis of Educational Productivity. *Education Economics, 7*(3), 199-208, 1999; Douglas Staiger, Robert Gordon, and Thomas Kane, *Identifying Effective Teachers Using Performance on the Job.* Washington, DC: The Brooking Institution, 2006; Thomas J. Kane et al., *What Does Certification Tell Us About Teacher Effectiveness? Evidence from New York City.* Cambridge: National Bureau of Economic Research, 2006; Daniel Aaronson, Lisa Barrow, and William Sander, *Teachers and Student Achievement in the Chicago Public High Schools*. Federal Reserve Bank of Chicago, 2002; Eric Rivkin, John Hanushek, and Steven Kain, Teachers, Schools and Academic Achievement. *Econometrica, 73*(2), 417-458, 03, 2005; National Council on Teacher Quality, *Increasing the Odds: How Good Policies Can Yield Better Teachers.* Washington, DC: Author, 2005; Jonah Rockoff, The Impact of Individual Teachers on Student Achievement: Evidence from Panel Data. *American Economic Review, 94*(2), 247-252, 2003; Raegen T. Miller, Richard J. Murnane, and John B. Willett, Do Teacher Absences Impact Student Achievement? Longitudinal Evidence from One Urban School District. *Educational Evaluation and Policy Analysis, 30*(2), 181-200, 2008.

3 See the Center for Educator Compensation Reform's synthesis of key research findings on this issue at *http://cecr.ed.gov/researchSyntheses/Research%20Synthesis_Q%20A2.pdf*

correlate to student achievement gains. A recent study found that, on average, payments for master's degrees cost districts approximately $175 per pupil—a figure that adds up to billions of dollars of annual revenue expended in a manner that does not directly link to positive effects on student achievement (Roza, 2007). Moreover, looking across the various school-, classroom-, and teacher-level variables that affect student performance, Goldhaber (2007) found that only 3 percent of the variation in teacher quality is attributable to such easily measured characteristics as years of experience and degrees.

The research also indicates that although there is a relationship between teacher experience and student achievement, the biggest improvements in teacher effectiveness occur during the first few years in the classroom.[4] Beyond the first few years, research cannot systematically link the vast majority of variation in student performance to years of teaching experience. Yet the single-salary schedule attaches significant weight to years of experience when determining teacher pay.

Given these findings, coupled with current economic conditions, it is imperative that state and local education agencies consider a higher degree of alignment between compensation systems and the needs of their students. By and large, the data do not support the long-held practice of paying teachers more for added years of experience, certifications, and degrees held. Diverting at least a portion of the funds that districts would otherwise spend on automatic step increases into a fund for performance pay is a strategy worth considering.

Reconstructing the Single-Salary Schedule to Fund Performance-Based Compensation

One way for school systems to reallocate funding into a performance-based compensation plan would be to replace, over time, core components of the single-salary schedule with performance-pay elements. Odden and Wallace (2007) acknowledge that "it is difficult politically to get teachers to agree to reallocate substantial portions of dollars in the current salary schedule into a new one," but they argue that funding new salary systems via salary dollar reallocation is the best route to solidifying the new salary structure. Otherwise, what states and districts will create are salary add-ons that, given past history, will jettison when the economy slumps and public dollars decrease or disappear.

Guilford County, NC, a moderate-sized district, provides a good example of the benefits of switching to a pay-for-performance system. Teachers with a master's degree in North Carolina receive a 10 percent increase on their annual salary, and since nearly one-third of all teachers in North Carolina have a master's degree, this practice places a significant cost burden on the state and LEA. In the Guilford County Schools, during the 2008-09 school year, 1,500 of the 6,000 FTEs (25 percent) received a total of $31 million for master's degrees and years of experience. Additionally, 280 FTEs (almost 5 percent of the total) received $8 million for National Board for Professional Teaching Standards certification and experience. Guilford County spent $86 million, or 30 percent of the budget for salaries and benefits, on compensation for all advanced degrees, years of experience, and National Board certification. The $86 million in expenditures, when divided by 6,000 FTEs, equals

4 See the Center for Educator Compensation Reform's synthesis of key research findings on this issue at http://cecr.ed.gov/researchSyntheses/Research%20Synthesis_Q%20A2.pdf

$14,000 per FTE in funds that the state paid out for qualifications that do not appear to systematically increase teacher quality. The Guilford County example exemplifies how a district could reallocate resources traditionally used to fund the single-salary schedule to help sustain the TIF program without an adverse impact on student achievement. The following two tables and corresponding explanations provide a way to consider transitioning from a single-salary schedule to one that is more purely performance based.

