



**Report
to
The LEGISLATIVE FINANCE COMMITTEE**



Public Education Department
Public School Use of Additional Compensation on
Recruitment, Retention, and Performance
May 11, 2015

Report #15-05

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May 7, 2015

Ms. Hanna Skandera, Secretary
Public Education Department
Jerry Apodaca Education Building
300 Don Gaspar
Santa Fe, New Mexico 87501

Dear Secretary Skandera:

On behalf of the Legislative Finance Committee, I am pleased to transmit the evaluation, *Public School Use of Additional Compensation on Recruitment, Retention, and Performance*. The evaluation reviewed how districts and charter schools are using additional compensation funds for recruitment, retention, and performance and the effectiveness of these strategies.

This report will be presented to the Legislative Finance Committee on May 11, 2015. An exit conference to discuss the contents of the report was conducted with the Public Education Department on May 4, 2015.

I believe this report addresses issues the Committee asked us to review and hope New Mexico's education system will benefit from our efforts. We very much appreciate the cooperation and assistance we received from your staff.

Sincerely,

A handwritten signature in cursive script that reads "David Abbey".

David Abbey, Director

Cc: Senator John Arthur Smith, Chairman, Legislative Finance Committee
Representative Jimmie C. Hall, Vice-Chairman, Legislative Finance Committee
Representative Dennis J. Roch, Chairman, Legislative Education Study Committee
Ms. Hanna Skandera, Secretary, Public Education Department
Dr. Tom Clifford, Secretary, Department of Finance and Administration
Keith Gardner, Chief of Staff, Office of the Governor
Ms. Frances Maestas, Director, Legislative Education Study Committee

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EXECUTIVE SUMMARY

With almost half of all new teachers leaving the profession within the first five years, recruitment and retention of high quality teachers is a priority in New Mexico schools. Quality teaching is the most influential school factor affecting student academic success and New Mexico, along with states and school districts across the country, increasingly recognizes the need to adopt different strategies and incentives to improve teaching quality. Investing resources effectively to address the reasons for teacher attrition increases the likelihood a highly effective teacher will improve student achievement and stay in the field.

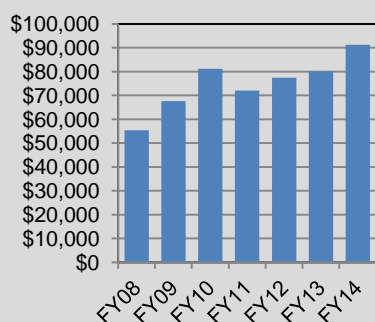
In 2003, New Mexico enacted comprehensive public school reform legislation. The three-tiered system, designed to increase the recruitment and retention of quality teachers and improve student achievement, created a three-level career ladder for teachers to ascend based on experience, leadership, and skills. Movement up a level resulted in pay increases of \$10 thousand. Previous evaluations of the three-tiered system confirmed the system decreased widespread teacher shortages, reduced unqualified teachers, and improved teacher pay, but pay increases were not aligned with increased student achievement.

LFC staff has conducted five major evaluations reports since 2006 on the impact of teacher preparation programs, the three-tiered licensure system, recruitment and retention, and student achievement. This evaluation, continuing this body of work, assessed how districts and charter schools used additional compensation and the effectiveness of these strategies on teacher recruitment, retention, and performance.

Overall, school districts and charter schools spend millions on additional compensation and supplemental pay annually, but the impact on recruitment and retention is unclear because these funds are not strategically used. Without major revisions, New Mexico's teacher compensation system risks becoming ineffective and may hamper efforts to improve student outcomes. Currently, New Mexico salaries are not competitive with surrounding states or nationally, and public schools indicate increasing difficulties in recruiting teachers. In addition, the current misalignment of the three-tiered system and the training and experience (T&E) index exacerbates pay issues for public schools and misses an opportunity for strategic use of pay increases and additional compensation. National and local attempts to address teacher recruitment and retention have begun to implement experimental and often controversial incentive pay programs.

This evaluation recommends creating a workgroup, which could include legislators and staff, and other school stakeholders, to gain consensus to update New Mexico's system to attract, prepare, compensate, and evaluate public school teachers. In addition, public school funding formula needs to be modified to align the T&E index to the three-tiered licensure system, adding an adjustment factor for teachers meeting minimum competencies at high-poverty schools. Finally, the PED should collaborate with LFC staff to assess the effectiveness of public school practices using incentive pay and additional compensation throughout the budget review process.

Spending on Additional Compensation - All Funds, FY08-FY14
(in thousands)



Source: LFC Analysis

Thirty-two percent of district superintendents and charter director respondents to a LFC survey indicated they use permanent substitutes to fill hard-to-staff positions.

High-poverty and/or rural districts with the greatest needs generally have difficulty hiring teachers who increase the district's T&E index, and thus funding.

KEY FINDINGS

Public schools spend millions on incentive and supplemental pay annually, but the impact on recruitment and retention is unclear.

Additional compensation payments increase district salaries by as much as 8 percent. However, school districts do not have comprehensive policies governing additional compensation nor do they regularly evaluate whether these payments are helping the district achieve its goals.

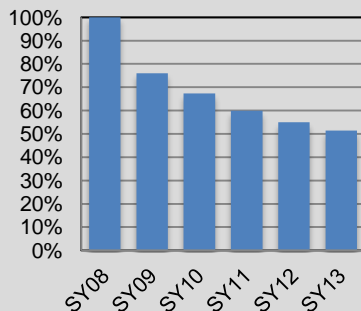
School districts and charter schools spent over \$91 million in FY14 on additional compensation for employees, including teachers, across all funding sources. Spending from the operational fund accounted for nearly 60 percent, or \$54 million, of all spending on additional compensation. The operational fund's main source of revenue is state appropriations through the state equalization guarantee (SEG).

Since FY08, public school spending on additional compensation has increased over \$36 million, or 64 percent, across all funds. Since FY12, additional compensation spending increased by \$14 million with \$11 million of that increase between FY13 and FY14 alone. Teachers received the largest share of this increase with almost \$6 million dollars in additional compensation. This additional compensation includes a wide range of stipend amounts for endorsements and extra duties. In a LFC survey respondents stated these include yearly stipends for bilingual and teaching English to speakers of other languages (TESOL) endorsements between \$1,000 and \$1,999, coaching and after school activities ranging between \$1,000 and \$4,000. However, some school districts pay up to \$5,000 for bilingual endorsements and \$8,000 for a head coach. The majority of districts and charter schools pay up to \$500 for additional school duties; lunch duty, recess duty, after school duty, etc.

Public schools report using additional compensation for a variety of human resource strategies but, without clear goals, assessing effectiveness is difficult. School district and charter responses in a LFC survey indicate stipends for recruitment and retention purposes are not used strategically, yet a majority of survey respondents agreed targeted incentive pay would be beneficial for hard-to-staff schools and positions. For hard-to-staff positions, public schools do not report significant use of financial incentives.

One of the largest incentive pay programs in New Mexico provides additional compensation to teachers through the state's funding formula for obtaining National Board Certified Teaching (NBCT) certification. In FY15, the funding formula allocated about \$3.7 million, up from \$2.9 million in FY13, in additional compensation to 627 teachers that have earned this certification, regardless of where or what they teach. In 2014, Albuquerque Public Schools ranked 6th in the nation in its number of newly board-certified teachers. Statewide, the number of board-certified teachers has increased 20 percent between FY13 and FY15. The state, including LFC, has not evaluated the effectiveness of this incentive pay and whether NBCT certified teachers are producing better results than their peers in New Mexico. However, previous LFC evaluations have noted NBCT certified teachers tend to teach at schools with fewer at-risk students or students from low-income families.

2008 New Teacher Cohort Retention (N=871)



Source: LFC Analysis

Fifty-two percent of the school district and charter school leaders responding to an LFC survey believe their most effective teachers should be financially rewarded, but rewards should not be based on student test scores.

There is a substantial variation in teacher pay nationwide, leading to considerable differences in what teachers can earn over the course of their career and what they can afford to buy with their earnings.

Previous LFC program evaluations have recommended expanding incentive pay programs in the state funding formula to create a state strategy for hard-to-staff schools. Over multiple reports, LFC staff has found the state's method of allocating resources for teacher compensation is outdated and ineffective. Specifically, the reports found the training and experience (T&E) index directs more funding to more affluent school districts and produces a questionable return on investment after factoring in poverty. Aligning the T&E index to a modified three-tiered licensure system focusing on student performance would allow the state to send resources to high-performing teachers and schools.

In addition, the Legislature enacted the LFC staff recommendation to implement a teacher loan repayment program for teachers in hard-to-staff schools. The LFC previously found HED loan repayment programs provides a better return-on-investment than loan-for-service programs, which previous LFC reports and HED financial audits concluded were difficult to administer. HED reports that in previous years interest in the teacher loan repayment program far exceeded available revenue; HED requested \$660 thousand more for the teacher loan repayment program in FY16, but did not receive the allocation

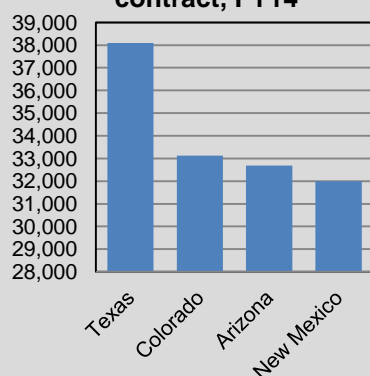
Teacher incentive pay programs are expanding nationally and in New Mexico, but not without controversy or concerns from educators. Most school districts in New Mexico, and nationally, continue the long-standing practice of determining teacher pay based on a single salary schedule, years of service, and education level. These teacher pay structures incentivize and reward education levels and longevity. They are not directly tied to rewarding great teaching, but the annual pay increases based on years of service are typically very minimal, less than one percent.

Other national programs, states, and large school districts have experimented with performance pay or variations of career ladder and competency-based performance pay. Common characteristics of these systems include changes to traditional teacher evaluations, and an increased linkage to student achievement, either through standardized test scores or teacher developed assessments. Evaluation systems using standardized tests as a measure of effectiveness increasingly use various forms of value-added models to assess the impact of teachers on student performance. The impact of these systems on recruitment and retention has been mixed.

New Mexico has made available \$14.5 million over FY15 and FY16 for the Public Education Department (PED) to pilot performance incentive pay. The purpose of PED's Pay for Performance Pilot program's (PPP) is to establish pilot pay programs to reward the best teachers and principals in New Mexico schools. PPP is meant to use local school expertise and negotiate with local partners to create innovative incentive programs. PED awarded about \$7 million to nine school districts and 12 charter schools for FY15. It appears two school districts and one charter school did not accept the awards.

The average number of years for a teacher to reach their maximum pay is 24 years. This timeframe is much longer than for other professions.

Average Starting Salary for Neighboring States for 187 day contract, FY14



Source: LFC Analysis

Districts by Lifetime Earnings, FY14

District	Starting Salary	Lifetime Earnings
Mesa, AZ	\$37,443	\$1,818,599
Fort Worth, TX	\$47,000	\$1,735,146
Dallas, TX	\$46,002	\$1,734,646
Northside, Vernon, TX	\$48,525	\$1,699,442
Denver, CO	\$38,498	\$1,641,009
Austin, TX	\$43,286	\$1,447,317
Albuquerque, NM	\$30,000	\$1,366,318
Oklahoma City, OK	\$32,925	\$1,316,075

Without major revisions, New Mexico's teacher compensation system risks becoming ineffective and hampering efforts to improve outcomes.

New Mexico relies on a hybrid of state and local salary schedule, incentive pay and additional compensation policies and performance evaluations for teachers. This hybrid approach has been in place since 2003 when the state sought major changes to state and local compensation systems. Previous evaluations and studies by the LFC and LESC found the three-tier licensure system addresses many of the workforce recruitment and retention issues previously facing the state, including dramatic reductions in the number of unlicensed teachers and teachers on waivers. While the system did remove 10 percent of new teachers from the profession, many other teachers with low student achievement advanced to both level II and level III pay scales.

Teacher attrition will likely pose continual challenges nationally as well as in New Mexico. The Bureau of Labor Statistics reports a decline of 260,000 education jobs nationwide since August of 2008 and the fall of 2014. The reductions reflect increased retirements, strained state and local public school budgets during and after the great recession, and normal attrition in education without replacement, among other possible factors.

Half of the nation's teachers, approximately 1.72 million, are expected to retire in the next decade. In New Mexico, Education Retirement Board (ERB) data highlight an increase of 43 percent of teacher retirement over the past ten years. In addition, of the 871 new teachers who entered New Mexico's public school system in FY08, 76 percent remained in FY09 and 51 percent remained in FY13. For rural school districts in New Mexico, the attrition rate was 53 percent over five years.

Several recent studies suggest teacher mobility decisions may be more strongly influenced by working conditions in addition to salaries. Factors like too little prep time, teaching case load, salary and benefits, and class size play an important role in a teacher's decision to leave the profession. Teachers teaching in high-poverty schools with high-mobility and student discipline issues are more likely to leave the profession or seek another school.

The state may need more comprehensive compensation adjustments, other than increasing beginning pay and implementing performance pay pilots, to better position public schools to compete for an improved teaching pool.

Given the constraints to state and local budgets during and after the great recession, New Mexico has not been in a financial position to implement large scale compensation system changes. The state has provided raises to teachers of four percent since FY10, excluding beginning teachers. The state has increased starting pay from \$30 to \$34 thousand over the past two fiscal years. However, over the long term only increasing minimum salaries for beginning teachers will create salary compaction and possible morale problems for local public schools.

Arizona state's teacher contracts are between 10 and 10.5 months. Through Proposition 301, teachers in Arizona have the ability to earn additional compensation (between \$500 and \$10 thousand) for market value positions (math, science and special education), longevity, performance-pay, dual-language and NBCT certification.

Texas districts bordering New Mexico have starting teacher salaries between \$44 thousand to \$47 thousand.

While a major change in teacher compensation may help with recruitment and retention, a focused strategy to ensure pay is aligned with results is still necessary. Any strategy for adjusting compensation likely needs to address the following:

- Improve the ability of the profession to attract top tier candidates;
- Teacher preparations programs to effectively prepare new educators;
- Require local public schools to mentor and nurture new teachers;
- Ensure uniform access to market incentives for teachers in high need schools and positions;
- Allow reasonable salary growth based on professional competency and student achievement;
- Encourage professional development, including additional education, if directly tied to job performance;
- Use methods to improve professional practices that teachers support and understand; and
- Include reasonable accountability provisions to improve performance or exit non-performers.

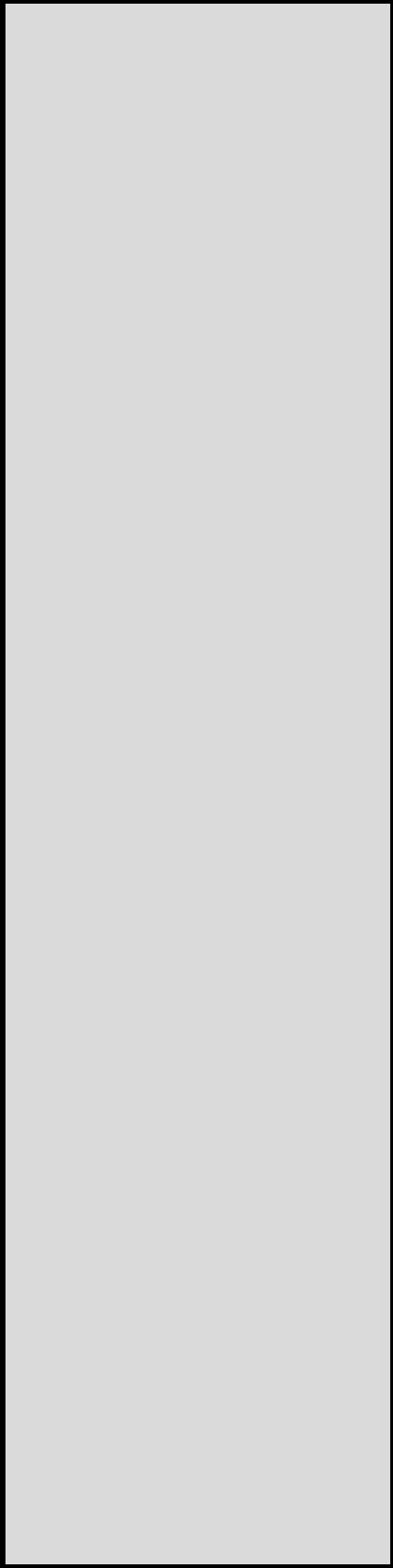
KEY RECOMMENDATIONS

Legislature should:

- Modify the public school funding formula to align the training and experience (T&E) index to the three-tiered licensure system, and add an adjustment factor for teachers meeting minimum competencies at high-poverty schools (\$5 thousand to \$15 thousand stipend).
- Add extra weight in the T&E index for teachers at high-poverty schools.
- Repeal the Teacher Loan for Service Act (Section 21-22E-1 NMSA 1978) and transfer any cash balances to the teacher loan repayment program.
- Increase funding for the loan repayment program.
- Convene a workgroup to gain consensus on updating New Mexico's system to attract, prepare, compensate and evaluate public school teachers. The goals could be to codify and plan funding changes for the preparation of teachers; provide additional funding formula market based incentives for teachers in high poverty schools and hard to staff positions; align the T&E index to the three-tiered system; update mentoring and professional development requirements; establish new comprehensive minimum salary levels; methods to advance; codify agreed upon evaluation methods. Such a work group could include legislators from the LFC and Legislative Education Study Committee (LESC), as well as PED, school district superintendents, charter school directors, and teachers unions with intent to deliver recommendations by November 1, 2015.

