

PERFORMANCE-BASED COMPENSATION  
**TASK FORCE**



Director State Library,  
Archives and Public Records  
Gladys Ann Wells  
1700 West Washington Suite 200  
Phoenix, AZ 85007

Dear Director Wells:

On behalf of the Arizona Performance Based Compensation (PBC) System Task Force and in accordance with subsection E in Arizona statute (ARS 15-920.01), the Arizona performance based compensation system task force is providing recommendations to the state board of education on the implementation, operation and monitoring of performance based compensation (PBC) systems in the school districts of this state. The task force will also provide, as stipulated, written recommendations based on the elements prescribed in section 15-977, subsection C.

This report contains:

1. A history of the Arizona Performance Based Compensation Task Force's examination of Arizona school district's PBC plans.
2. An explanation concerning charges set forth in ARS 15-920.01 subsection C.
3. Recommendations regarding the implementation, operation and monitoring of the performance based compensation systems in Arizona school districts.
4. Recommendations based on the elements prescribed in section 15-977, subsection C.
5. Charter Schools
6. Final Words on PBC systems in Arizona

***A history of the Arizona Performance Compensation Task Force's review of Arizona school district's performance based compensation plans.***

Beginning February 2006, the Arizona performance based compensation system task force conducted annual evaluations of one quarter of the school district's performance based compensation systems based on data submitted to the Arizona Department of Education. During the 2006 review, 75% or 166 PBC plans out of 221 districts were submitted. The task force realized that districts prepared plans without the benefit of a uniform template, and without insight into the State's interest in what PBC plans should include or should attempt to accomplish. In order to provide guidance and constructive feedback to districts in subsequent years, the task force established a rubric for evaluation based on our good faith interpretation of statutory language and legislative intent. Thereafter, this rubric was disseminated yearly to districts to serve as a guideline so that relatively uniform documentation could be submitted to the State so that the task force could properly carry out its charges. The task force also felt that

the rubric simplified school districts' task of submitting their PBC system report. The first year of review was an initiation: a time to establish expectations and to create a system of evaluation for PBC systems that was uniform and straightforward.

The second year (2006-2007) 67% or 147 PBC plans out of 221 districts were submitted. Even though fewer districts provided plans than the previous year, the quality of the plans and the amount of data improved. However, the committee still lacked sufficient information to determine if these PBC plans included systematic solutions to improve student achievement. With the nature of information received, the task force determined if each plan was in compliance with the law, and established if the PBC plan contributed to an overall district or school site goal. However, the task force could not confirm whether that plan can be *attributed* to the intended results. Many of the plans submitted did not have enough information for the task force to efficiently review the district's compensation system and certainly not enough to fulfill the charge of ARS 15-920.01 subsection C(1). (A further account of this follows in the next section). To complicate matters for the task force, there was no provision in law to re-evaluate plans. Without a follow-up review, there was no way to determine the impact the task force reviews had on district plans and if there was an attempt to improve PBC systems. In spite of all this, there were several plans considered noteworthy and the task force was impressed at how the plans improved from the first year. These noteworthy plans were listed in our 2007 summary letter sent to the Speaker of the House and the President of the Senate.

For the third year of review (2007-2008), 93% or 205 PBC plans out of 221 districts were submitted. This was a significant increase from the first two years and the task force felt that the efforts of the Arizona Department of Education and the Arizona School Administrators to heighten awareness about the importance of compliance with the law were successful. Additionally, the task force believed that the rubric and new guidelines developed the previous year provided productive and uniform documentation which facilitated district submissions.

Many of the plans evaluated in our third-term review were notable for their compliance with the law and their efforts to improve student achievement. The task force saw a vast improvement of the quality of plans. The task force believed this to be the case because districts received clearer guidelines and better understood the importance of Pay for Performance compliance. In addition, many districts responded to the task force's feedback expressing a definite willingness and desire to improve. This was encouraging and an indication that the overarching goal of Pay for Performance, specifically, improving the academic success of students, was underway. However, there were still many districts that needed mentoring and direction as their plans tended to fall short of the expectations of the law and the standards set by our task force.