Table 3 compares the costs associated with paying an individual teacher on a typical single-salary schedule with a schedule that includes performance pay on top of a cost-of-living schedule. On the single-salary schedule, a teacher can earn $900,400 over a 20-year career. Over the same period, a teacher earning a 2 percent cost of living increase each year would earn $829,000, and with a 15 percent annual performance-pay bonus added to the cost-of-living increase, a teacher could earn $948,500. When compared to the 20-year total for the single-salary schedule, the money saved on the 2 percent schedule is more than the extra paid in the performance-pay category. Thus, at least 50 percent of teachers could receive sustainable performance-pay bonuses without any need for outside funds. The bottom three rows of Table 3 provide figures for a hypothetical school with 100 teachers, where 25 top-performing teachers would receive performance-pay bonuses each year. Over a 20-year span, this would save the school over $4 million—money that could be allocated to enhance teacher quality and improve student performance.

Table 3. 20-year projection of costs associated with the single-salary schedule and a cost-of-living schedule with performance-pay elements

Years of teaching experience	20-year teacher earnings under three compensation systems		
	Single-salary schedule	2 percent cost-of-living increase	Top-performing teacher on **performance-pay** schedule (15 percent annual bonus not added to base pay, in addition to 2 percent cost-of-living increase)
1	$34,130	$34,130	$34,130
2	$35,280	$34,815	$40,035
3	$36,430	$35,510	$40,835
4	$37,580	$36,215	$41,645
5	$38,730	$36,945	$42,485
6	$39,880	$37,680	$43,335
7	$41,030	$38,435	$44,200
8	$42,180	$39,200	$45,080
9	$43,330	$39,985	$45,985
10	$44,480	$40,785	$46,905
11	$45,630	$41,595	$47,835
12	$46,780	$42,430	$48,795
13	$47,930	$43,285	$49,780
14	$49,080	$44,150	$50,770
15	$50,230	$45,035	$51,790
16	$51,380	$45,935	$52,825
17	$52,530	$46,855	$53,885
18	$53,680	$47,790	$54,960
19	$54,830	$48,745	$56,055
20	$55,290	$49,720	$57,175
20 year TOTALS	$900,400	$829,000	$948,500
School with 100 teachers	$90,040,000	75 teachers: $62,175,000	25 teachers: $23,712,500
School total	$90,040,000		$85,887,500
		Balance: $4,152,500	

Table 4 uses the same dollar amounts as Table 3 to estimate the annual cost to a school district. In our model, approximately 10 percent of the 100 teachers are first- or second-year teachers, which accounts for the typical level of annual teacher turnover. Similarly, 18 percent of the teachers have more than 20 years of experience. The 75/25 payout split carries the assumption that approximately 25 percent of the teachers are "highly effective" and would receive performance bonuses each year. However, as stated above, the ratio can go to 50/50 and still allow for an internally sustainable program. The final row of the figure shows a difference of nearly $300,000. This money represents the annual savings of the alternative system when compared to the traditional single-salary system. Dividing the balance by the number of teachers, 100 in this case, results in approximately $3,000 per teacher. Districts could use these funds to improve teacher quality and student performance. For example, districts could use the additional funds to provide targeted professional development for low-performing teachers, pay for mentor or master teachers, or stipends for teaching a hard-to-staff subject or increase award amounts for the top 10 percent of effective teachers.