PED should:

- Collaborate with LFC staff to assess the effectiveness of public school practices using incentive pay and additional compensation periodically through the budget review process, including NBCT stipends and STEM initiatives. This could include requiring school districts and charter schools to include specific information, as part of



the budget or educational plan for student success (EPSS), on the use of additional compensation to improve recruitment, retention, and performance and to analyze whether these efforts are producing performance results as intended.

HED should:

- Reprioritize existing resources to the teacher loan repayment program.

Overview.

National research and previous LFC studies indicate quality teaching is the most influential school factor affecting student achievement. The impact of ineffective or unqualified teachers across years leads to instructional losses for students. Public schools increasingly recognize this impact and have been increasingly focused on improving the quality of the teacher workforce. These efforts include higher standards for licensure required under the federal No Child Left Behind Act of 2001 (NCLB) to reforms of teacher preparation and evaluation. Recruiting and retaining high quality teachers is essential for educational improvements and teacher turnover presents burdens that impact instruction of students. Teacher compensation systems are a key factor to help public schools recruit and retain high quality teachers. Addressing other factors is also critical, such as class loads, working conditions, and school leadership.

In 2003, New Mexico enacted comprehensive public school reform legislation. Among its numerous provisions, this legislation was intended to address a teacher shortage identified in the late 1990s and to enhance student achievement. As a means of addressing both of these needs, the legislation created a three-tiered teacher licensure, evaluation, and salary system, in addition to increasing student achievement by recruiting and retaining high-quality teachers, was designed to align with the “highly qualified teacher” requirements of NCLB. The need for a stronger system for licensing teachers became apparent in 1998 when the New Mexico Commission on Higher Education (CHE) and the New Mexico State Board of Education (SBE) formed the Teacher Education Accountability Council (TEAC) to find ways to address the challenge of ensuring the state had an adequate supply of high quality teachers. Although New Mexico already had a three-tiered teacher licensure system in place, TEAC believed the system needed to be redesigned so that it attracted new teachers into the profession and provided current teachers with a more progressive career pathway.

Furthermore, the revised three-tiered system was recommended by the Education Initiatives and Accountability Task Force, which operated from 1998 to 2000, and the LESC Ad Hoc Subcommittee for Education Reform, which continued the momentum for education reform during the 2001 and 2002 interims. It also corresponded to HJM-5 (First Special Session, 1999), which requested that the LESC, in cooperation with the State Department of Education (SDE), CHE, and New Mexico teacher preparation programs, create a systematic plan to recruit, prepare, and support high-quality public school teachers. Subsequent enactment of HB212 describes this licensure framework as “a progressive career system in which licensees are required to demonstrate increased competencies and undertake increased duties as they progress through the licensure levels.”

The three-tiered system was designed to increase the recruitment and retention of quality teachers to improve student achievement. The system created a three-level career ladder for teachers to ascend based on experience, leadership, and skills. Movement up a level resulted in pay increases of \$10 thousand. Previous evaluations of the three-tiered system confirmed the system decreasing widespread teacher shortages, reducing unqualified teachers, and improving teacher pay. The minimum salaries established in law were phased in between 2003 and 2008, with a recent base salary increase to Level I teachers for FY16:

- Level I, Provisional Teacher: \$34,000 in FY16;
- Level II, Professional Teacher: \$40,000; and
- Level III-A, Master Teacher: \$50,000.

The three-tiered system requires teachers to submit a professional development dossier (PDD) for level advancement. The PDD is a collection of evidence of teacher performance assessed by external reviewers, and is intended to provide sufficient evidence that a teacher is qualified to advance to a higher licensure level. The PDD evaluates teachers on nine teacher competencies.

At the time of its implementation, the three-tiered system substantially increased teacher pay in New Mexico. According to a report issued by the National Education Association (NEA), salaries for New Mexico public school teachers increased 38.8 percent from the FY01 to FY11. This was the eighth highest increase among states in the

nation during the ten year time span. In FY11, New Mexico ranked 40th among states, with an average public school teacher salary of \$46,888, according to the NEA report. However, in FY13 New Mexico fell in rankings to 45th among states for teacher average salary.

LFC staff has conducted five major evaluation reports since 2006 on the impact of teacher preparation programs, the three-tiered licensure system, on recruitment and retention and student achievement. This evaluation sought to assess how districts and charter schools use other financial strategies to recruitment and retention of highly effective teachers. These strategies include the use of incentive pay in the form of additional compensation.

The history of teacher compensation provides information on the alignment between the strategic needs of schools and existing organizational forms. In the latter half of the 1800s, schools were designed to provide basic academic skills and moral education for children and teacher “compensation” included room and board. In the early 1900s, teacher preparation became more uniform and required higher levels of education. A position-based salary system was developed to reflect the new form of teacher work, the cash basis of the economy, and increased pre-service education requirements.

Demand for greater teacher skills, and in response to variable wages that were seen as arbitrary and discriminatory, led to the development of the single-salary schedule in the early 20th century. This system paid the same salary to teachers with the same qualifications regardless of grade level taught, gender or race. Differentials were provided based on the objective measures of years of experience, educational units, and educational degrees. Teachers were paid salary supplements for coaching sports, advising clubs, and coordinating activities.

Current reforms are requiring teachers to continuously expand their professional instructional skills, take on management and leadership roles within schools, and focus on results produced as much as services provided. Revised teacher compensation structures are being set in various states and local school districts in order to address current needs.

Table 1. Strategies to Retain and Recruit Teachers

Target high school students or paraprofessionals as potential future hires.
Strengthen teacher preparation programs by emphasizing standards and accountability.
Create alternative pathways into teaching, attracting mid-career professionals.
Lure retired teachers back into the classroom.
Establish scholarships and forgivable loans for prospective teachers in high need areas.
Raise starting teacher salaries and benefits.
Provide opportunity to work toward an advanced degree.
Streamlined job application process.
Offer merit or performance pay.
Create incentives such as signing bonuses or housing assistance.

Source: LFC Literature Review

Some of these proposals are designed to improve teacher quality and performance and include financial incentives instead of solely paying for experience and education. There are four main approaches used singularly or in combination:

1. Knowledge and skills: pay teachers for attaining professional development or acquiring skill-based credentials.
2. Roles: pay teachers for assuming special duties, roles or responsibilities.
3. Market factors: pay teachers for teaching in hard-to-staff schools or subject areas.
4. Performance: pay teachers for student achievement or successful instructional practice.

However, the short and long-term implications of these proposals are incomplete and difficult to evaluate since these teacher pay systems are only a few years old. Although salaries can make a difference in terms of teacher recruitment, teachers often choose jobs close to home and generally report the decision to stay in teaching relies on good working conditions. Highlighted in previous LFC reports, school organizational factors play a crucial role in effective schools and, as a result, teacher turnover. Teacher working conditions are affected by the level of support from school administration, student motivation, discipline issues, and teacher input into and influence over school policies. These factors can affect teacher motivation and commitment to stay at a school or within the profession.

Types of alternative compensation programs include:

Pay for Performance. Paying teachers for raising student achievement based on standardized test scores, often using value-added models to determine effectiveness.

Career ladder programs. Career ladder programs provide a route to greater responsibility and different types of roles for teachers, promoting teacher leaders. These typically combine traditional incentives for increased education levels and longevity but add other requirements to demonstrate high competency and professional development. These may include portfolios, NBCT, or evaluations by peers among others. New Mexico's three-tiered system is a form of a career ladder system. Other career ladder systems may combine value-added scores, rubric-based teacher evaluations, professional development reform, peer review and merit pay.

FINDINGS AND RECOMMENDATIONS

PUBLIC SCHOOLS SPEND MILLIONS ON INCENTIVE AND SUPPLEMENTAL PAY ANNUALLY, BUT THE IMPACT ON RECRUITMENT AND RETENTION IS UNCLEAR

School districts and charter schools (public schools) spent over \$91 million in FY14 on additional compensation for employees, including teachers, across all funding sources. Additional compensation is defined by the PED as “amounts paid to both permanent and temporary school district or charter school employees for items such as bonuses or incentives that are in addition to standard compensation” according to the department’s uniform chart of accounts. Additional compensation includes stipends, which are supplemental amounts paid to both permanent and temporary public school employees paid on a regular or irregular basis for some specific purpose (such as serving as a department chair or a coach) that are in addition to standard compensation.

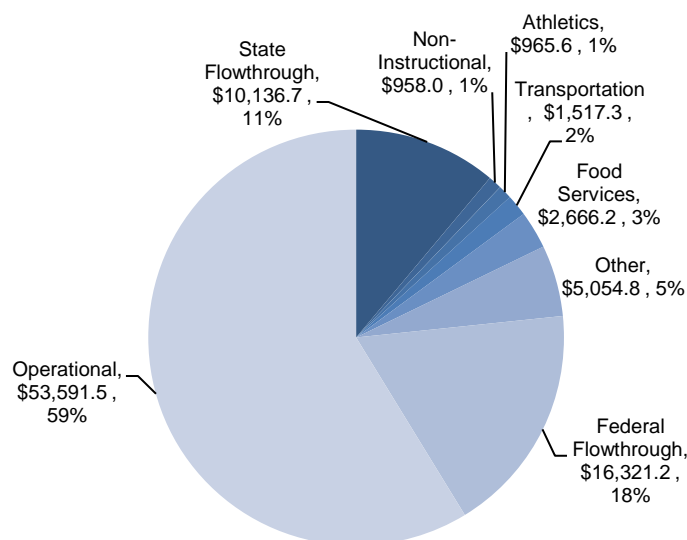
Previous LFC evaluations of local school districts found additional compensation payments increased employee salaries by as much as 8 percent. But school districts did not have comprehensive policies governing additional compensation nor did they regularly evaluate whether these payments were helping the district achieve its goals. Collective bargaining agreements were responsible for boosting some teacher pay; in other cases teachers can earn more by working more.

Public schools primarily use the operational funds to pay additional compensation. Spending from the operational fund accounted for nearly 60 percent, or \$54 million, of all spending on additional compensation. The operational fund’s main source of revenue is state appropriations through the state equalization guarantee (SEG).

Public schools use other funding sources for additional compensation made up of various state and federal grants. Eighty-five percent, or \$8.6 million, of additional compensation in state flow-through is for K-3 Plus. Stipends for the state’s science technology engineering and math (STEM) initiative total a little over \$600 thousand, and grants like, New Mexico Reads to Lead and all other grants’ total less than \$300 thousand each. About 43 percent of federal flow-through grant spending for additional compensation comes from Title I and 30 percent comes from federal special education funding through IDEA-B.

Chart 1. FY14 Additional Compensation by Funds

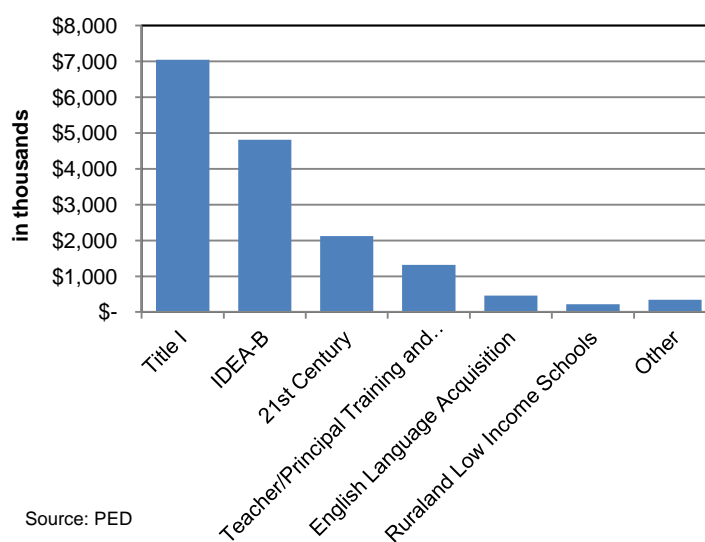
(in thousands, total=\$91,221,541)



Source: PED

Chart 2. FY14 Federal Flow-Through Additional Compensation

(in thousands, total=\$16,321,223)

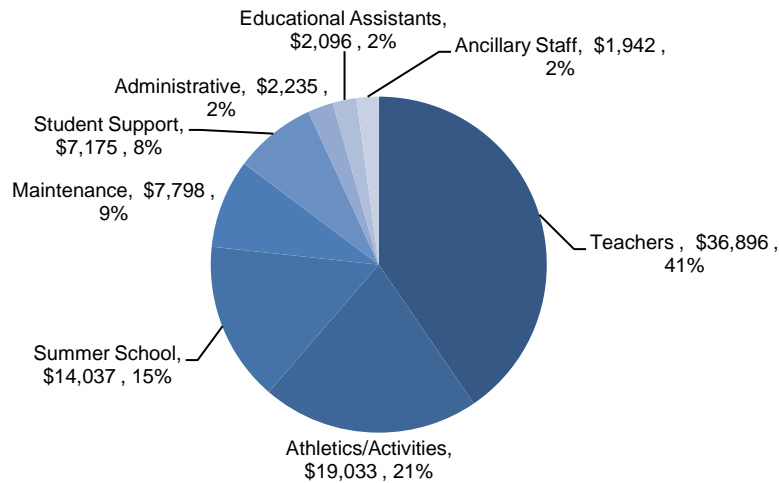


Source: PED

Teachers in New Mexico receive the largest share of additional compensation paid by public schools. Teachers providing classroom instruction, including special education, career and technical education, and preschool accounted for 41 percent, or \$36.9 million, of all additional compensation from all funds in FY14. Public schools spent nearly \$15 million on stipends for coaching, athletics duties, and after school activities, or about 21 percent of all additional compensation. Almost all of athletic stipends were paid out of operational funds. Payments to summer school and after school employees totaled about \$14 million, or 15 percent. Though intended to account separately for summer school and after school costs, public schools could conceivably have also made additional compensation payments from this accounting job class to teachers.

Chart 3. FY14 Distribution of Additional Compensation by Staff Position

(In thousands, total=\$91,211,541)



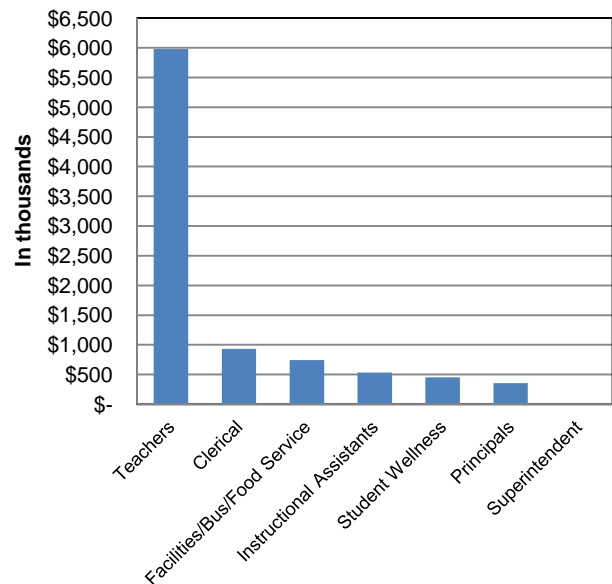
Source: PED

Since FY08, public school spending on additional compensation has increased over \$36 million or 64 percent across all funds.