For the fourth year of review (2008-2009), 97% or 218 PBC plans out of 221 districts were submitted and more districts were making the effort to supply relevant data and quality plans. The increased quality and quantity of the plans made it easier for the task force to distinguish what elements were instrumental in first-rate PBC plans. However, other concerns were discussed. Most significantly was the fact that certain districts were either misconstruing the laws regulating PBC plans, or there were possible legal infringements based on the task force's interpretation of the law. At this point, the task force realized that serving as an advisory committee as well as a review committee would better serve the intent of the law. This task

force would address concerns and make recommendations to districts based on their submissions.

Should the task force be continued, the following is a set of recommendations on how the task force should proceed.

***Explanation concerning charges set forth in ARS 15-920.01 subsection C.***

***Charges in ARS 15-920.01 subsection C(1)***

ARS 15-920.01 subsection C stipulates that the task force's evaluation of performance based compensation systems shall assess the relationship between components of district's PBC systems and the improvement in: a) Individual student progress and achievement; b) Achievement of school district and school site goals; c) Teacher professional development; d) Teacher job satisfaction; and e) Parent rating of the quality of education at the school and district levels.

The task force did not meet this charge because there was no requirement for districts to submit the above-specified data. Without these data, the task force could not conduct a comprehensive study of Arizona PBC plans as charged. Other obstacles are outlined below:

1. The task force was a review committee not a compliance body and had no recourse if districts did not submit data requested. The task force did make yearly attempts to obtain such data either through providing rubrics or clarifying guidelines.
2. There was a provision in the law stating that districts could modify elements of their PBC plans. Much of the data needed to assess the components in subsection C(1) was never obtained because it was not mandated to be a part of the PBC system.
3. ARS 15-920.01 subsection C(1) never coordinated effectively with the elements outlined in ARS 15-977 subsection C.

As we have stated in previous submissions, we recognized that we did not possess the expertise, or appropriate data to be able to determine if district PBC plans had a measurable impact on student achievement at a district, school or classroom level over time. We strongly recommended that a systematic research effort be conducted to examine some of the noteworthy PBC plans outlined in previous years in order to solidify our assessments, which are based on our collective professional experience and perspective, rather than research-based findings.

***Charges in ARS 15-920.01 subsection C(2)***

The task force fulfilled the charge stipulated in 15-920.01 subsection C(2) by providing a report to school districts assessing the effectiveness of district's performance based compensation system, and by providing a summary of our findings and conclusions to the Speaker of the House of Representatives and the President of the Senate. This has been done annually since 2006. Our results yielded the following conclusions:

1. There needs to be further study which is both formal and systematic to assess the extent to which a PBC plan is achieving its intended results.
2. There needs to be additional review taken for districts whose PBC plans have already been evaluated to determine whether they are maintaining or improving their PBC system.
3. There were common themes which separated exemplary PBC plans from others such as:
  - a. The Plan appropriately described the unique challenges facing the school district and provided an incentive for the school community to work toward those goals.
  - b. The Plan was understandable and straightforward, particularly so that the individual classroom instructor had the opportunity to self-manage his or her performance throughout the year.
  - c. The Plan utilized a variety of measurements, some summative, some formative, so that no one component had a disproportionate value to the exclusion or devaluation of others.
  - d. The Plan provided the opportunity for some individual classroom performance, while also encouraging teamwork and a community commitment toward achieving the goals of the plan.
  - e. The Plan did not treat performance based compensation as unconditional, or as a reward for meeting very basic job responsibilities.

***Recommendations regarding the implementation, operation and monitoring of the performance based compensation systems and career ladder programs in Arizona school districts.***

After five years of review, the task force has formulated these recommendations for a quality PBC System in the State of Arizona based on the components given in section 15-977, subsection C, D, E and F.

Subsection E(1) in Arizona statute (ARS 15-920.01) states that the committee must “provide recommendations to the state board of education on the implementation, operation and monitoring of performance based compensation systems and career ladder programs in the school districts of this state.” The committee requested further clarification of this charge in its 2007 letter to the House of Representatives and the Senate. Since then, the task force has determined that in view of the fact that the statute does not charge the task force with reviewing the Arizona Career Ladder Program, it would be inappropriate to make conclusions about the Arizona Career Ladder Program. The following are our recommendations for Arizona PBC systems only.