Table 4. One-year projection of costs associated with the single-salary schedule and a cost-of-living schedule with performance-pay elements

		20-year teacher earnings under three compensation systems		
Years of teaching experience	**# of teachers (out of 100)**	**Single-salary schedule**	**2 percent cost-of-living increase**	**Top-performing teacher on performance-pay schedule (15 percent annual bonus not added to base pay, in addition to 2 percent cost-of-living increase)**
1	10	$341,300	$341,300	$0
2	4	$134,064	$97,482	$80,070
3	4	$138,434	$99,428	$81,670
4	4	$142,804	$101,402	$41,645
5	4	$147,174	$103,446	$42,485
6	4	$151,544	$105,504	$43,335
7	4	$155,914	$107,618	$44,200
8	4	$160,284	$109,760	$45,080
9	4	$164,654	$111,958	$45,985
10	4	$169,024	$114,198	$46,905
11	4	$173,394	$116,466	$47,835
12	4	$177,764	$118,804	$48,795
13	4	$182,134	$121,198	$49,780
14	4	$186,504	$123,620	$50,770
15	4	$190,874	$123,620	$51,790
16	4	$195,244	$128,618	$52,825
17	4	$199,614	$131,194	$53,885
18	4	$203,984	$133,812	$54,960
19	4	$208,354	$136,486	$56,055
20	18	$1,105,800	$646,360	$228,700
		Year Total for 100 Teachers: $4,528,862	Year Total for 75 Teachers: $3,072,274	Year Total for 25 Teachers: $1,166,770
				75/25 Combined yearly total: $4,239,044
				Balance: $289,709

Key Programmatic Sustainability Challenges

On the programmatic side of the sustainability challenge is the continual influx of new policies and programs that bombard districts and schools. Consider for a moment how many distinct initiatives are concurrently running in your school or district. The number is likely staggering and growing. In education, rarely do we exercise the business practice of operating with an eye toward efficiency that is the byproduct of continual program evaluation. As a result, districts implement program upon program and stretch staff so thin that it takes a concerted effort to step back and assess the overall system to see where inefficiencies exist and where we need greater alignment. At the outset of the TIF program, when the performance-pay movement was still in its early stages, the vast majority of TIF initiatives emerged at the school or district level as yet another program districts added on to an already full plate. Four years after initial implementation, we are now acutely aware of the necessity to insinuate core elements and processes at the heart of TIF into the foundation of district and school operation. For example, many high-functioning districts use many of the aspects common to successful TIF programs (e.g., purposeful stakeholder engagement, thoughtful assessments of student learning, and the imperative of quality data to drive decisionmaking); thus, integrating these elements into the district's culture may also help sustain the TIF program in less efficient districts.

As the section above outlines, TIF projects are contending with a host of contextual challenges to sustainability. In order to implement a program that will remain viable after the expiration of TIF funds, grantees must focus on the programmatic sustainability of their program. The next section of this brief provides school- and district-based examples of the innovative ways TIF sites are seeking to ensure the programmatic sustainability of their TIF programs.

Approaches to Programmatic Sustainability

The adage "what get's measured gets done and what is essential gets kept" is pertinent to the challenge of programmatic sustainability. Especially during times of financial stress, decisionmakers face pressures to fund programs with demonstrable impacts that are integral to the core goals of the district and schools. Unfortunately, this need represents a persistent challenge to education practitioners and policymakers because there are limited data on programmatic impact and limited return-on-investment calculations of the many programs that district and school leaders must juggle. While robust evaluation and impact data are on the horizon, the clearest path in the short run for district leaders to ensure programmatic sustainability is through programmatic alignment of core elements of performance-based compensation systems and fundamental district operating procedures. For school and district leaders to achieve programmatic sustainability, they must ensure that performance-based pay systems cohere with other district or school/network initiatives. They must also ensure a perception of fairness, alignment with goals and/or mission of the district, and consistent leadership. We describe efforts by TIF projects to achieve these purposes below.

Coherence with parallel school and district initiatives, the perception of fairness, and alignment with district/school mission and goals are critical to creating programmatic sustainability because these measures provide assurance to educators, administrators, and the community of the centrality of performance-based compensation system program elements. For example, Dallas based its incentives on the value-added scores that the district had been using for nearly a decade. Although convincing educators of the merits of using a value-added system was an arduous process, the fact that the district had used such a system for previous incentive programs meant broader acceptance than if the district had created a new system for calculating student growth. Similarly, Weld County has implemented a program that has overwhelming stakeholder support (94 percent of 101 district staff surveyed supported the plan). The district facilitated this support for the plan by designing the program based on stakeholders' needs and by linking the program to the new Colorado State Growth Model. Guilford County's Mission Possible program ties the districts' desire to narrow the achievement gap between minority and white students into their performance-pay program by providing incentives for teachers in high-need schools. In each of these instances, district leaders consciously aligned performance-based compensation system program elements to accepted district practices to garner acceptance from relevant stakeholders and build programmatic sustainability.