Additional compensation spending increased by \$14 million between FY12 and FY14, with \$11 million of the increase occurring between FY13 and FY14 alone. Teachers received the largest share of this increase with almost \$6 million dollars in additional compensation over the two year period. Superintendents had a slight decrease of \$2.4 thousand, from about \$214 thousand additional compensation in FY12 to \$212 thousand in FY14.

During this recent period, the state has ramped up two initiatives that result in additional compensation spending, K-3 Plus and an incentive program paying stipends for teachers in STEM. Spending on additional compensation for K-3 Plus increased \$5.5 million between FY12 and FY14, from \$3.1 million to \$8.6 million. STEM provides \$5 thousand stipend per year to highly effective teachers to teach science, technology, engineering, or mathematics (grades 7-12) for two years in hard-to-staff schools.

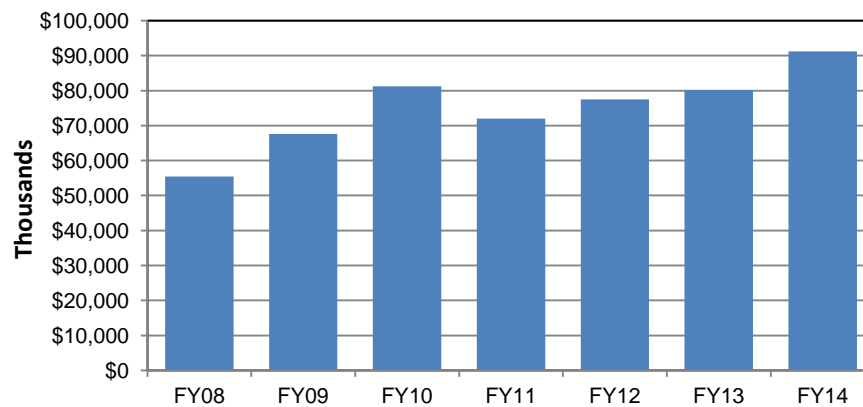
Chart 4. Amount of Additional Compensation Increases Between FY12 and FY14



Source: PED

Between FY10 and FY11, during the great recession it appears public schools overall decreased spending on additional compensation. Public schools did not reach similar levels spending levels until FY13.

Chart 5. Spending on Additional Compensation - All Funds, FY08-FY14



Source: LFC Analysis

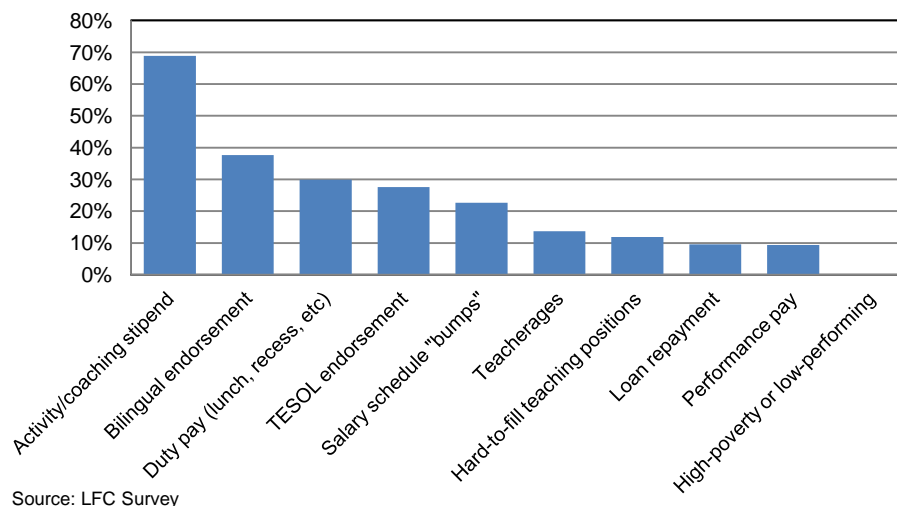
Spending on base salaries across public school positions and all funds increased less than half a percent, or about \$7 million between FY12 and FY14, from \$1.700 billion to \$1.707 billion. Changes in spending on base salaries during this period varied widely among different jobs at public schools. Spending on base salaries for teachers increased about \$3 million, or 0.3 percent, above the \$1 billion spending in FY12. Almost half, or \$1.3 million, of the increased spending on teacher base salaries was specifically on pre-kindergarten teachers as a result of increased appropriations for the state's pre-kindergarten (PreK) program. Spending on these teachers' salaries, due to more positions, increased 19 percent. Likewise spending on PreK educational assistants increased over \$500 thousand, or 22 percent. The largest dollar increase was \$4.5 million, or 6 percent, on principals.

Spending on a number of job types decreased significantly over this period as well. Notable declines included: \$500 thousand, or 62 percent, for adult education teachers; \$1.6 million, or 46 percent, for summer and after school employees; \$1.4 million, or 9 percent, for diagnosticians; \$400 thousand, or 6 percent, for librarians; \$400 thousand, or 5 percent, for occupational therapists; \$1 million, or 4 percent, for speech therapists; \$1 million, or about 1.8 percent, for counselors and social workers. In other cases, spending on personnel, particularly outside of direct instruction, saw significant increases. Notable increased spending on base salaries include: \$1.9 million, or 13 percent, for data processing jobs; \$1.1 million, or 7 percent, on business office jobs; \$1 million, or 7 percent, on administrative associates reporting directly to a superintendent; and \$1.3 million, or 3 percent, on coordinators.

Spending on additional compensation boosts base salary pay by about 5 percent statewide, but only 4 percent for teachers and 2 percent for principals. In FY14, public schools spent about \$1.3 million on additional compensation for principals in addition to \$83 million in base salaries. Other positions received significant boosts to base pay due to additional compensation. In other cases, educators may perform additional duties outside their normal assignments and receive additional compensation. For example, about \$33 million of the total spent in FY14 on additional compensation was for athletic stipends, summer school, and activities.

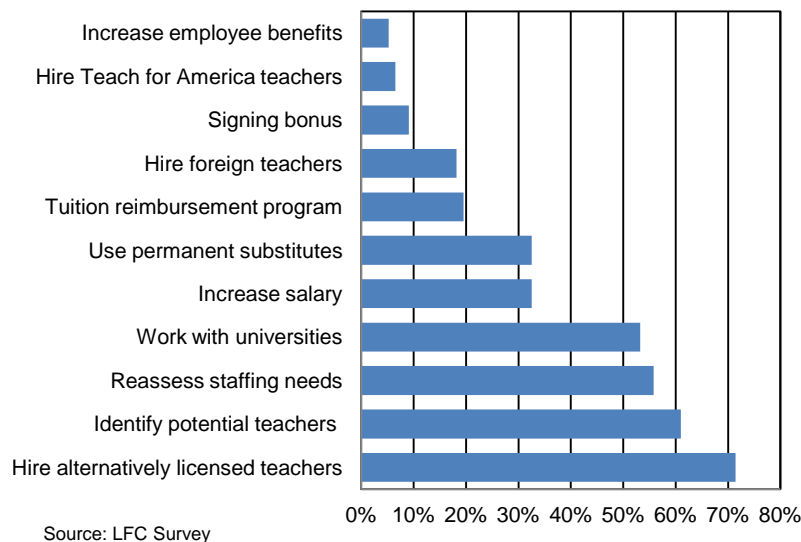
Public schools report using additional compensation for a variety of human resource strategies but, without clear goals, assessing effectiveness is difficult. School district and charter school survey responses indicate stipends for recruitment or retention purposes are not used strategically. While previous LFC reports have highlighted the need for bilingual and TESOL endorsed teachers, only 38 percent of school district and charter school leaders indicated having stipends for bilingual endorsements or TESOL, with the majority of stipends going to after school activities and coaching. Stipends for hard-to-staff teaching positions, loan repayment, and performance-pay received the lowest responses, with no school districts or charters reporting giving stipends for working in high-poverty or low-performing schools.

Chart 6. Percentage of Surveyed School Districts and Charter Schools Offering Stipends, N=92



School district and charter school leaders indicate a wide range of stipend amounts for endorsements and extra duties. The majority of district and charter school respondents who indicated giving stipends for bilingual and TESOL endorsements gave between \$1,000 and \$1,999 per year. Stipends for coaching and after school activities range between 34 percent who gave between \$1,000 and \$1,999, 21 percent who gave between \$2,000 and 2,999, and 11 percent who gave \$4,000 or more. The majority of respondents, 61 percent, gave teachers up to \$499 for additional school duties; lunch duty, recess duty, after school duty, etc. However, there are school districts and charters around the state who give bilingual stipends up to \$5,000 and coaching stipends up to \$8,000.

Chart 7. Percentage of Strategies Used by School Districts and Charter Schools for hard-to-fill positions, FY14. N=92

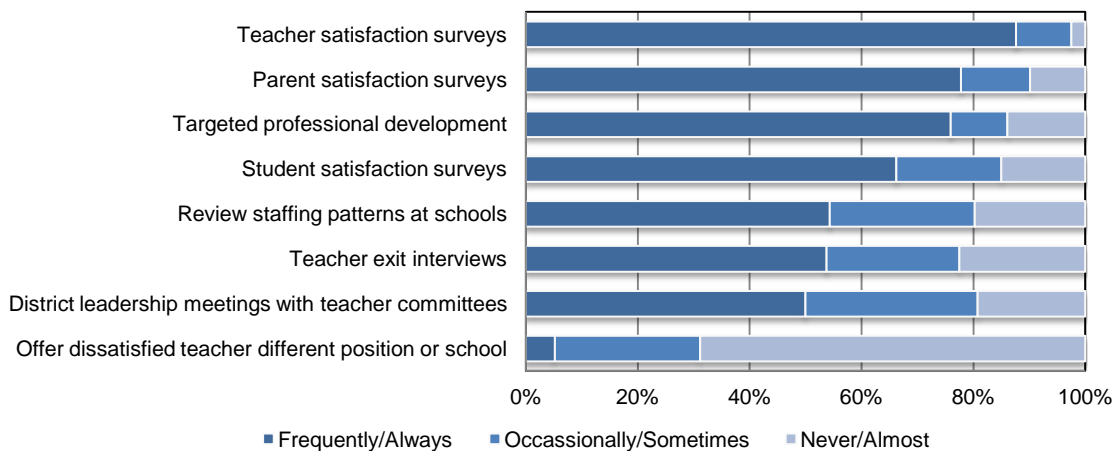


Additional compensation does not appear to play a large role in public school recruitment and retention efforts. For hard-to-staff positions, public schools do not report significant use of financial incentives. Of the school districts and charter schools who responded to an LFC survey, less than a third reported using salary increases and less than 10 percent reported using signing bonuses as a strategy for filling difficult positions.

New Mexico schools have adopted a number of strategies to fill hard-to-staff positions, including hiring alternatively licensed teachers (72 percent), identifying potential teachers in the community (61 percent), reassessing staffing needs at the school site (55.8 percent), and working closely with universities (53.2 percent). Thirty-two percent of respondents indicated they use permanent substitutes to fill hard-to-staff positions. Additionally, school leader respondents indicated they hired 35 foreign teachers in FY14.

District and charter leaders indicated they use a range of strategies to improve teacher retention. The majority of district and charter leaders indicate they use teacher and parent satisfaction surveys for school improvement. Only 53 percent indicated always or frequently using teacher exit interviews or having regular district leadership meetings with teacher committees in order to improve teacher recruitment or retention.

Chart 8. Which strategies do you regularly use to improve teacher retention? N=92



Source: LFC Survey

While public schools do not appear to use discretionary alternative pay plans strategically, a majority of survey respondents agreed targeted additional pay would be beneficial for hard-to-staff schools and positions. Sixty-seven percent of the 92 respondents indicated additional compensation should be given to teachers in high-poverty schools with 70 percent supporting additional compensation for hard-to-fill positions. Seventy-two percent believe additional compensation, through signing bonuses, longevity, or other approaches, could help with recruitment and retention in high-poverty schools. Twenty-six percent stated \$4 thousand to \$5 thousand in additional compensation would be sufficient to help with recruitment and retention of teachers, and 22 percent stated \$9 thousand to \$10 thousand would be sufficient.

Chart 9. Which amount of additional compensation would help with recruitment and retention? N=92

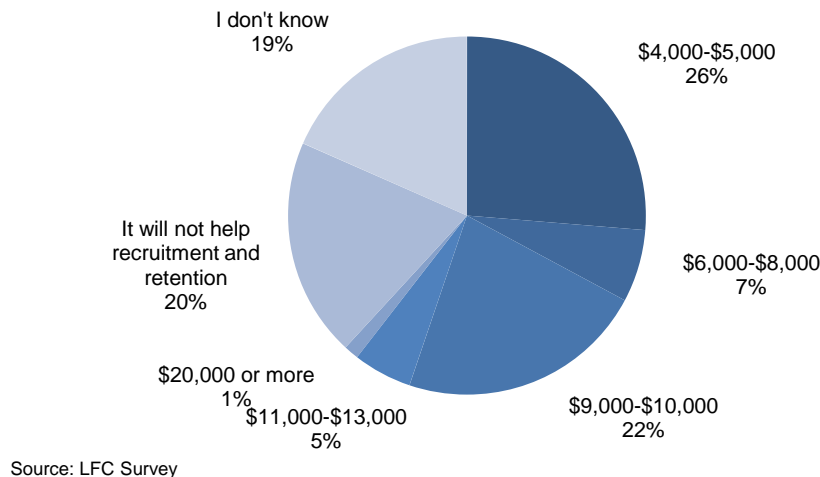
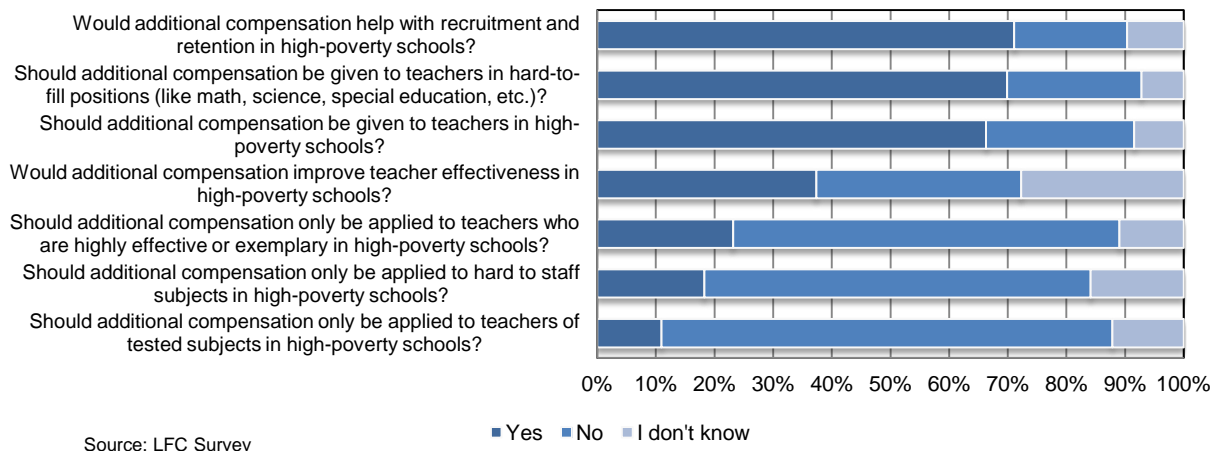


Chart 10. School District and Charter School Responses on Additional Compensation, N=92



Some school districts in New Mexico already provide incentive pay to teachers in hard-to-staff schools or hard-to-staff positions. Hobbs Municipal Schools gives a signing bonus to teachers in hard-to-staff positions such as math and science. The district has aggressively used grant funding from the state to recruit STEM teachers, providing annual stipends up to \$5,000 for math and science teachers. In FY14, public schools spent over \$600 thousand on stipends from the STEM grant. PED reported allocating about \$860 thousand to 21 school districts and charter schools for stipends across two fiscal years. Grant recipients reported their intent to provide these stipends to a total of 43 science teachers, 36 math teachers, and 10 teachers teaching a combination of these subjects. The stipends would total \$10 thousand per teacher over the two year period, with the majority targeting retention of teachers, rather than recruitment of teachers.