Affective PBC Systems have:

1. **A clear vision of specific goals and how the system will contribute to their achievement.**
  - A school district establishes clear, specific goals aligned to standards and/or performance objectives for its PBC System.
  - The plan includes clear, fair and comprehensible goals.
  - Goals include specific and targeted measurements.
  - A timeline and a procedural outline as well as methods and /or instructional practices are included.
2. **An aligned district strategic/improvement plan.**
  - A well-designed plan is embedded within a broader district school-improvement plan.
  - A well-designed plan starts with a review of data from multiple sources so that a basic profile of the district and its schools can be established.
  - PBC goals align to one or more, but not all, of the components of that school profile.
3. **Professional development that advances professional skills and knowledge aligned to the PBC System goal(s).**
  - PBC systems reflect the need for teachers to acquire and utilize relevant knowledge and skills to meet the needs of increasingly diverse classrooms.
  - Teacher innovation and reflection are used to ensure best practices.
  - Professional development promotes teacher collaboration, for example: sharing strategies that work; use of mentors and teacher coaches; and participating in professional learning communities.
4. **An incentive for effective teaching as well as increased student achievement.**
  - A pay for performance system is based on multiple measurable components.
  - PBC systems should reward teachers who increase their knowledge and skills to meet the specific, identified needs of the students they currently teach.
  - Individual student progress is measured through credible data from classroom assessments.
  - The system includes pre- and post- assessments, types of differentiated instruction to be acquired and applied, how such instruction was modified, and an interpretation and reflection of the process as it impacted student achievement.
5. **A formal design team.**
  - The formal design team must include and involve teachers, administrators, school board members and other educators at the district level and building level.
  - Districts that establish site goals should take measures to ensure comparable expectations among all the sites.
6. **A voting process.**

- The plan is supported yearly by a majority vote of at least 70% of eligible participants.
  - Each year a vote must be taken by current teachers, even if no changes are made to the previous year's plan.
  - Each year a vote must be taken by the Governing Board (at an appropriately noticed public meeting) even if no changes are made to the previous year's plan.
7. **A handbook that outlines the PBC plan including a fair and understandable appeals process.**
- A PBC system has its own handbook, updated yearly which clearly defines the district's PBC system including but not limited to the elements of the PBC plan, development of goals, expectations of teacher and students outcomes, an understandable payout system, the appeals process and the structure of the design team.
  - The handbook is accessible to all district administration, teachers, staff, parents and the community.
  - The handbook delineates a fair and equitable appeals process that is multilateral starting with a committee of peers and proceeding gradually to higher levels of administration.
8. **Periodic evaluation and revision.**
- PBC plans need an ongoing evaluation system to determine why or why not goals were achieved.
  - The evaluation is presented to schools and the governing board annually and is used as data for establishing the goals for the following year.
9. **Documentation of the following evidence:**
- A district/school PBC Goal(s) and their method(s) of measurement and an action plan/process map(s) with concise statements on how to obtain goal
  - A copy of the district PBC Handbook/Policy
  - A copy of parent /student surveys, if any, used in the PBC plan
  - A copy of the district PBC design team membership structure
  - A description of the PBC appeals process
  - A description and results of the PBC evaluation tools for teacher performance and for overall assessment of the compensation plan
  - Percentage results of PBC plan/policy teacher vote
  - A narrative describing the distribution of Classroom Site Funds or other documentation used for monitoring 301 monies (include 011, 012 and 013 funds)
  - A description of professional development programs and how they are aligned and support PBC goal(s)

- Analysis of prior pay for PBC plan(s)
- Proof of Board Adoption of the Pay for Performance Plan/Policy

**10. A state-level advisory committee.**

- The committee regularly reviews and assesses PBC plans in order to assure accountability.
- The committee should: a) consist of a diverse membership, b) have a clearly established purpose of promoting sound PBC systems in the state of Arizona, c) have a list of duties and responsibilities including the ability to prevent and detect transgressions in the laws that govern the PBC system, including but not limited to accepting or requiring resubmission of PBC plans based on their compliance with mandated elements and procedures, d) be the body to receive and act on reports of misconduct of PBC plans and/or funds.

***Recommendations based on the elements prescribed in section 15-977, subsection C.***

Below is a brief overview of the recommendations based on the elements in section 15-977, subsection C. The task force believes that any PBC plan must contain Elements 1-3 and 8-11 in order to be effective. On the other hand, Elements 4-7 are optional, and the need for their inclusion depends on the unique circumstances surrounding individual districts.