Grantees need consistent leadership to help ensure programmatic sustainability. Steady leadership helps ensure that messaging is consistent, and it helps guide conversations about district priorities. While stable leadership can be tremendously helpful, many TIF sites have undergone leadership transitions successfully. For example, the superintendent of Guilford County relocated after implementation of the district's Mission Possible program, but the new superintendent came from Charlotte, where performance pay was also part of the culture. As a result, the highest levels of district administration have provided continual support to Guilford County's Mission Possible program.

For several years, the research community has said that the old way of paying teachers and administrators is "broken" and has encouraged new models and new approaches. For the most part, districts have inserted these new models on top of the broken system instead of replacing it. However, a few TIF sites have made the leap to entirely new systems of compensating teachers and school leaders. For example, Pittsburgh, under the leadership of its superintendent, chose to eliminate traditional seniority-based pay for all principals. Without an old pay system to fall back on, states are raising the stakes on ensuring programmatic and fiscal sustainability of the new approach. While it may be easier to sustain a new program without having to contend with vestiges of an old broken system, grantees must take care to ensure that they create the new system in full collaboration with key stakeholders, align it directly to core district goals, and enable a responsible allocation of resources.

Houston is another district that has made a significant commitment to programmatically sustaining performance-pay initiatives. After a trying first year of implementation, the Houston Independent School District's superintendent established an advisory committee comprising teachers, administrators, and national education experts to direct the future of the pay-for-performance award program. Under the committee's oversight, the district revised the program and integrated it into ASPIRE—the district's larger school improvement initiative. Ensuring stakeholder involvement at every level, the district refined the ASPIRE award model, developed a comprehensive communication plan, provided training on value-added data and the awards models, and reintroduced the program to internal and external stakeholders. All of these developments required significant appropriations of human capital and fiscal resources, but without these expenditures, the district would not be able to sustain the program.[5]

TIF Grantee Sustainability Vignettes

This section of the brief provides concise overviews of approaches that several TIF Cohort 1 and 2 grantees are taking to ensure fiscal and programmatic sustainability of their performance-based compensation systems beyond the initial Federal funding phase.

Pittsburgh, Pennsylvania. As of January 2011, Pittsburgh has a new superintendent. Fortunately, for the TIF project, the new superintendent was formerly the deputy director of the district and led the division of the district that oversaw the TIF project. Currently, Pittsburgh is determining how the bonus structure and award amounts will need to change in order to fully fund the program from a re-allocation of existing district funds. This approach may prove necessary as the recently appointed governor may establish new priorities for the state that will drastically reduce state education funding. The district is committed to maintaining a system of compensating principals based on performance and student achievement. While the award amounts may go down, they will not go away. The budget and finance office, along with the research, assessment, and accountability office is working with the new superintendent to run fiscal models to ensure programmatic sustainability of the new approach to compensating school leaders established under the TIF program.

Charlotte, North Carolina. The district leadership team in Charlotte, NC, is committed to programmatically sustaining core elements of the TIF program within a broader district initiative and to financially sustaining the program using existing funds. The district wants to ensure financial sustainability by eliminating pay for years of experience, advanced degrees, and certification. However, to carry out this vision, the district will need to engage in negotiations at the state level, as current state statute endorses payments for these qualifications. Thus, any changes to this practice will require legislative leniency. In addition to this prospective change, the district will also have to align its local supplement to the performance-based elements in the new system. To be fiscally responsible, the district is taking a comprehensive look at its strategies for enhancing teacher effectiveness through system-wide reform, and it appears very likely that foundational elements of the Charlotte TIF project will remain cornerstones of the district's broader vision.

Florence, South Carolina. The Florence County School District Three built its TIF project on the TAP model of school reform. One of the core elements of the TAP model includes the strategic use of mentor and master teachers. As the fiscal belt has tightened, the Florence TIF project has taken a careful look at how to maximize the return on the master teachers across their TIF schools. District leaders are currently assessing the academic impact of moving away from mentor teachers altogether and to spreading content-specialist master teachers across multiple campuses. At the state level, South Carolina has frozen teaching salaries at the 2009-10 pay scale. However, for the past two school years, Florence has been able to pay an additional 8.5 percent above this rate. As an additional financial sustainability

5 The information summarized in this paragraph is from Patrick Schuermann's case study on the Houston ASPIRE program.

measure, district leaders are considering putting 6 percent of the 8.5 percent toward general increases to teacher salaries and banking the remaining 2.5 percent for performance bonuses. If necessary, the district will also consider decreasing award amounts from $2,500 to $1,500 or even $1,000 per person. As a first step, the district is running financial models to see how close the 2.5 percent of local funds will get it to having a sustainable program.