Albuquerque Public Schools uses federal Student Improvement Grant (SIG) monies to pay teachers for working in hard-to-staff schools. Teachers at six high-poverty schools at APS, including Highland High School, Rio Grande High School, West Mesa High School, Ernie Pyle Middle School, Emerson Elementary School, and Eubank Elementary School receive approximately \$5 thousand on top of their base salary for working an extra hour each day and five extra days at the beginning of the school year. The incentive provides a Level I teacher an additional \$4,778, while both Level II and Level III teachers earn more than the \$5 thousand stipend.

Table 2. APS Teacher Daily and Hourly Rate, FY14

Teacher Licensure Level	Base Salary	Teacher Work Days/Hours per Day	Daily Rate	Hourly Rate	Total 184 extra hrs. 5 extra days
Level I	\$30,000	184 days per year/6.5 hours per day	\$163.04	\$25.08	\$4,777.76
Level II	\$40,000	184 days per year/6.5 hours per day	\$217.39	\$33.44	\$7,239.91
Level III	\$50,000	184 days per year/6.5 hours per day	\$271.73	\$41.80	\$9,049.85

Source: APS and AFT Negotiated Agreement

One of the largest incentive pay programs in New Mexico provides additional compensation to teachers through the state's funding formula for obtaining National Board Certified Teaching (NBCT) certification.

In FY15, the funding formula allocated about \$3.7 million for additional comp to 627 teachers who were NBCT certified, up from \$2.9 million in FY13. NBCT certification defines what accomplished teachers should know and be able to do in multiple certification areas. The standards are developed by accomplished educators, including classroom teachers. In 2014, APS ranked 6th in the nation in its number of newly board-certified teachers, up from 13th in 2010, according to NBCT. Statewide, the number of board-certified teachers has increased 20 percent between FY13 and FY15. The state, including LFC, has not evaluated the effectiveness of this incentive pay and whether NBCT teachers are producing better results than their peers in New Mexico. A study by Harvard University's Strategic Data Project reported students of NBCT teachers in Los Angeles Unified School District gained roughly the equivalent of two months of additional instruction in math and one in English language arts than peers taught by non-NBCT certified teachers. However, LFC evaluations have noted NBCT teachers tend to teach at schools with fewer students from low income families and are not strategically placed in low-performing schools.

Previous LFC program evaluations have recommended expanding incentive pay programs in the state funding formula to create a state strategy for hard to staff schools.

Over multiple reports, LFC staff has found the state's method of allocating resources for teacher compensation is outdated and not effective. Specifically, the reports found the training and experience (T&E) index directs more funding to more affluent school districts and produces a questionable return on investment after factoring in poverty. The T&E index does not recognize better performance by teachers and higher pay, but instead rewards relatively affluent districts for keeping teachers and sometimes requiring them to meet higher education requirements. Aligning the T&E index to a modified three-tiered licensure system that focuses on student performance will allow the state to send resources to high-performing teachers and schools. High-poverty, rural districts with the greatest needs generally have difficulty hiring experienced teachers with advanced degrees who increase the district's T&E index. As free-and-reduced lunch participation levels increase, T&E index values drop. Because poverty is also highly related to lower standards based assessment (SBA) scores, districts with lower T&E index values sometimes tend to have lower SBA scores than their peers.

Level III teachers, while not necessarily more effective than Level I or Level II teachers based on LFC analysis, are more likely to teach in more affluent districts and schools. These teachers generate higher T&E index values and thus increase revenue for school districts. While districts do not have explicit policies to move more experienced and educated teachers to more affluent schools, students in poverty are more likely to have a less experienced, poorer-performing teacher. Recruiting and retaining high quality teachers in low-income schools is integral to ensuring students in poverty achieve academically. Schools with higher poverty rates have an overrepresentation of beginning teachers and teachers with lower licensure exams scores than more affluent schools. These indicators have been shown to correlate with negative effects in student achievement based on past LFC studies.

Previous recommendations include first aligning the T&E index with the three-tiered licensure system and updating the advancement and evaluation process to ensure teacher advancement is more closely tied to improving student outcomes. This would ensure increased funding is aligned with increased performance commensurate with pay levels. Another key recommendation was to create a new incentive program similar to NBCT certification that provided additional formula funding for teachers who meet minimum competencies and are teaching in high-poverty schools.

Creating incentives to get high-quality teachers to teach in high-poverty schools can work, but keeping effective teachers is more challenging, according to previous LFC evaluations. Financial incentives can help to recruit high-quality teachers and slightly decrease turnover in the short-term, but money may not work in the long-term to keep teachers at high-poverty schools. The Association for Supervision and Curriculum Development (ASCD) notes that “even when bonuses succeeded in drawing teachers to the poorest schools, such incentives could not compensate for the lack of support they encountered in these schools, which in turn contributed to the departure of many of these teachers.” Financial incentives attack part of the problem, but do not address working conditions. School districts must find ways to incentivize the best administrators to lead high-poverty schools and give them added support.

In addition, the Legislature enacted the LFC staff recommendation to implement a teacher loan repayment program for teachers in hard-to-staff schools. The LFC previously found HED loan repayment programs provides a better return-on-investment than loan-for-service programs, which previous LFC reports and HED financial audits concluded were difficult to administer. Previous reports found higher default rates among loan-for-service recipients than loan repayment recipients. HED reports that, in previous years, teacher applications for the teacher loan repayment program far exceeded available revenue. HED requested but did not receive a \$660 thousand general fund appropriation for the teacher loan repayment program in FY16. LFC recommended \$175 thousand for teacher loan repayment and flat funding for the loan-for-service at \$84.6 thousand. Currently, \$60 thousand has been reprioritized to the teacher loan repayment program in the HED operating budget.

RECOMMENATIONS

The Legislature should:

- Modifying the public school funding formula to align the training and experience (T&E) index to the three-tiered licensure system and add an adjustment factor that provides a stipend between \$5 thousand to \$15 thousand for teachers meeting minimum competencies at high-poverty schools or in the alternative consider adding extra weight in the T&E index for teachers at high-poverty schools.
- Repeal the Teacher Loan for Service Act (Section 21-22E-1 NMSA 1978) and transfer any cash balances to the teacher loan repayment program. Students can obtain loans through other financial aid programs, including the private sector.
- Increase funding for the loan repayment program to better accommodate demand.

PED should:

- Collaborate with LFC staff to assess the effectiveness of public school practices using incentive pay and additional compensation periodically through the budget review process, including NBCT stipends and the STEM initiative. This could include requiring school districts and charter schools to include specific information, as part of the budget or educational plan for student success (EPSS), on the use of additional compensation to improve recruitment, retention, and performance and whether these efforts are producing performance results as intended.
- Provide the Legislative Finance Committee and Legislative Education Study Committee updates on progress to implement the Incentive Pay Pilot program during the 2015 interim, including grant awards, descriptions of participating school district/charter school proposals, planned evaluation of the pilot and individual grant recipients to assess whether the program is producing performance results as intended.
- Work with grant recipients to establish expected changes in student performance as a result of the incentive pay pilot, as well as the impact on recruitment and retention of classroom teachers, school leaders and other school personnel that may receive incentive pay and include this performance measure information in the PED appropriation request on September 1, 2015.

HED should:

- Reprioritize existing resources to the teacher loan repayment program.

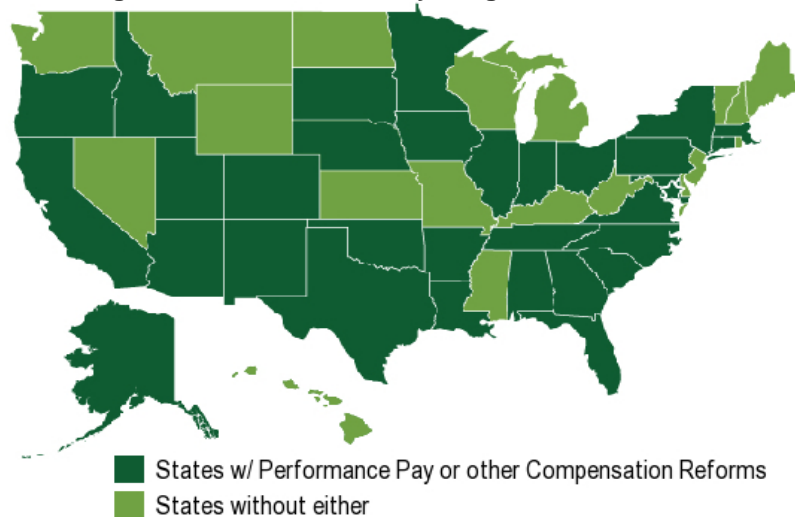
TEACHER INCENTIVE PAY PROGRAMS ARE EXPANDING NATIONALLY AND IN NEW MEXICO, BUT NOT WITHOUT CONTROVERSY OR CONCERNS FROM EDUCATORS

Most school districts in New Mexico, and nationally, continue the long-standing practice of determining teacher pay based on a single salary schedule based on years of service and education attainment. These teacher pay structures incentivize and reward education attainment and longevity. They are not directly tied to rewarding great teaching, but annual pay increases based on years of service are typically very minimal, less than 1 percent. These could be considered similar to cost-of-living increases. Increases for increased education attainment also are typically very low when an educator jumps from one pay band to the next. For example, a Santa Fe Public Schools level I teacher receives \$1 additional pay annually for having a master's degree, while a level II receives approximately \$500 more annually for having a master's degree. Albuquerque Public Schools also offers an additional \$3 annually for level II teachers having a master's degree and approximately \$450 annually for a level II teacher with a doctorate.

Last year, schools across the U.S. spent an estimated \$8.5 billion on raises for teachers who attained a master's degree. However, national studies continue to find that general advanced degrees that are not targeted have little to no measurable effect on a teacher's ability to help students learn. Nationally, research and advocacy groups are increasing encouraging public schools to modernize their compensation plans and move away from the traditional salary schedule. For example, in its annual yearbook, the National Council for Teacher Quality (NCTQ) recommended New Mexico discourage districts from tying compensation to educational level in light of the extensive research showing general advanced degrees do not have an impact on teacher effectiveness. In addition, NCTQ discouraged New Mexico school districts from determining the highest steps on the pay scale solely by seniority. NCTQ recommends states should allow local school districts to develop salary schedules in which teacher effectiveness outweighs experience and education, and if a district's uniform salary schedule reduces a district's flexibility in attracting teachers, particularly in hard-to-staff positions and schools, then incentives in the form of additional compensation or benefits should be applied to expand the applicant pool.

Performance pay advocates argue the status quo provides little incentive for educators to focus on improving student achievement. National research and previous LFC reports have shown good teachers have great value; student learning outcomes are improved by a high-quality teacher. States across the nation have begun experimenting with incentive pay programs and introducing performance pay legislation. In large part these changes have been required as part of federal Race to Top grants or conditions for federal waivers of provisions of federal No Child Left Behind Act.

Figure 1. Performance Pay Programs Nation-wide



Source: Parents for Choice in Education

Other national programs, states and large school districts have experimented with performance pay or variations of career ladder and competency-based performance pay. Common characteristics of these systems include changes to traditional teacher evaluations and increased linkage to student achievement, either through standardized test scores or teacher developed assessments. Evaluation systems using standardized tests as a measure of effectiveness increasingly use various forms of value-added models to assess the impact of teachers on student performance.

The impact on recruitment and retention has been mixed. The Teacher Advancement Program (TAP), a school-wide reform model, was created by the Milken Family Foundation in 1999 and is currently in place in more than 180 U.S. schools. Performance pay is based on teacher performance, measured by observations and student test scores. The program focuses on helping teachers improve performance by learning from mentors or master teachers. Teachers collaborate in small groups daily to build skills. TAP costs from \$250 to \$400 per student per year to implement. A study of TAP found classroom observational scores significantly correlated with student achievement growth and schools showed differential retention of effective teachers based on the evaluation scores.

VAM – Value-added model is a technique using longitudinal student achievement data to obtain estimates of the impact teachers have on student learning as measured by standardized test scores. VAM's foundation is based on student learning as measured by a given test, influenced by the teacher alone, and independent from the growth of classmates and other aspects of the classroom context. Development of massive student longitudinal achievement databases, such as those sponsored by the Department Of Education, may open prospects for rigorous value-added assessment over time.

The Teacher Incentive Fund (TIF) was a \$600 million federal grant program created in 2006, and expanded in FY09 with support from the federal American Recovery & Reinvestment Act (ARRA) fund. The program has transitioned to the Office of Innovation and Improvement in the Teacher Quality Programs. TIF supports efforts to develop and implement performance-based teacher and principal compensation systems in high-needs schools. The Vanderbilt National Center on Performance Incentives study of the Nashville POINT program showed the voluntary merit pay program provided up to \$15 thousand in bonuses for teachers but had little-to-no impact on student performance. The Vanderbilt study also revealed the program did not help retain teachers either; about half of the teachers who volunteered for the program left within three years.

In Indiana, under a 2011 state law, a school district's salary increases for teachers must be based in part on evaluations of their effectiveness. Conversely, years of experience and content-area degrees cannot account for more than 33 percent of the salary. More than \$30 million in incentive pay went to 1,300 schools across Indiana in FY14. Schools were eligible for the grants if they the following requirements: 1) students scored well on statewide tests or showed signs of improvement, or 2) graduation rates were high or had improved over the last year (growth of at least 5 percent). These schools, in turn, distribute the money to teachers who have been rated effective or highly effective under Indiana's teacher-evaluation system.

California launched a program to attract NBCT teachers to high-need schools paying a \$20 thousand bonus that is paid out over four years to teachers who become board certified and teach in underperforming schools. California also created the Teachers as a Priority Program, providing funding for improved working conditions in hard-to-staff schools to attract and keep qualified teachers in these schools. The program supported class size reduction, curriculum reforms, mentoring bonuses, and other interventions to redistribute teachers.

Some large school systems have implemented alternative compensation plans from the traditional salary schedule that combines updated evaluations, base pay changes, additional compensation, and competency-based advancement. These systems do not rely as heavily on standardized tests to determine annual bonus or additional compensation pay, but rather establish a career path with incentives for increased performance and teaching in high-need schools and subjects. They typically have been developed in close collaboration with teachers and serve to address recruitment, retention, and performance.

For example, since FY06, Denver Public Schools (DPS) in conjunction with the teachers' union implemented the Denver Professional Compensation system (ProComp) district-wide, linking teacher pay to student achievement. The program consists of teachers earning a base salary and performance incentives for working at hard-to-staff schools; hard-to-staff positions such as bilingual, special education, or speech language pathologists; or working at top-performing and high-growth schools. Hard-to-staff schools are schools with high percentages of students eligible for free and reduced school lunch: 92 percent for elementary; 85 percent middle school; 75 percent high school; and all alternative schools. An FY11 independent study of ProComp yielded no significant data on gains in student achievement among teachers participating in ProComp, but revealed an increase in student achievement was associated with the implementation of best practices such as an emphasis on using data, teacher collaboration, and improvements in the teacher evaluation system. However, teacher retention levels at DPS have increased as a result of ProComp.

Figure 2. Denver Public Schools ProComp Incentive Pay Structure, FY14

ProComp in Action

Maximizing Your ProComp Participation

Using 2013-14 incentive amounts, here is an example showing how a teacher could use ProComp to serve our students and enhance his pay. Additionally, see how DPS teacher compensation, with ProComp incentives, compares to salaries in surrounding districts.

Doug Sample

*Ninth Grade Math Teacher
(Hard to Staff Assignment at
High Growth and Top Performing School)*

Education prior to DPS: Bachelor's Degree
Experience prior to DPS: None
Starting DPS Pay: \$38,118
Length of DPS service: Two years



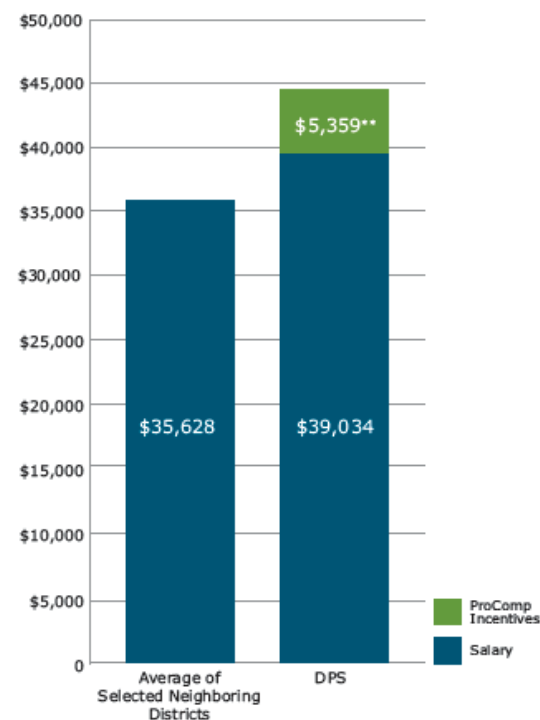
ProComp Component		Earnings
Beginning of Third Year Base Pay		\$40,397.00
Student Growth	Top Performing School	\$2,439.55
	High Growth School	\$2,439.55
	Exceeds Expectations	\$2,439.55
	SGOs	\$381.18
Market Incentives	Hard to Staff Assignment	\$2,439.55
	High Needs School	
Knowledge and Skills	PDU	\$762.36
	Tuition and student loan reimbursement	
	Advanced degree, license or certificate	
Comprehensive Professional Evaluation	Satisfactory evaluation for the previous year	\$381.18
Total ProComp Incentives		\$11,282.92
End of Third Year Total Annual Compensation (Base Pay + Incentives)		\$51,679.92

In summary...