***Plan Element 1: Plan includes the district performance and school performance(s).***

The task force believes that districts should use multiple sources of assessment data including both summative and formative assessment in order to assess the needs of the district to formulate goals for the PBC plan. Examples of this are: AIMS, district tests, building level tests, classroom tests.

***Plan Element 2: Plan includes measures of academic progress toward academic standards adopted by the state board of education.*** The task force believes that PBC plans and measurements should be aligned in content and difficulty to the AZ Academic Standards concepts and/or performance objectives in several content areas to increase the scope of the PBC plan.

***Plan Element 3: Plan includes other measures of academic progress.*** The task force believes in the use of measures of academic progress besides those stated in Element 1. Examples of this are: Criterion-referenced tests; Performance assessments; School-wide assessments; Report cards; Progress reports; and formative and summative assessments

**Plan Element 4:** *Plan includes dropout or graduation rates relevant to PBC goal(s).* The task force believes that if the plan includes dropout and/or graduation rates it must also include a method of improvement and progress toward PBC goal (s).

**Plan Element 5:** *Plan includes student attendance rates relevant to PBC goal(s).* The task force believes that if the plan includes attendance rates it must also include a method of improvement and progress for the PBC goal(s).

**Plan Element 6:** *Plan includes ratings of school quality by parent relevant to PBC goal(s).* The task force believes that if the plan includes rates of school quality by parents, the plan must also analyze its findings and conclusions. Surveys should support and improve PBC goal(s).

**Plan Element 7:** *Plan includes rating of school quality by students relevant to PBC goal(s).* The task force believes that if the plan includes rates of school quality by students, the plan must also analyze its findings and conclusions. Surveys should support and improve PBC goal(s).

**Plan Element 8:** *Plan includes input from teachers and administrators.* The task force believes that the plan should include input from teachers, administrators and other stakeholders through a comprehensive consensus-building process.

**Plan Element 9:** *Approval was based on an affirmative vote of at least 70% of the teachers eligible to participate in the performance based compensation system.* The task force believes that the PBC plan should outline a specific voting process where at least 70% of eligible teachers approve the plan.

**Plan Element 10:** *An appeals process for teachers who have been denied performance based compensation has been established.* The plan includes a detailed appeals process that is fair and equitable including a timeframe, submittal requirements (forms, written request, etc.) and multiple levels of appeal.

**Plan Element 11:** *Plan includes a regular evaluation of its effectiveness.* The plan includes a regular evaluation of its effectiveness and has a plan to document growth on selected goals and to assess the implementation and effectiveness of the action steps.

### ***Charter Schools***

Please note that this report only reflects plans submitted by the 221 school districts in the State of Arizona, as charter schools are not required to submit their Performance Based Compensation plans to the Department of Education. The task force supports a comprehensive look at all of the performance based pay systems across Arizona by requiring charter schools to also participate in a yearly evaluation. Undeniably, charter schools could also benefit from a review process that focuses on quality as well as innovation.

### ***A final word on compensation.***

Throughout our review, we saw many noteworthy plans that rewarded teachers based on their progress relative to straightforward goals and to their implementation of quality teaching techniques. For example, many districts increased the number of professional development hours

and documented how teachers implemented their new skills. By creating plans that update how teachers conducted their day to day teaching, i.e. spending more time learning innovative skills, collaborating with teachers, documenting best practices, using formative and summative assessments to directly assess newly implemented skills, it is our belief that these PBC plans benefited more students. Plans that were unrealistic and focused on one goal, (such as increased AIMS scores) did not promote the intent of the law which is to improve our schools by encouraging effective teaching and closing the student achievement gap.

The task force would like to emphasize that the overall goal of a PBC plans is to a) sufficiently compensate teachers so that they are motivated to participate in and achieve the plan's designated goals, and b) to improve student achievement overall. This is why we stress that a plan must be understandable, easy to implement, neither too ambitious nor too easy to accomplish, and that the monetary compensation must be equitable with the required investment of time and energy necessary to achieve the expected outcome. In short, the extra pay must be worth the extra effort if we truly expect the plan to improve student achievement.