Guilford County, North Carolina. Guilford County remains committed to ensuring high-quality teachers are present in the district's most struggling schools. In the early days of TIF, the district provided substantial recruitment bonuses ($10,000) to encourage teachers toward hard-to-staff schools. Once in hard-to-staff schools, highly effective teachers could receive performance bonuses of $4,000—for a total of $14,000 per year when combined with the recruitment bonus. Several years into the program, it became increasingly clear that attracting and retaining highly effective teachers in hard-to-staff schools was of the utmost importance. As such, one element of the district's sustainability approach involves a re-calibration of bonus amounts. For example, the district plans to reduce recruitment bonuses to $5,000 while increasing the maximum performance bonus to $12,000. The district hopes that the combination of substantial recruitment bonuses, with greatly enhanced performance-based elements, will attract and help retain individuals who are highly effective with learners in hard-to-staff schools. Though the maximum award amount is higher under the new system by a margin of $3,000, it guarantees much less, and thus, overall, the system will not cost the district any more money. Additional nuances to the existing system the district is considering include larger performance bonus potential for teachers who teach a tested grade and subject, as well as a scaled approach where the highest performers (relative to district comparisons controlling for confounding variables) would get higher amounts incrementally as their relative performance increased.

Houston, Texas. Historically, Houston ISD has provided 3 percent pay increases to educators annually. In 2006, the district made the decision to pass 2 percent directly along to teachers and allocate 1 percent for performance-pay-related purposes. This 1 percent allocation provided the district with $29.5 million annually that it could carry over if the district did not use it. Carla Stevens, the TIF project director in Houston, referred to this money as a "sustainability blanket." To these local funds, the district added TIF money as well as state funding via the District Award for Teacher Excellence (DATE) program for a total of $42.4 million. While this picture looks good, things can change quickly, as they did in early February of 2011 when the chief financial officer asked the TIF team to run the numbers assuming no DATE funds and a likely dwindling of the state education budget from $300 million to $70 million. This latter cut would potentially affect the size of the "sustainability blanket" that would have otherwise been protected for performance-pay purposes. In response to the rapidly changing fiscal picture in Houston, the TIF program leaders are considering a number of strategies to ensure programmatic sustainability and fiscal viability of the district's performance-based compensation system initiative.

One consideration is to curtail the categories of people who receive awards. Currently, all staff are eligible for some form of performance pay across the three funding streams; however, the district will consider scaling back to classroom-based instructional staff. A second tactic is to ratchet up the eligibility criteria whereby it would be more challenging to meet thresholds for awards. For example, one dimension of Houston's system uses teacher attendance as an award basis. Currently, teachers who miss 10 or fewer days can get an award, but under the new rules, teachers may only receive an award if they miss five or fewer days. A third possibility would involve removing several campus-level awards. Under this scenario, the district would keep teacher-level value-added awards in place, as well as one of the school-level awards. A fourth consideration involves a shift from setting thresholds for award payouts to basing awards on quartile ranks. This action would help the district bring greater stability to the funds required to sustain the program. A final tactic, but one the district hopes to avoid, would result in decreasing all awards by a set percentage. Currently, the district is running financial models incorporating all five prospective approaches to determine which method produces the best balance between programmatic goals and ever-shifting financial uncertainties.

Beggs, Oklahoma. In Beggs public schools, the TIF project directors increasingly engage with the state legislature and new chief state school officer as state assistance is imperative to the fiscal sustainability of the performance-pay program initiated with TIF funds.

School of Excellence in San Antonio, Texas. The School of Excellence in San Antonio is working with its oversight committee to identify the areas where the TIF program has been most effective. The results of this study will help the school prioritize which elements of the performance-pay program can be folded into overall school operations, and it will enable the school to seek targeted foundation funding. For example, if the oversight committee evaluates the mentor teacher element of the program favorably, the school will use Title II funds to cover associated personnel costs and activities.