Over his first two years at DPS, Doug increased his base pay by \$2,287.08 by completing one PDU each year and having satisfactory evaluations. Each year he also collected a bonus of \$2,439.55 (each) for working in a High Growth School, working in a Top Performing School and working in a Hard to Staff Assignment. This year, his third with the district, he'll collect those incentives, plus a bonus of \$2,439.55 for exceeding expectations on the state assessment. He'll also raise his base pay by \$1,524.72 by meeting two SGOs, completing a PDU and having a satisfactory evaluation.

Source: Denver Public Schools

Average Second Year Teacher Salary* Comparison with ProComp Incentives



Note:

*Salaries represent bachelor's degree level teachers.

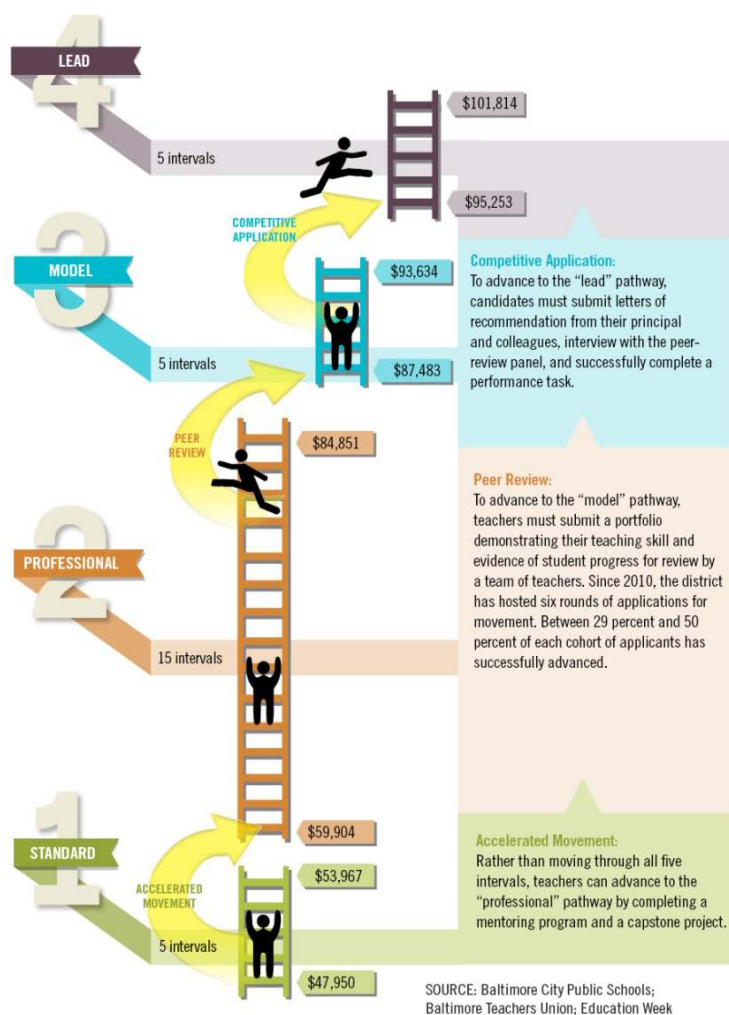
**ProComp Incentives (\$5,359) reflect those incentives earned in years one and two that are paid out in year two.

Baltimore City Schools implemented a comprehensive career ladder that has a program with four interval levels. Beginning salary starts at \$48 thousand and could exceed \$100 thousand at interval level four. Teachers must receive 12 achievement units to advance one interval level.

Figure 3. Baltimore City Schools Career Ladder

CLIMBING THE LADDER

Baltimore teachers can advance up the pay ladder by collecting achievement units, or by completing specific, peer-reviewed projects.



Source: Education Week

ACHIEVEMENTS

1-3 achievement units can be obtained by:

- Attending professional development
- Contributing to student learning, such as running after-school programs
- Contributing to the district, such as writing curricula
- Contributing to colleagues, such as mentoring or coaching them

3-12 achievement units can be obtained through:

- Earning an evaluation score of "developing" or higher.

Moving 1 interval = 12 achievement units

SYSTEM GOVERNANCE



Joint Oversight Committee

- 5 district members
- 5 union members

Sets the goals and objectives of the pay system and ensures the validity and reliability of the teacher-evaluation process.



Joint Governing Panel

- 4 district members
- 4 union members

Crafts the achievement unit menu and rules for movement to each pathway.

Some charter schools in New Mexico use incentive pay to retain teachers. Albuquerque Institute for Math and Science (AIMS) a state-chartered charter school, uses a school-based system for teacher evaluation and performance pay based on student growth rather than student proficiency. Fifty percent of the evaluation is based on SBA scaled scores; observations account for 25 percent and are conducted twice a year by school administrators and twice a year by retired APS and UNM educators; 15 percent is based on teacher research which is facilitated by the University of New Mexico College of Education; and 10 percent is based on student surveys. Teachers "loop" or stay with their students for two years in order to validate the data. In FY14, 3 of 17, or 6 percent of teachers, were rated highly effective receiving a 4 percent increase in pay and a raise in pay cannot be rescinded. The school's retention rate is high; the school director has only hired two teachers in the last four years. The director commented teachers are not necessarily salary driven but seek recognition and view performance pay as "friendly competition."

Research on performance pay is varied. Research on teacher performance pay found both positive and negative effects when it comes to student outcomes, teacher morale, funding, and on recruitment and retention of teachers.

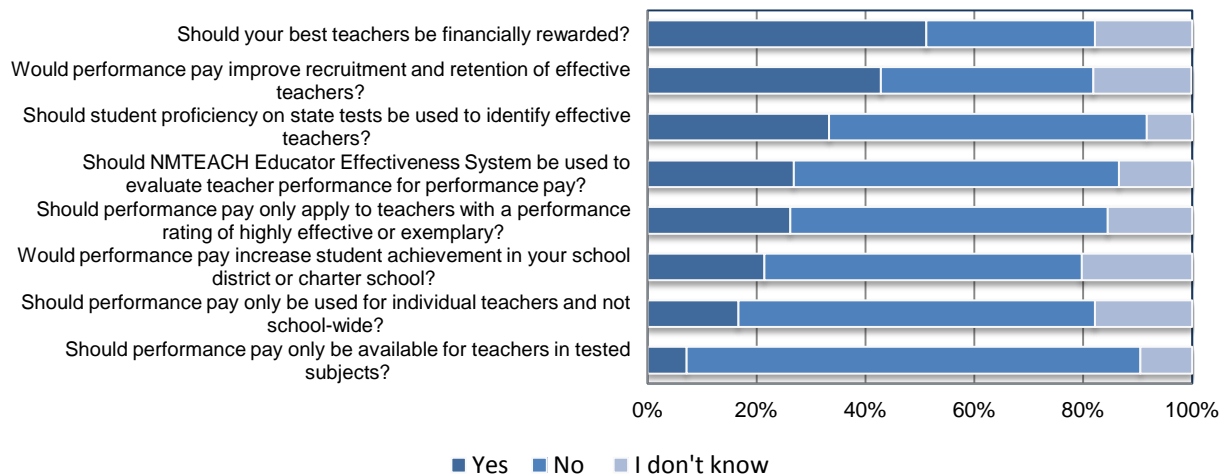
Table 3. Pros and Cons of Teacher Performance Pay

PROS	CONS
Increased student learning outcomes. Rand study concluded 50 percent of schools with performance-pay outperformed control schools in math and 47 percent in reading.	Teacher unions contend low teacher morale and increased competition among teachers goes against collaborative culture found in highly effective schools.
Assists low-performing, rural or low SES schools attract teachers.	High cost to school districts to maintain program.
Higher teacher retention rates.	Insufficient evidence performance-pay increases student achievement
Keeps novice teachers from leaving profession.	Merit criteria vague and subjective.
Would replace traditional teacher salary schedules that are neither performance-related nor market-driven, and have significant consequences on school staffing and workforce quality (Hanushek, 2005).	Cato Institute concluded performance-pay cannot be tied to student test scores and may favor high SES districts and lead to cheating or gaming on tests.
LFC studies conclude teachers conducting data analysis and disaggregating data could equal more student scoring proficient on state assessments.	Carnegie Foundation study found teachers concentrate on students most likely to make gains.

Source: LFC Literature Review

Surveyed school leaders in New Mexico are mixed on the effects of performance pay on recruitment, retention and student performance. Over half or 52 percent of the school district and charter school leaders responding to the LFC survey believe their best teachers should be financially rewarded, with 31 percent stating their best teachers should not be financially rewarded, and 18 percent who do not know. Forty-three percent of school leaders believe performance pay would help with recruitment and retention, with 39 percent stating it would not help, and 18 percent responding they did not know. About 20 percent responded that performance pay would increase student performance. Sixty percent did not believe NMTEACH, the teacher and administrator evaluation system, should be used as an evaluative tool to measure teacher effectiveness for performance pay.

Chart 11. Percentage of Responses on Performance Pay, N=92



Source: LFC Survey

New Mexico school leaders are split on the sufficient amount needed for performance pay. Thirty-nine percent of school district and charter school leaders do not believe performance pay would help with recruitment and retention. For those who believe performance pay would help with recruitment and retention, ten percent do not know what amount is sufficient, 20 percent believe \$1 thousand to \$4 thousand would be sufficient, and 22 percent believe \$5 thousand to \$9 thousand. Nine percent reported \$10 thousand to \$14 thousand would be sufficient.

Teacher unions do not support performance based pay programs using student standardized test scores.

Albuquerque Teacher Federation (ATF) indicated teachers historically worked in isolation and unions have worked hard to create policies encouraging teachers to work more collaboratively. ATF indicates performance pay or merit pay causes teachers to compete and, as a result, will lead to teachers working in isolation. The union states teachers do not leave the profession because of students or salary, but refers to research suggesting teachers leave the profession due to poor working environments in schools or districts, or the lack of effective leadership. ATF also highlights national trends stating university students are not choosing education as a profession.

Both the National Education Association (NEA) and the American Federation of Teachers (AFT) agree current teacher evaluation systems and salary schedules need reform, but they disagree with a pass/fail evaluation system that provides little or no feedback to a teacher for improvement. As a result, the AFT/ATF does not support merit pay that uses student standardized test scores, and the NEA supports extra pay for National Board Certification and extra compensation for additional responsibilities, not simply if a teacher works in a hard-to-staff or low-income school. AFT/ATF has proposed a different approach to teacher evaluation which includes: student learning objectives, collaborative work focused on the Educational Plan for Student Success (EPSS) goals and other school responsibilities, principal observations, evaluation team observations, and student surveys. AFT is not opposed to alternative pay structures, as presented in the example of the teacher weighted formula to the right. The pay structure example requires an additional \$350 million investment.

Chart 12. ATF/AFT Teacher Evaluation Proposal

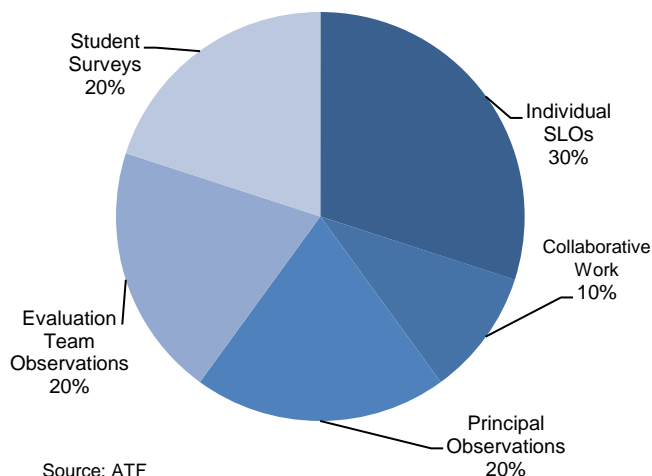
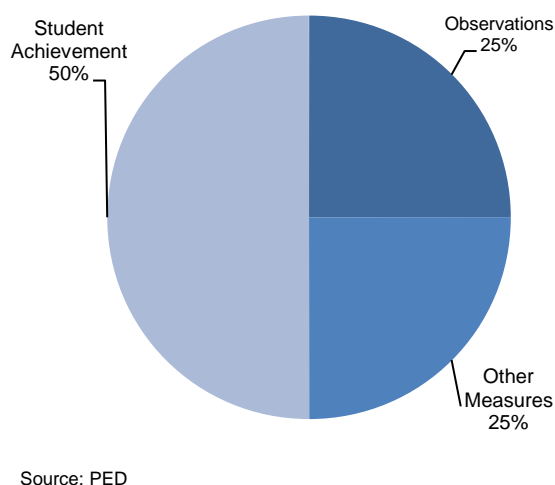


Chart 13. PED Teacher Evaluation



New Mexico made available \$14.5 million over FY15 and FY16 for PED's pay for performance pilot. The purpose of PED's pay for performance pilot (PPP), also known as incentive pay pilot (IPP), is to establish pay pilot programs to reward the best teachers and principals in New Mexico schools. PPP is meant to use local expertise and negotiate with local partners to create innovative incentive programs. PPP is a voluntary grant program for school districts and charter schools. On November 24, 2014, LFC requested information related to this program; however, LFC staff did not receive information until April 30, 2015. Based on the information received to date, PED awarded about \$7 million to nine school districts and 12 charter schools for the program in FY15. It is unclear if all awardees have accepted the grant. At the time of this report, it appears two districts and one charter school did not accept their awards.

PPP guidelines include allowing principals and teachers to obtain rewards for their effectiveness based on the educator evaluation system (NMTEACH) to identify exemplary and effective teachers (with heavy emphasis on student achievement), at least two-thirds of awards given to individual teachers and principals, and the remaining for group incentives (grade level or school level). Individual awards must be at least \$1,000 with no cap on award amount (Appendix B).

In FY15 incentive payment awards will be based on FY14 school grades and previous years' test scores. Since student performance levels and cut scores will be released in August 2015 and PARCC and school grades will be released in fall 2015, the resulting incentive awards will turn into rewards based on the previous year's, FY14, student data. PPP schedules vary widely between charter schools and school districts with parameters that provide flexibility for districts and charter schools. The parameters require the use NMTEACH summative report as a measure for incentive pay, allocating amounts for teachers rated highly effective and exemplary.

The PPP has also allowed school districts and charter schools to approach incentive pay differently. For example, the Central Education Preparatory Institute (CEPI), a charter high school in Albuquerque for at-risk learners, pilot incentive does not require NMTEACH data but only requires teachers to move students through 0.5 credit recovery in order to receive a minimum of \$350 incentive pay with a maximum of \$7,500. Public Academy for Performing Arts (PAPA), an APS charter school, developed a program in which all staff and faculty will receive incentive pay based on the school grade and student test scores. East Mountain High School, a state chartered charter school in Albuquerque, places a heavy focus on the ACT and ACT-linked suite of summative tests called ACT Aspire. Santa Fe Public School's incentive program includes NMTEACH observations, NMTEACH growth measured with VAM scores, school-wide Discovery Education Assessment growth, school-wide student attendance, and school wide quality of education survey. Gallup McKinley County Schools received their PPP grant for their priority schools only. The grant application did not require grantees to establish performance goals or expected outcomes from the grant, nor does it include an evaluation component at this time. Establishing clear purpose and criteria to assess whether the pilot program achieves its goals will be an important endeavor should the state expand this type of pay arrangement for public schools.