Weld Re-8 School District in Fort Lupton, Colorado. Similar to San Antonio and Beggs, but in contrast to Charlotte and Houston, the Weld Re-8 TIF project will rely heavily on external funding for sustainability. However, aside from these apparent similarities or differences, the particular funding source to sustain the performance-pay program in Fort Lupton is unique. The county neighboring Weld Re-8, Brighton, granted tax incentives to a Danish manufacturer of wind turbines to build two plants on newly annexed land. Most of the land for these plants is in Weld Re-8, but the district would necessarily forfeit property taxes from this land for the duration of the tax incentives. In a strategic move, superintendent Payler approached the Brighton Urban Renewal Authority with a proposal that would enable the district to accrue funds equivalent to property taxes with the money earmarked for performance pay. The proposal would involve the Authority calculating and depositing into a separate account a percentage of net funds produced and received by the Authority from the District's current mill levy. While the funding will fluctuate from year to year, and will be dependent on economic factors, the funds will be sufficient to sustain the performance bonuses included in the TIF project. This funding will not cover administrative costs and the four instructional coaches, but district leaders may incorporate them into a new staffing structure. This innovative intergovernmental agreement between Weld Re-8 and the Brighton Urban Renewal Authority will mitigate any adverse impacts on the school district resulting from the creation of the tax incentives and continue to ensure that highly effective teachers are attracted and rewarded in Weld Re-8's schools.

Partnership for Innovation in Compensation for Charter Schools (PICCS) in New York. The leaders at the Center for Educational Innovation overseeing the PICCS network have worked earnestly to build internal capacity at the school level as the surest way to achieve programmatic sustainability. Specifically, school leadership teams have participated in sustained professional development around data use, peer review, curricular mapping, and professional learning communities—all integral elements of the PICCS model of performance pay. This approach develops trained and dedicated teachers and administrators within each school who are able to sustain the core elements of the PICCS model. To attain fiscal sustainability, the CEI team has provided each charter school board and leadership team with training to develop a transition plan that will help guide each school's conversion from a salary schedule to a pay system based on performance.

Eagle County, Colorado. Eagle County moved away from the single-salary schedule to a performance-pay system 10 years ago. In light of the upcoming decrease in TIF funds for the project, Eagle County has the groundwork established to ensure that core elements of the TIF-funded program, such as the weekly professional learning community meetings and the incorporation of mentor and master teachers into the salary structure, remain intact. Working with the existing FTE allocations but with decreasing funds will likely result in a reduction in the number of dedicated mentor and master teachers, with an accompanying increase in responsibility for those whom the district retains. The district recently established a community-wide committee to address fiscal issues and has a development director ardently seeking Federal, state, and foundation funding. At the local level, the fiscal committee is working in support of a mill levy override for the ballot.

Amphitheater, Arizona. Similar to other areas in the country, the economic context in Arizona poses a significant challenge to sustaining relatively new performance-pay programs. Additionally, there is a court challenge for the associated Arizona Career Ladder program, posing a somewhat tenuous forecast. Not to be deterred, the leaders of Project EXCELL! are preparing for a thoughtful analysis of the results of the program as a next step to guide sustainability efforts. Project EXCELL! now embeds several core elements in district operations that show significant promise of long-term sustainability. These include the initiation of study groups and professional learning communities, group-based inquiry and research into best practice in the classroom, use of data to inform instructional decisions, enhanced quality of classroom assessments, and a growing emphasis on teacher leadership. While district leaders face uncertainty regarding sources for fiscal sustainability, the early results of the program in the district have garnered much broad-based stakeholder support for foundational programmatic elements.

Denver, Colorado. Denver's TIF project sits within the broader context of the well-known ProComp program. The ProComp program has several policymaking bodies invested in the process of ensuring programmatic sustainability: The Denver Classroom Teacher Association, the ProComp Trust Board, and the ProComp Transition Team. A mill levy approved by the voters of the city and county of Denver in 2005 funded ProComp. Trust receipts from tax collections began at $25 million per year, the county indexes them each year to account for inflation. This will result in the district having the equivalent of $25 million in 2005 dollars each year. During the current 2010-11 school year, the Trust Board estimates receipts at $27 million. The TIF-specific domain of the broader system focuses on performance pay for principals; the district's general fund provided matching funds. The district has money reserved from refinancing district bonds to carry this program into the future.

Lessons Learned

We can learn much from the experiences of TIF 1 and 2 grantees. From the trenches of performance-based compensation system implementation, grantees have offered many creative solutions and promising practices. In the examples and vignettes above, we have provided many lessons about fiscal and programmatic sustainability to inform current and future TIF grantee efforts. Several overarching themes include:

1. *Start with the ending.* On Christmas day it is countercultural, and it would be counterintuitive, to be thinking about April 15. However, in the landscape of school reform, one set against a backdrop of fiscal uncertainty, schools and districts simply cannot afford to wait months, or certainly years, before developing a vision and laying the foundation for fiscal and programmatic sustainability. Initiatives start up full of excitement, energy, and resources. Leaders can facilitate the long-term success of districts and schools, teachers, and students when they are able to view initiatives at the outset with longitudinal eyes, ones that see past the swell of initial funds, with a vision for alignment and sustainability.

2. *One size fits one.* There are simply too many variables and uncertainties at play for any one approach to fiscal or programmatic sustainability to be universally advantageous in all schools and districts. Each district or school must discern the optimal combination of available levers to attain sustainability. Even then, sustainability remains a moving target, as the broader economic and political contexts exert their influence continually. This reality makes it imperative for district and school leaders to continually seek guidance and assistance—from both fellow grantees and technical assistance providers—so that they can remain equipped with current tools, insights, and approaches.

3. *Creativity and strategy may win the day.* While there is certainly a science to conducting thoughtful program evaluations and running fiscal models, creativity, ingenuity, and strategic action will prove invaluable in the quest to ensure both programmatic alignment and fiscal soundness of district and school operations. At the school or district level, finding ways to sustain programs is very much like piecing together a puzzle. With limited resources, school leaders will do well to use both the art and the science of strategic decisionmaking.

Though external funding, such as a TIF grant, provides a helpful catalyst, performance-pay programs cannot rely on short-term funding initiatives. Rewarding teachers on the basis of their performance and being able to pay effective teachers more to work in high-needs schools are critical to achieving the goals of raising overall student achievement and reducing the achievement gap between white and non-white students. TIF sites in the first two cohorts are realizing some promising results, such as increased student achievement and decreased turnover in high-needs schools, and sustaining these incentives beyond the initial grant period will allow those successes to continue.

There are many ways to approach sustainability, including cultivating a loyal group of private funders; passing a mill levy; reallocating existing resources, including revising the traditional salary schedule; or lobbying to have a state incentives program passed. Creating incentives that help achieve agreed-upon goals, aligning the program to other improvement initiatives in the district or school/network, and establishing a consistent leadership team can make building a sustainable program easier.

Operating within a unique context, each grantee needs to determine how best to accomplish the goals of fiscal and programmatic sustainability. Who is responsible for specific tasks? What is the scope of these tasks? What is the best way to make sure they happen? However, having one person, such as the project director and/or a high-level district or school official, as the center of gravity for sustainability efforts increases the likelihood of completion of essential work.

Drawing on the experiences of TIF grantees, this paper has offered ideas and advice for thoughtfully approaching fiscal and programmatic sustainability as key components in new pay-for-performance programs. Perhaps the most important lesson is that effectively sustaining a performance-pay program is something that grantees must consider at the outset of the endeavor. The economic and programmatic climate of states, districts, and schools will certainly change over time, but the challenge to create a coherent, holistic, sustainable reform model will endure.

Data Sources

Goldhaber, D. (2007, May 10). *Thoughts on teacher pay reform.* Webcast presentation, Paying for teachers' performance—Strategies and conditions for success. Washington, DC: National Comprehensive Center for Teacher Quality. Available at *http://www.tqsource.org/webcasts/payforteach/goldhaberPPT.pdf*

Guthrie, J., Prince, C., & Schuermann, P. (2009). *Paying for and sustaining a performance-based compensation system. Guide to implementation: Resources for applied practice*. Center for Educator Compensation Reform. Available at *http://www.cecr.ed.gov/pdfs/guide/payingFor.pdf*