RECOMMENDATIONS

The PED should:

- Provide the Legislative Finance Committee and Legislative Education Study Committee updates on the implementation of the Incentive Pay Pilot program during the 2015 interim, including grant awards, descriptions of participating school district and charter school proposals, and planned evaluation of the pilot and individual grant recipients to assess whether the program is producing performance results as intended.
- Work with grant recipients to establish expected changes in student performance as a result of the incentive pay pilot, as well as the impact on recruitment and retention of classroom teachers, school leaders and other school personnel that may receive incentive pay and include this performance measure information in the PED with public school support budget request.

WITHOUT MAJOR REVISIONS, NEW MEXICO'S TEACHER COMPENSATION SYSTEM RISKS BECOMING INEFFECTIVE AND HAMPERING EFFORTS TO IMPROVE OUTCOMES

New Mexico relies on a hybrid of state and local salary schedules, incentive pay, and additional compensation policies, and performance evaluations for teachers. This hybrid approach has been in place since 2003 when the state sought major changes to the state compensation system. In 2003, New Mexico established the three-tiered licensure and compensation system. This new system established state mandated minimum salaries for teachers based on their licensure level that were phased in over time; \$30 thousand for level I teachers on a provisional license; \$40 thousand for professional teachers on a level II license; and \$50 thousand for master teachers on a level III license. Previous evaluations and studies by the LFC and Legislative Education Study Committee (LESC) found this new system addresses many of the workforce recruitment and retention issues previously facing the state, including dramatic reductions in the number of unlicensed teachers and teachers on waivers. However, the performance component of the new system, a combination of local and state evaluations to determine advancement to a higher pay level, did not produce widespread increases in student achievement in aligned with changes in pay. While the new system did remove 10 percent of new teachers from the profession, many other teachers with low student achievement advanced to both level II and level III pay scales. Furthermore, the decision to grandfather thousands of teachers to higher pay levels without going through the new evaluation systems further undermined performance.

While the state has set three different minimum salary levels, public schools still largely rely on a traditional salary schedule based on years of service and education levels. Adjustments to these salary schedules are heavily dependent on state appropriations for any major adjustments. As a result, many school districts salary schedules are very similar. As discussed previously in this report, local public schools supplement their salary schedules with a variety of additional compensation for working additional time, taking on additional duties, or for certain educational credentials. These additional compensation payments and associated policies vary widely among districts and charter schools, and are often based on local policies, school site discretionary spending, or collective bargaining agreements. The state also provides a variety of incentive pay for credentials, such as National Board Certification, or hard-to-staff positions, such as STEM. Generally, none of these incentive pay arrangements are directly related to improving student performance. Indirectly, these payments are intended to improve recruitment and retention of high quality teachers and improve performance.

Most recently, the state has introduced performance pay arrangements through the PED's PPP and providing performance payments for Advanced Placement teachers depending on improvement of student scores. These are still in their infancy and too new to comment on their impact on student achievement.

The PED has revised major evaluation components of the three-tiered licensure system, impacting advancement and thus pay. The system had large pay increases due to the two key evaluation components: a system of locally administered, but uniform statewide, annual, and summative evaluations, and a required professional development dossier administered by the state to screen candidates for licensure advancement based on minimum competencies. PED has revised the local annual evaluation, including evaluation rubrics, and the inclusion of student performance as determined by value-added models. The student performance component accounts for 50 percent of the overall evaluation score. The local evaluation also now includes components that local public schools can choose to implement. While this change provides local flexibility, it no longer makes the local evaluation part of the system uniform. The professional development dossier has not been revised.

Teacher attrition will likely pose continual challenges nationally as well as in New Mexico. The Bureau of Labor Statistics reports a decline of 260,000 education jobs nationwide between August of 2008 and the fall of 2014. The reductions reflect increased retirements, strained state and local public school budgets during and after the great recession, normal attrition in education without replacement, and other factors. A 2013 MetLife survey found teacher satisfaction has declined 23 percentage points since 2008, from 62 percent to 39 percent, including 5 percentage points since the previous year to the lowest level in 25 years. Half of teachers report feeling under great stress several days a week, an increase of 15 percentage points. Less satisfied teachers are more likely to leave the education profession.

Retirements present both a challenge and opportunity. Half of the nation's teachers, approximately 1.72 million, are expected to retire in the next decade. LFC survey and Education Retirement Board (ERB) data highlight an increase of 43 percent in teacher retirement in New Mexico over the past 10 years. Public schools face challenges if experienced and effective teachers retire sooner than they otherwise would have. However, opportunities exist if experienced but ineffective teachers move out of the profession, assuming they can be replaced with more effective teachers.

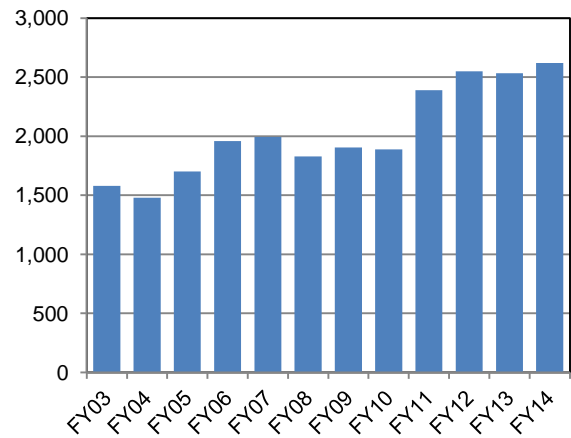
Retaining teachers in New Mexico continues to pose challenges. Of the 871 new teachers who entered New Mexico's public school system in FY08, 76 percent remained in FY09 and 51 percent remained in FY13. For rural school districts in New Mexico, the attrition rate was 53 percent over five years. This pattern of attrition reflects the national average of 30 percent of teachers that leave the profession within the first three years and 50 percent leave after five years. The national teacher turn-over rate has risen to nearly 17 percent per year, with urban schools around 20 percent.

An LFC survey of 52 school district superintendents and 40 charter school directors reported a 27 percent increase in teachers leaving the school district or charter school in the past three years. In addition, 23 percent of teachers who left the school district or charter were in the first three years of teaching. Respondents indicated that 65 percent of teachers who left resigned from their position, 5 percent were either discharged or terminated, 17 percent left to work outside the education profession, and 36 percent left to teach in other states.

School leaders in New Mexico reported the top four reasons for teacher resignations are relocation and family, changing profession and dissatisfaction with teaching, volunteer transfer, and salary issues. Of the teachers who left school districts or charter schools in FY14, 36 percent left the state and 30 percent moved to another school district or charter school, and 18 percent left education completely (Appendix E).

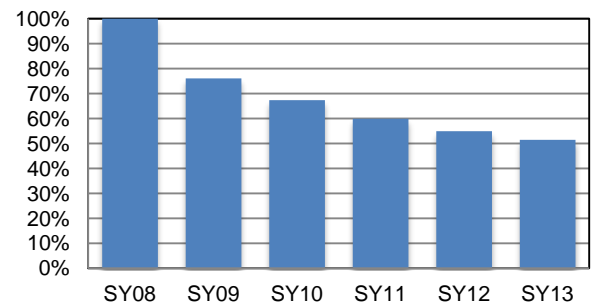
Math, science, and special education teachers continue to be the most difficult positions to fill in New Mexico and nationwide. An LFC survey indicates school district and charter school results mimic national trends in the most difficult positions to fill being math, science, and special education positions. Furthermore, new level I licenses for FY13 reflect low-interest in math, science, and bilingual endorsements. In a District and charter leadership reported difficulty hiring math, science, special education, and bilingual teachers (Appendix F). Of the approximately 1,419 new level I licenses in FY13, 124 new teachers received endorsements in math (9 percent) and 118 in science (8 percent). Bilingual endorsements are the lowest with only 34 new level I teachers (2 percent) receiving a

Chart 14. Annual Number of Retirees in New Mexico, FY03-14



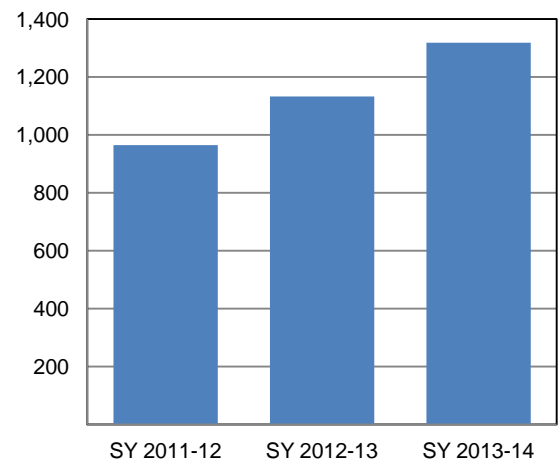
Source: Education Retirement Board

Chart 15. 2008 New Teacher Cohort Present in the New Mexico Teacher Workforce (N=871)



Source: LFC Analysis

Chart 16. Number of Teachers Who Left Public Schools in Past 3 Years Reported in Survey. (N=92)



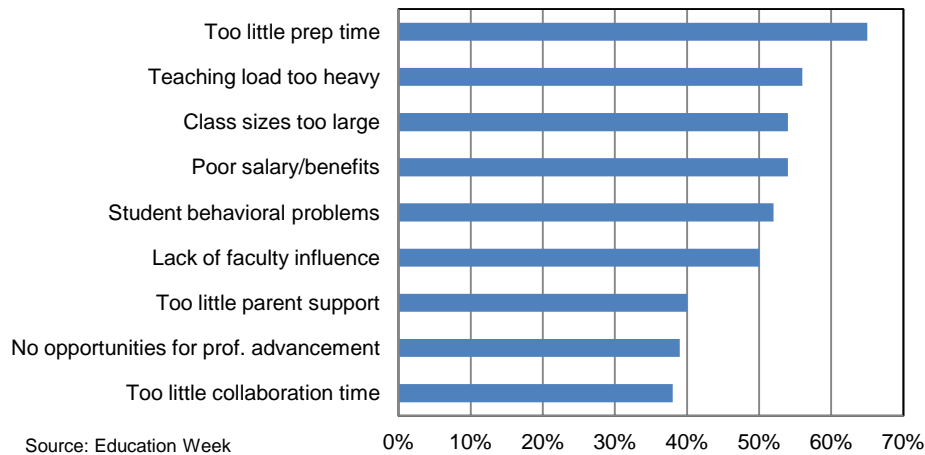
Source: LFC Survey

bilingual endorsement. The majority of all issued teacher licenses are for K-8 Elementary licenses. Twenty-five percent of all teachers in New Mexico hold a Teaching English as a Second Language endorsement.

Working conditions and recruitment strategies can help alleviate problems with recruitment and retention.

Several recent studies suggest teacher mobility decisions may be strongly influenced by working conditions in addition to salaries. While the decision to leave the teaching profession is usually a complicated individual decision, research has shown factors like too little prep time, teaching load, salary and benefits, and class size play an important role. Teachers in high-poverty schools with high-mobility and student discipline issues are more likely to leave the profession or seek another school.

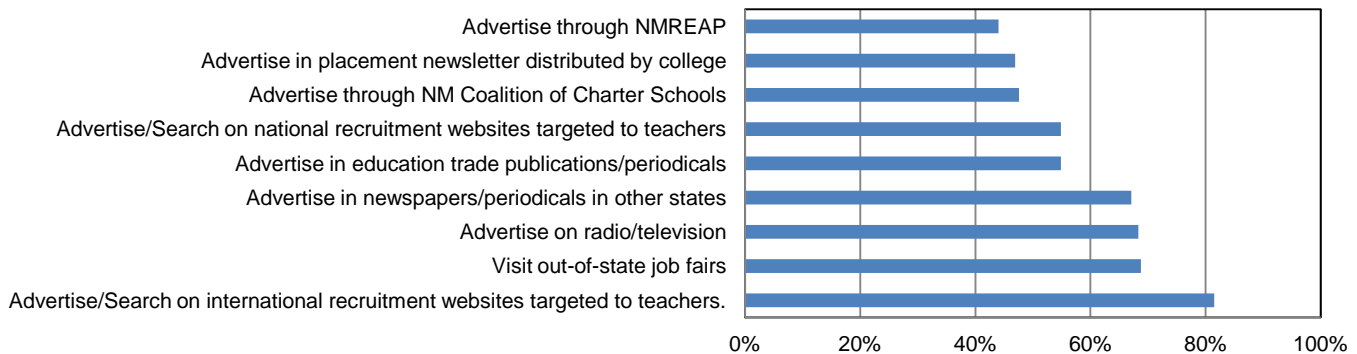
Chart 17. Sources of Dissatisfaction for Outgoing Teachers Nationwide



Teacher recruitment practices can increase the quality of teachers hired. The Children First Movement in New York found broad use of recruitment practices was associated with higher teacher qualifications. School districts and charters in New Mexico need to actively recruit teachers through a number of different venues. The majority of school districts and charters advertise on their websites where applicants are able to submit or apply. However, 68 percent never visit out-of-state job fairs, use radio or television, or out of state newspapers or periodicals. Only 35 percent of schools always use New Mexico Regional Education Applicant Placement (NMREAP), a free service to educators seeking teaching, administrative, and educationally related positions in New Mexico, while 50 percent rarely or never use the service. The majority of districts and charters reported rarely or never visiting college campuses or advertising through university publications.

Chart 18. Percentage of School Districts and Charter Schools that Resonded Rarely or Never Use to Recruitment Strategies

(N=92)



Misalignment of the three-tiered licensure system and the T&E index exacerbates pay issues for public schools and misses an opportunity for strategic use of pay increases and additional compensation. Depending on a public school's financial situation and timing, large numbers of teachers advancing through the licensure system may create financial hardship. This is particularly true if the public school is declining in student enrollment, or declining in their T&E index value due to retirements or loss of more experienced and educated teachers. While a public school may have additional budget room created by higher paid teachers leaving the district, the funding formula reflects this decline with fewer units. Better alignment of the two systems would mitigate this problem, but overall the T&E index, as previously written in this report and others, has too much overall weight in the formula and locks in funding disparities unrelated to student needs.

School leaders view the system's salary increases as effective for teacher retention, but not performance. Previous LFC reports have found that the three-tiered licensure system is an effective tool for teacher retention, aside from issues with student performance. Of the school district and charter school leaders surveyed, 60 percent indicated the salary increase from level I to level II and increase from level II and level III assists in retaining effective teachers. Thirty-two percent felt more emphasis should be placed on student achievement to move up a level in the three-tiered licensure system. Thirty-four percent indicated ineffective teachers should be penalized by moving down a licensure level, and 23 percent felt the requirements to move from level I to level II assist moving poor-performing teachers out of the profession. Sixteen percent of respondents felt the three-tiered licensure system adequately addressed teacher performance. Previous LFC evaluations have recommended improving the professional development dossier by placing greater weight on student achievement in order to advance pay levels.

As discussed earlier in this report, the three-tiered licensure system does support the state's efforts to address the achievement gap by ensuring hard-to-staff or high-poverty schools have effective teachers. Instead these market incentives are largely left to local school districts.

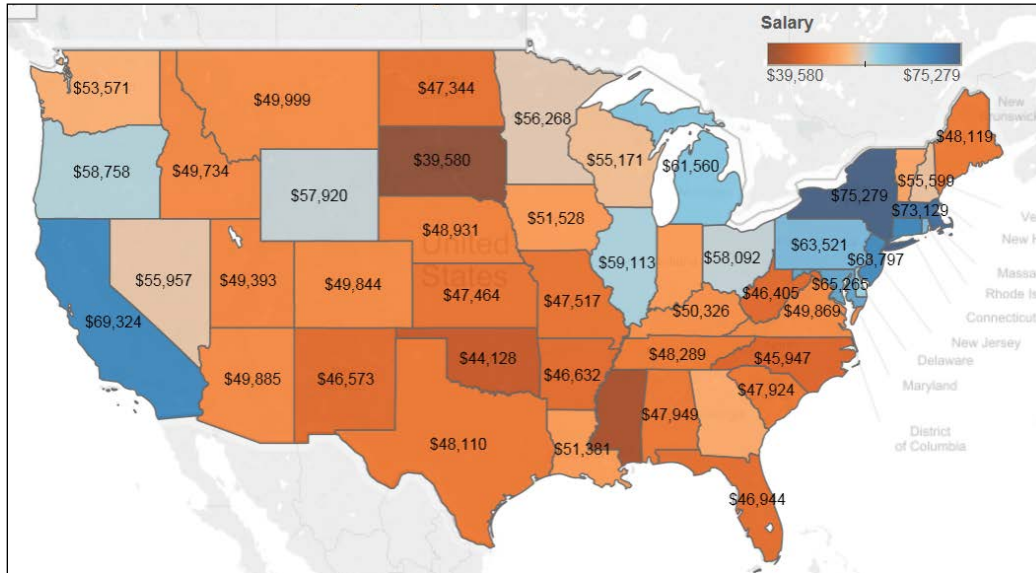
At the FY15 Spring Budget Workshop, PED staff reported between 700 and 800 level I and Level II teachers were allowed to advance their license to a Level II or level three license without completing a professional development dossier, as required by PED regulations. This will put public school budgets under pressure as a number of unplanned salary increases will need to be absorbed. PED's website indicates teachers will be allowed to bypass the dossier process if they meet the following criteria on their 2014-2015 summative evaluation: taught for a minimum of three years on their level I or level II license; achieved a master's degree or NBCT certification (to move from level II to level III), achieved an overall rating of effective, highly effective, or exemplary, and earned a minimum of 50 percent of the points available to them in the student achievement (value-added) portion of the summative evaluation. It is unclear under what authority the department is allowing individuals to advance without complying with established rules and how individuals are being allowed to advance, as FY15 evaluation results were recently released.