Kane, T. J., Rockoff, J. E., & Staiger, D. O. (2006, March). *What does certification tell us about teacher effectiveness? Evidence from New York City*. NBER Working Paper No. W12155. Cambridge, MA: National Bureau of Economic Research. Available at *http://gseweb.harvard.edu/news/features/kane/ nycfellowsmarch2006.pdf*

Odden, A., & Wallace, M. (2007, February). *Rewarding teacher excellence: A teacher compensation handbook for state and local policy makers.* Madison, WI: Wisconsin Center for Education Research, University of Wisconsin-Madison. Available at *http://www.wcer.wisc.edu/cpre/publications/ TComp percent20Handbook percent20Feb percent2028 percent2007 percent20Final percent20(3.05.07).pdf*

Rivkin, S.G., Hanushek, E.A., & Kain, J.F. (2005). Teachers, schools and academic achievement. *Econometrica, 73*(2), 417-458.

Roza, M. (2007, January). Frozen assets: Rethinking teacher contracts could free billions for school reform. *Education Sector Reports.* Washington, DC: Education Sector. Available at *http://www.educationsector.org/usr_doc/FrozenAssets.pdf*

Roza, M., & Miller, R. (2009, July). *Separation of degrees: State-by-state analysis of teacher compensation for master's degrees.* Seattle: Center on Reinventing Public Education, University of Washington. Available at *http://www.crpe.org/cs/crpe/ download/csr_files/rr_crpe_masters_jul09.pdf*

Walsh, K., & Tracy, C. (2005). *Increasing the odds: How good policies can yield better teachers.* National Council on Teacher Quality: Washington, DC.

Documents found at *https://workspace.wcer.wisc.edu* **(VARCnet, Value Added Research Center proprietary website):**

- TIF grantee proposals
- TIF grantee local evaluations
- TIF grantee self-evaluations

Documents found at *https://www.workplacecentral.com/eroom* **(CECR proprietary website):**

- CECR technical assistance reports
- "Harvesting" project case studies
- TIF monitoring reports

Email exchanges with TIF grantees:

- Carol Ruckel, Weld Re-8 (Colorado), December 2010
- Patricia Chandler, Florence County School District Three, December 2010
- Kathryn Huntsman, School of Excellence in San Antonio, January 2011
- Leslie Burdekin, Harrison School District 2, January 2011
- Kristi Smith, Beggs Public Schools, January 2011
- Frank Sanfelice, NY PICCS, January 2011
- Roseanne Lopez, Amphitheater Unified School District, January 2011
- Deb Cunningham & Brad Grippin, Denver Public Schools, January 2011

Telephone conversations with TIF grantees:

- Carla Stevens, Houston Independent School District, January 2011
- Amy Holcombe, Guilford County, NC, January 2011
- Susan Norwood & Andy Baxter, Charlotte Mecklenburg Schools, January 2011
- Alyssa Ford-Heywood, Pittsburgh School District, February 2011
- Beth Wright, Florence County School District Three, February 2011

The work described in this paper was supported by the U.S. Department of Education through the Center for Educator Compensation Reform. The opinions expressed are those of the authors and do not necessarily reflect the view of the U.S. Department of Education, the Center for Educator Compensation Reform, or the institutional partners of the Center. This is a working paper describing initial results of an ongoing project. Comments and suggestions are welcome.

The Center for Educator Compensation Reform (CECR) was awarded to Westat — in partnership with Learning Point Associates, Synergy Enterprises Inc., Vanderbilt University, and the University of Wisconsin — by the U.S. Department of Education in October 2006.

The primary purpose of CECR is to support Teacher Incentive Fund (TIF) grantees in their implementation efforts through provision of sustained technical assistance and development and dissemination of timely resources. CECR also is charged with raising national awareness of alternative and effective strategies for educator compensation through a newsletter, a web-based clearinghouse, and other outreach activities.

This work was originally produced in whole or in part by the CECR with funds from the U.S. Department of Education under contract number ED-06-CO-0110. The content does not necessarily reflect the position or policy of CECR or the Department of Education, nor does mention or visual representation of trade names, commercial products, or organizations imply endorsement by CECR or the federal government.

CECR

Center for
Educator Compensation
Reform

Allison Henderson, Director
Phone: 888-202-1513
E-mail: cecr@westat.com

32882.0611.83670507