The state may need more comprehensive compensation adjustments, other than increasing beginning pay and implementing performance pay pilots, to better position public schools to compete for an improved teaching pool. Given the constraints to state and local budgets during and after the great recession, New Mexico has not been in the financial position to implement large scale compensation system changes. The state has provided raises to teachers of 4 percent since FY10, excluding beginning teachers. The state has increased starting pay from \$30 to \$34 thousand over the past two fiscal years. However, over the long term, only increasing minimum salaries for beginning teachers will create salary compaction and possible morale problems for local public schools.

Teachers have advanced through the licensure system receiving large increases during this period, but over time, absent base adjustments, these gains will be eroded. Local public schools, absent state appropriations, generally are not in a position to make their local salary schedules more competitive for either recruitment or retention.

Nationally, and in some cases regionally, New Mexico teacher salaries have become less competitive. According to the American Federation of Teachers, New Mexico increased its standing nationally for teacher pay rankings from 42nd in FY03 to 39th in FY07. However, in FY13 New Mexico fell in average teacher salaries rankings to 45th in the nation. In FY13, the average teacher salary was \$46,573 while the national average for teacher salaries was \$56,383.

Figure 4. National Teacher Average Salaries, FY13



Source: NCES Data

National Council of Teacher Quality (NCTQ) research indicates there is a substantial variation in teacher pay nationwide, leading to considerable differences in what teachers can earn over the course of their career and what they can afford to buy with their earnings. Albuquerque Public Schools ranks 121 out of 125 for teachers earning the maximum pay in the shortest number of years and lifetime earnings. Albuquerque teachers must work more than 30 years to earn \$75 thousand. Exemplary teachers in Washington, D.C. can earn \$75 thousand in one year.

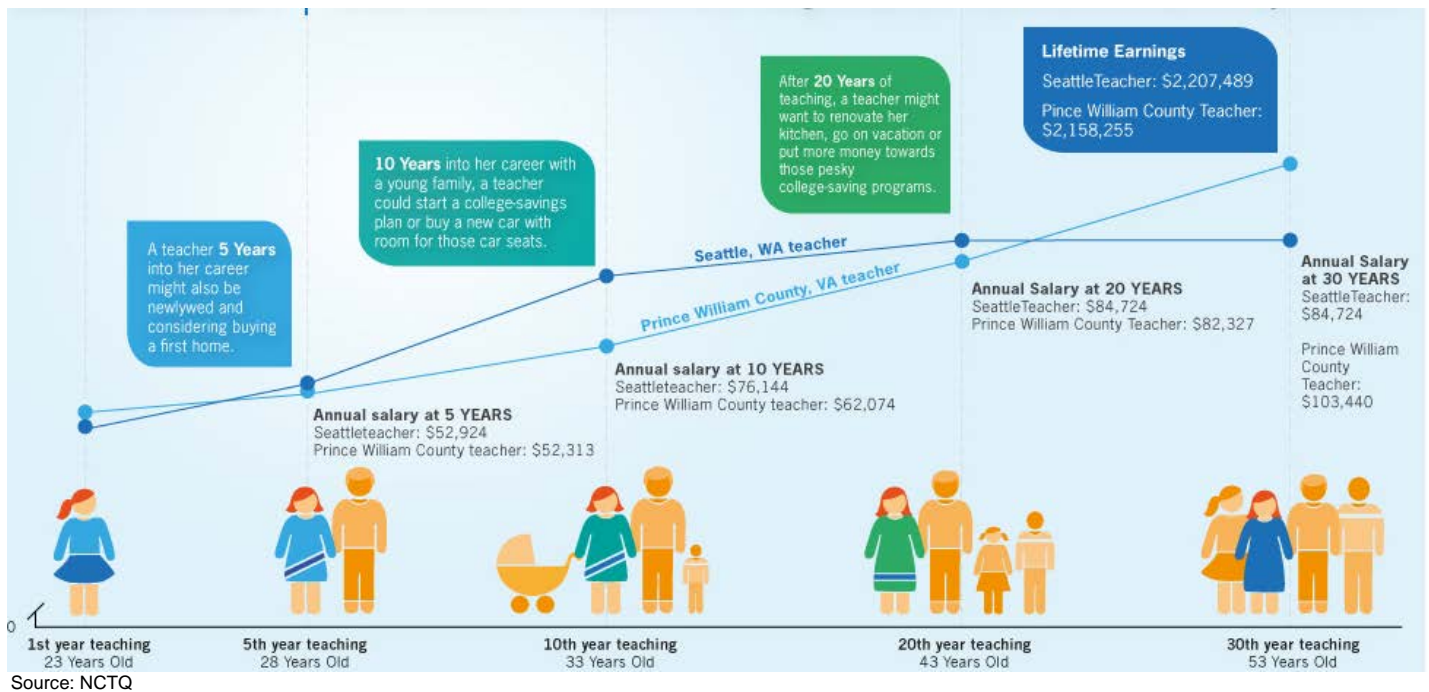
Table 4. Districts by lifetime Earnings and Years to High Salaries, FY14

District	Years to \$75,000	Starting Salary	Lifetime Earnings
Mesa, AZ	>30	\$37,443	\$1,818,599
Fort Worth, TX	>30	\$47,000	\$1,735,146
Dallas, TX	>30	\$46,002	\$1,734,646
Northside, Vernon, TX	>30	\$48,525	\$1,699,442
Denver, CO	>30	\$38,498	\$1,641,009
Austin, TX	>30	\$43,286	\$1,447,317
Albuquerque, NM	>30	\$30,000	\$1,366,318
Oklahoma City, OK	>30	\$32,925	\$1,316,075

Source: NCTQ

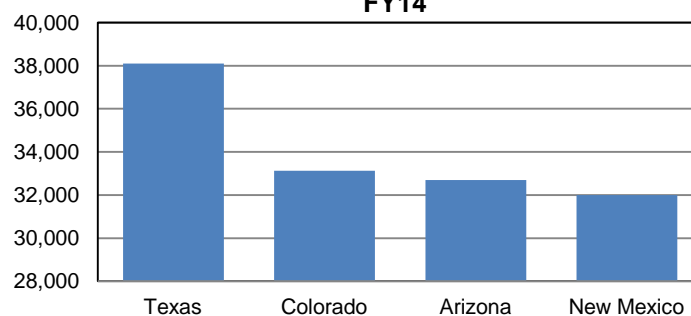
NCTQ research indicates the average number of years for a teacher to reach their maximum pay is 24 years. This timeframe is much longer than for other professions. The speed of income growth has a dramatic impact on how much a teacher will take home over the course of a career, which is a little-considered feature of teachers' pay packages accounting for tremendous disparities in teachers' overall earnings. In addition, generous starting or ending salaries do not necessarily signal a school district offers a competitive salary structure for teachers. Finally, exemplary teachers can earn the maximum teacher pay in a relatively short time compared to a traditional single-salary schedule.

Figure 5. National Teacher Trajectory of Lifetime Earnings, FY14



New Mexico beginning teacher salaries are competitive with Colorado and Arizona, but not with Texas. In FY14 average starting salaries in Colorado were \$32,095 with some districts bordering New Mexico starting at \$29 thousand (Montezuma), \$30 thousand (Centennial) and \$30 thousand (South Conejos). Arizona had an average starting salary of \$36 thousand; however, Arizona state teacher contracts are between 10 and 10.5 months, with a total average salary of \$33 thousand for nine months. Through Proposition 301, teachers in Arizona also have the ability to earn additional compensation (between \$500 and \$10 thousand) for market value positions (math, science and special education), longevity, performance-pay, dual-language and NBCT certification. The average beginning salary in Texas is \$38 thousand. Texas districts bordering New Mexico provide significantly higher starting salaries, \$47 thousand (Midland), \$45 thousand (Ector), and \$44 thousand (El Paso). The General Appropriations Act requires a minimum starting teachers' salary \$32 thousand in FY15 and \$34K in FY16. However, starting salaries for FY14 in Gadsden \$36 thousand, Carlsbad \$38 thousand, and Central Consolidated \$36 thousand.

Chart 19. Average Starting Salary for Neighboring States for 187 day contract, FY14



Source: LFC Analysis

While a major change in teacher compensation may help with recruitment and retention, a focused strategy to ensure pay is aligned with results is still necessary. Any strategy for adjusting compensation likely needs to address the following:

- Improve the ability of the profession to attract top tier candidates;
- Teacher preparation programs must effectively prepare new educators;
- Require local public schools to mentor and nurture new teachers;
- Ensure uniform access to market incentives for teachers in high need schools and positions;
- Allow reasonable salary growth based on professional competency and student achievement;
- Encourage professional development, including additional education, if directly tied to job performance;
- Use methods to improve professional practices that teachers support and understand; and
- Include reasonable accountability provisions to improve performance or exit non-performers.

Higher-achieving countries and U.S. school districts that rarely experience teacher shortages have made substantial investments in teacher training and equitable teacher distribution. These countries and districts often provide a year of practice teaching in a clinical school connected to the university. Beginning teachers are mentored in their first year by expert teachers, and they have a reduced teaching load and increased shared planning. Salaries are equitable and competitive to other professions with additional stipends for hard-to-staff locations. Finally, ongoing professional learning is embedded in 10 or more hours a week of planning and professional development time.

New Mexico does not deliver well-prepared teachers or help expand the teaching pool. A previous LFC report found teacher preparation programs in New Mexico had lower requirements for field work than what is considered best practice and low requirements for passing scores on the New Mexico Teacher Assessments (NMTA). PED is currently working to address these issues.

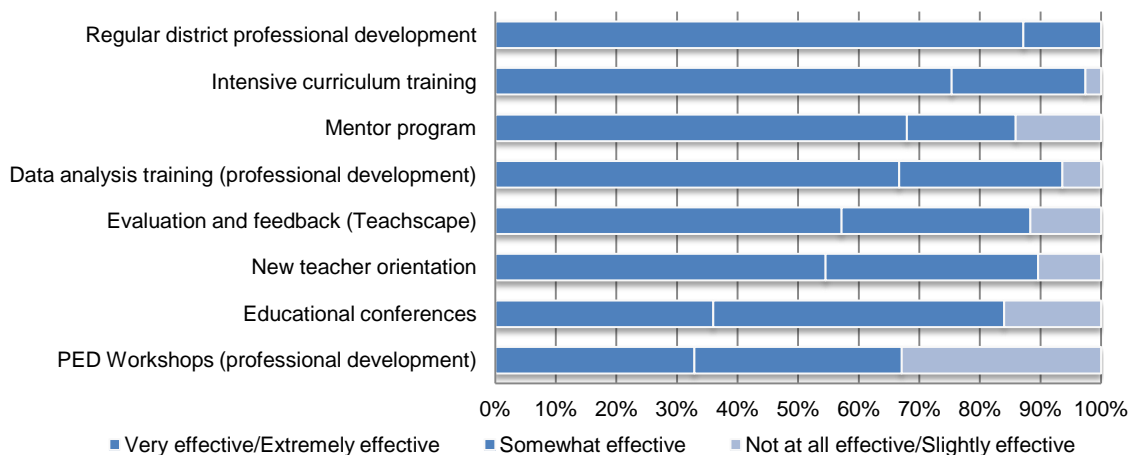
The state of public school mentoring programs likely needs review. State statute has a number of requirements for mentorship programs, including requiring mentoring programs are to be evaluated locally every three years by the school district or charter school to determine the effectiveness of the program and to have these programs reviewed and approved by PED. In State statute PED is required to review and make public teacher retention rates statewide and by school district (Section 22-10A-9 NMSA 1978). One and a half million dollars was allocated in FY15 for mentorship programs and \$25 thousand to PED for support of this program. For FY16, \$2 million was allocated for a mentor program designed to pair new, inexperienced teachers and principals with more experienced mentors. PED indicated districts and charters are on an “honor system” in terms of meeting the statute requirements; however, mentoring differs significantly across the state, with some schools indicating mentors meet with their mentee once a month to “check in” and others meeting regularly through a formal system.

A study on mentoring by the New Teacher Center indicated New Mexico should:

- Require all teachers receive induction support for their first two years in the profession;
- Require formal program standards governing the design and operation of local teacher induction programs;
- Require rigorous mentor selection process;
- Provide ongoing professional development for mentors;
- Address how mentors are assigned to beginning teachers, allow for manageable mentor caseloads, and encourage programs to provide release time for mentors;
- Identify key induction program elements, including a minimum amount of contact a mentor must have with a new teacher, formative assessment of teaching practice, and classroom observation; and
- Assess or monitor program quality through accreditation, program evaluation, surveys, site visits, self-reports, and other relevant tools.

New Mexico school districts and charter schools administered professional development is seen by school leaders as the most effective way to support new teachers. In an LFC survey, school leaders identified both regular district and charter run professional development and intensive curriculum training were the most effective strategies to support new teachers. The LFC survey results mirror a national survey that found 70 percent of principals indicated teacher development is a top priority. Sixty-eight percent of New Mexico educational leaders identified mentoring as extremely or very effective in supporting new teachers. Research on mentoring conducted since the 1980s has focused on five areas for effective mentorship: mentors for novice teachers; release time for both novices and mentors; planned, school based support activities; planned, external support activities; and increased administrative support.

Chart 20. How effective are the following in supporting new teachers?
(N=92)



Source: LFC Survey

RECOMMENDATIONS

A workgroup should be convened to gain consensus to update New Mexico's system to attract, prepare, compensate and evaluate public school teachers. The goals could be to codify and plan funding changes for the preparation of teachers, provide additional funding formula market based incentives for teachers in high poverty schools and hard to staff positions, align the T&E index to the three-tiered system, update mentoring and professional development requirements, establish comprehensive minimum salary levels and methods to advance and codify agreed upon evaluation methods. Such a work group could include legislators from the LFC, LESC, PED, school district superintendents, charter schools, and teachers unions with intent to deliver recommendations by November 1, 2015.



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SUSANA MARTINEZ
GOVERNOR

May 11, 2015

David Abbey, Director
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Dear Director Abbey:

Thank you for the opportunity to respond to the draft report: *Impact of Public School Use of Additional Compensation on Recruitment, Retention and Performance*. Please accept my compliments to your staff for their professionalism and collaborative approach throughout the evaluation process. As always, the Public Education Department (PED) is committed to continuous quality improvement, best practices, and improving outcomes for all New Mexico students.

To that end, we concur with and appreciate the report's findings regarding the ineffectiveness of the current compensation system in New Mexico. We have long believed that significant changes must be made to teacher compensation to ensure that all students have an effective teacher delivering rigorous content daily. Implementing strategic compensation for our best and most needed teachers will better attract talent into the profession and keep great teachers in the classroom.

While the report makes a needed call for a better compensation system for teachers, our review of the report raises several concerns regarding what we believe are inaccurate representations. The report claims that it is unclear where the Department has the authority to advance teacher licensure without a Professional Development Dossier (PDD). A dossier, by definition, is a collection of information that tells a story. NMTEACH summative evaluations compile multiple years of data, including the year a PDD would be completed. The NMTEACH evaluation system incorporates all aspects indicated within NMAC 6.69.4.11 and establishes an objective measure of performance that accurately represents the impact a teacher is having on student outcomes. The NMTEACH system further adheres to the regulation, as all aspects of the evaluation system are measured using common metrics with uniform formulas. Student achievement is comparable statewide, and is measured based on standardized and uniform measures. Observations and multiple measures are quantified using the same criteria, with administrators required to attend the same training and pass a certification assessment to conduct observations. Per NMAC 6.60.6, the NMTEACH evaluation meets the criteria acceptable to the Director of the Licensure Bureau by incorporating effective/competent performance according to the nine competencies.

While the report states that research on performance pay is varied, the most recent research finds the practice can have positive, limited effects on certain teacher groups (e.g. Dee and Wyckoff, 2014). It was disappointing LFC staff chose to highlight the POINT study conducted by researchers at Vanderbilt University, which showed adverse findings, and not the study conducted by the same researchers on Texas' District Awards for Teacher Excellence Program. Also known as the D.A.T.E program, researchers found that district-developed pay for performance programming resulted in greater gains in student achievement than non-participating districts, lower turnover rates for teachers earning awards and teacher turnover rates that declined as the maximum award for teachers grew. The Pay for Performance Pilot (PPP) was largely based off D.A.T.E.'s model. The report also states the PPP has no stated goals or an evaluation plan. The goals of PPP are, and always have been, to enhance the recruitment of great teachers, reduce turnover amongst those teachers and increase student achievement. As PPP is in its first year of implementation, no evaluation plan has been published. However, the PED is working with external researchers to ensure the pilot is evaluated for its effects on recruitment and retention of effective teachers and impact on student achievement.

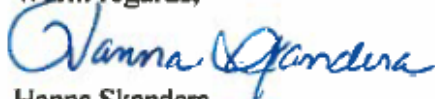
The report also asserts there is not uniformity within the current teacher educator evaluation system, NMTEACH. This statement ignores that every teacher in the state has an evaluation based on the following: 50% student achievement, 25% observations and 25% multiple measures. Districts do have discretion within the framework, but there is uniformity in what is considered in a teacher's summative evaluation. Further, the finding assumes uniformity in the previous system that was implemented inconsistently and provided no differentiation of performance between the state's teachers.

The PED agrees with the report's findings that the T&E index misses an opportunity for strategic use of pay increases and additional compensation. As found in the report, 60% of school district and charter school leaders indicated that salary increases associated with licensure advancement are strong factors in retaining teachers. In the last two legislative sessions, legislation has been brought forth to create a fast-track for advancement. However, the schism between how we would like to pay teachers and how the T&E rewards districts generated opposition from districts because they would not be compensated for fast advancement of their best teachers. Adjustments to the T&E index that better aligns district compensation with teacher compensation will allow for more strategic investments in teacher compensation, and improve recruitment and retention of our best teachers. The PED agrees with the report's recommendation that the T&E should be modified by the legislature.

The PED wishes to respond and make clarifications to the recommendations in the report as well. One recommendation in the report calls for PED to collaborate with LFC staff to assess the effectiveness of public school practices using incentive pay and additional compensation through the budget review process. Through a new budget review for low-performing schools being implemented this Spring, the PED has begun taking a more strategic look at budgets and how they are aligned with improving student achievement. Recruitment and retention of effective teachers are an important element of this evaluation, and the PED looks forward to sharing these results with the LFC when appropriate.

Thank you for the opportunity to respond to the report. We look forward to continuing to partner with the LFC as we work to improve outcomes for New Mexico's more than 336,000 students.

Warm regards,



Hanna Skandera

APPENDIX A: Evaluation Scope, Objectives, and Methodology

Evaluation Objectives.

This evaluation was an evaluation on public school use of additional compensation on recruitment, retention, and performance.

1. Review how districts are using funds for additional compensation.
2. Review the effectiveness of these strategies.
3. Identify if districts are following the best practices of teacher recruitment, retention and performance.

Scope and Methodology.

- A survey of school district superintendents and charter school directors was conducted between November 2014 and February 2015. Twenty multiple choice, open-ended, and scale questions were asked. Ninety-three responded: 48 superintendents and 45 charter school directors in New Mexico.
- Reviewed applicable laws and regulations.
- Reviewed prior LFC reports.
- Reviewed available information on PED and HED websites.
- Interviewed PED and HED key personnel.
- Reviewed available project contracts, budgets, and financial data.
- Met with LFC staff, including analysts and LFC staff leadership.
- Analyzed data provided by HED and PED.

Evaluation Team.

Yann Lussiez, Lead Program Evaluator

Madelyn Serna Mármol, Program Evaluator

Authority for Evaluation. LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Exit Conferences. The contents of this report were discussed with Matt Pahl, Director of Policy, Public Education Department on May 4, 2015.

Report Distribution. This report is intended for the information of the Office of the Governor; the Public Education Department; Office of the State Auditor; and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Charles Sallee

Deputy Director for Program Evaluation

APPENDIX B: NM Incentive Pay Pilot Score Sheet

NM Incentive Pay Pilot Score sheet

Allows principals and Group A, B and C teachers to obtain a reward for their effectiveness in the classroom	1		5		10
Uses the district's NMTEACH system to identify teachers and principals for awards, with a heavy emphasis on the student achievement category	5		10		15
Awards for teachers are prioritized for those in low-performing schools as judged by school grades and/or by areas with staffing shortages such as special education, bilingual and secondary math and science	1		3		5
At least 2/3 of awards must be qualified by and given to individuals (the higher the proportion of awards to individuals the better). Other awards can be given to other groups (such as grade level or school level) as determined by the district	5		10		15
Distributes individual awards of at least \$1,000; there is no cap on the award amount	1		5		10
Has support (in the form of a written letter) from School Board, Superintendent and Collective bargaining unit (if applicable)	1				5
Districts that provide funding from their own budgets are eligible for larger awards and are more likely to earn funding	1		10		15
Total Points					

Source: PED

APPENDIX C: Historical Timeline on Incentive Pay

HISTORICAL TIMELINE ON INCENTIVE PAY

1800-1890	Boarding Round pay system – teacher incentives included room and board
1890-1920	Position-based salary schedules
1908	First merit-pay system in Newton, MA
1921	Single-salary schedule and supplements for extra duties
1925	Equal pay for female teachers
1950s	Single-salary schedule firmly in place
1960s	President Nixon instituted performance contracting – private business to increase student achievement
1970s	Effective Schools movement-teachers and administrators working together
1980s	<i>A Nation at Risk</i> report recommended increased pay and pay for performance
1984	Texas Teacher Career Ladder program
1999	Teacher Advancement Program (TAP) Merit-pay program Milken Foundation
2001	NCLB Act
2004	Denver - Professional Compensation System for Teachers
2006	Teacher Incentive Fund (TIF) Merit-pay program
2007	Governor Jeb Bush enacted 5 percent bonus for top 25 percent teachers in Florida (major factor for bonus, student score improvement)
2007	Arizona Project Excell! (2.0 million TIF Grant)
2007	Northern New Mexico Network for Rural Education teacher incentive fund \$6.2 million over four years (Española and Taos school districts)
2009	ARRA Act
2010	Race to the Top
2011	NM Effective Teacher Taskforce formed
2013	Governor Susana Martinez proposed \$3 million merit pay pilot program to reward high-performing teachers
2014	NM incentive pay pilot program \$7.2 million (Santa Fe, Pojoaque, Floyd, Hobbs, Gallup, Farmington, Raton, Lordsburg, and Des Moines).

APPENDIX D: Creighton Elementary Salary Schedule



CREIGHTON ELEMENTARY SCHOOL DISTRICT CERTIFIED TEACHER COMPENSATION 2014-2015

Table 1 Placement								
Placement	BA	BA+18	BA+36/MA	BA+54/MA+15	MA+30	MA+45	MA+60	Doctorate
1	36,762	37,932	39,102	40,272	41,052	42,027	43,002	+ 1000
2	36,945	38,115	39,285	40,455	41,235	42,210	43,185	+ 1000
3	37,610	38,780	39,950	41,120	41,900	42,875	43,850	+ 1000
4	37,812	38,982	40,152	41,322	42,102	43,077	44,052	+ 1000
5	38,196	39,366	40,536	41,706	42,486	43,461	44,436	+ 1000
6	38,378	39,548	40,718	41,888	42,668	43,643	44,618	+ 1000
7	38,513	39,683	40,853	42,023	42,803	43,778	44,753	+ 1000

Table 2 Longevity	
5-14 Years	\$150
15-19 Years	\$250
20-29 Years	\$600
30 + Years	\$750

Table 3 Stipends	
Market Demand 1	\$3,000
Market Demand 2	\$7,500
NBPTS Certificate	\$1,000

Table 4 Pay for Performance	
Up To	\$2,800

Additional Benefits 100% Paid by District	
Insurance for Employee	
Health: Silver or Banner Plan	\$5,539
Dental	\$111
Life	1 X Contract
Social Security Match	6.20%
Medicaid Match	1.45%
State Retirement Match	11.48%
Long Term Disability Match	0.12%
Workers Compensation	0.38%
Leave Days	12
Bereavement Days	5
(Bereavement Days not Cumulative)	

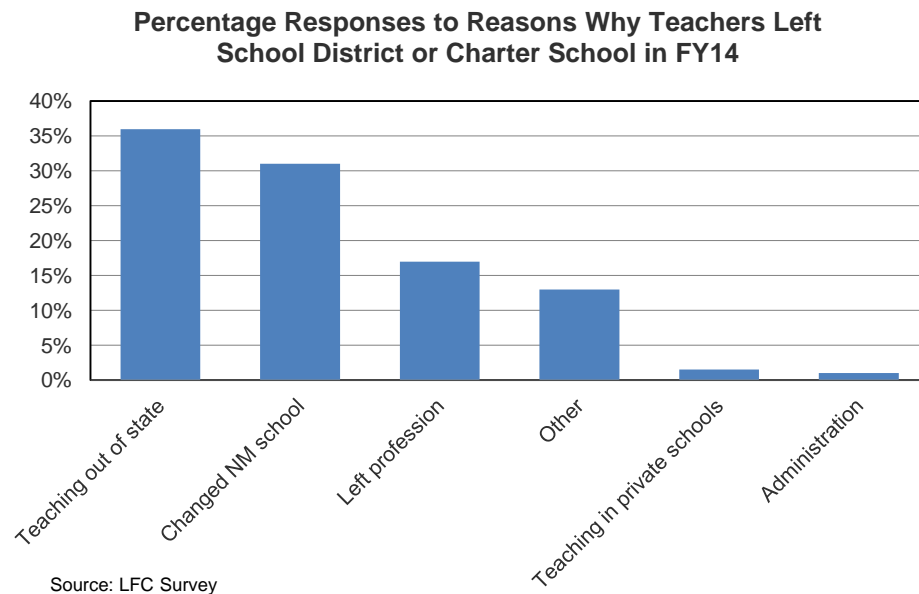
Footnotes

- Compensation schedules are contingent upon funding.**
- In addition to Table 1 salary, employees may qualify for earnings from Tables 2 through 4.
- Market Demand 1** stipend is earned by certified Cross Categorical Teachers in designated VE and MIMR classrooms.
- Market Demand 2** stipend is earned by certified self-contained Teachers in designated ED classrooms.
- NBPTS Certificate** indicates eligible staff members holding a National Board for Professional Teaching Standards Certificate.
- Pay for Performance** is earned in the prior year and is determined by Classroom Site Fund Plan Rubric and Classroom Site Fund revenues.
- To be eligible for **Pay for Performance** the staff member must:
 - Be employed the major portion of a school year (fifty one percent of the days school is in session with a full time equivalent (FTE contract of .5 or greater).
 - Receive a satisfactory evaluation or successfully complete a Performance Improvement Plan.
 - Comply with the provisions of A.R.S. §15-521 and not have been served notice of unprofessional conduct.
- Work Year:**
Continuing Teachers 208 days.
New Teachers 213 days.
- New Employee Placement** is based upon:
 - The earned degree.
 - Graduate credits earned after the conferring of last degree.
 - Years of like or similar teaching experience.

Credits must have been earned within the previous ten (10) year period from the date of employment.
- Termination Benefits** are calculated from last contracted daily rate divided by number of contract days.
- Professional Growth** for the purposes of salary advancement is defined as any approved professional activities which will improve employee performance of duties and lead to student academic achievement and success in the accomplishment of the District Mission, Goals, and Objectives. These professional growth activities must be done on employee time and at employee expense.
- Continuing teachers see formula sheet to calculate expected earnings for the upcoming school year.

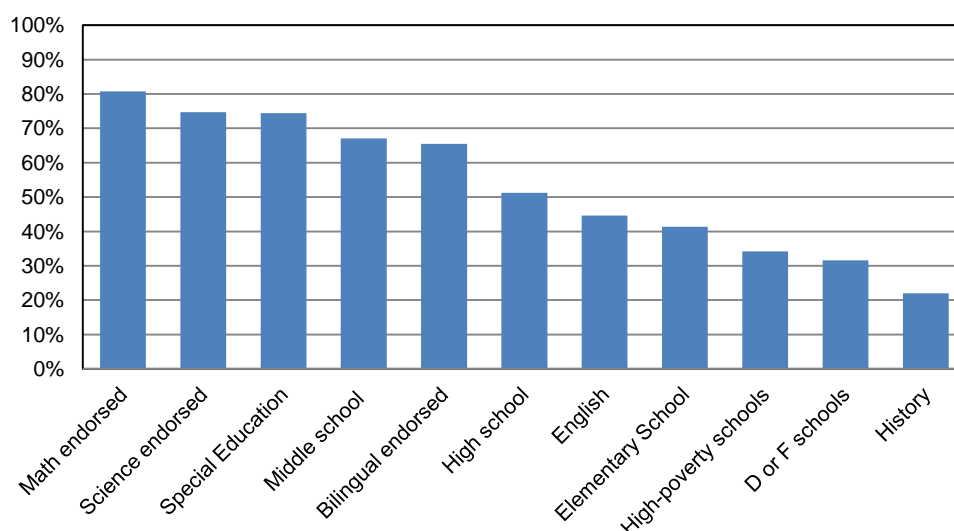
Approved April 1, 2014

APPENDIX E: Reasons Why Teachers Left Schools



APPENDIX F: Challenging Positions to Fill

Percentage of Difficulty Indicated by School Leaders on Hiring Licensed and Endorsed Teachers



Source: LFC Survey

Opportunities for Increasing Your Pay

With ProComp, teachers and student services professionals (SSPs) can earn annual incentives in many different ways:

Area of focus	Incentive	You earn...	Amount*	
Student Growth: Helping Your Students and Your School	Top Performing Schools	A bonus for working in a Top Performing school, based on overall points earned on the DPS School Performance Framework (SPF).	\$2,480.97	
	High Growth Schools	A bonus for working in a High Growth School, based on the DPS SPF.	\$2,480.97	
	Exceeds Expectations	A bonus if at least 50% of your students (grades 4-10) are in the 55th percentile or higher for statewide student growth in Math and Language Arts on the Colorado state assessment.	\$2,480.97	
	Student Growth Objectives (SGOs)	A salary increase if you meet two approved SGOs. A bonus if you meet one of the approved SGOs.	\$387.65	
Market Incentives: Teach Where You're Needed Most	Hard to Staff Assignment	A bonus for working in a Hard to Staff assignment based on local and national data.	\$2,480.97 per assignment	
	High Needs School	A bonus for working in a High Needs school.	\$2,480.97	
Knowledge and Skills: Develop in Your Profession	Professional Development Units (PDUs)	A salary increase for completion of approved PDUs, if you have 14 or fewer years of credited service. A bonus for completion if you have 15 or more years of credited service.	\$775.30	
	Tuition and Student Loan Reimbursement	Reimbursement for satisfactory completion of approved coursework or outstanding student loan.	Up to \$1,000 per year/ \$4,000 per lifetime	
	Advanced Degrees, Licenses and Certificates	A salary increase for earning a new advanced degree, license or certificate.	\$3,488.87 increase, payable once every three years	
Comprehensive Professional Evaluation: Aim for Effectiveness	Comprehensive Professional Evaluation (CPE)	A salary increase if you have 14 or fewer years of credited service and receive a satisfactory evaluation.	Probationary Teachers	\$387.65
			Non-Probationary Teachers**	\$1,163 .00 payable once every 3 years

*Incentives are determined based on a percentage of an index, currently set at \$38,765.

**Certain non-probationary teachers evaluated annually may receive a \$387.65 salary increase for a satisfactory evaluation each year.