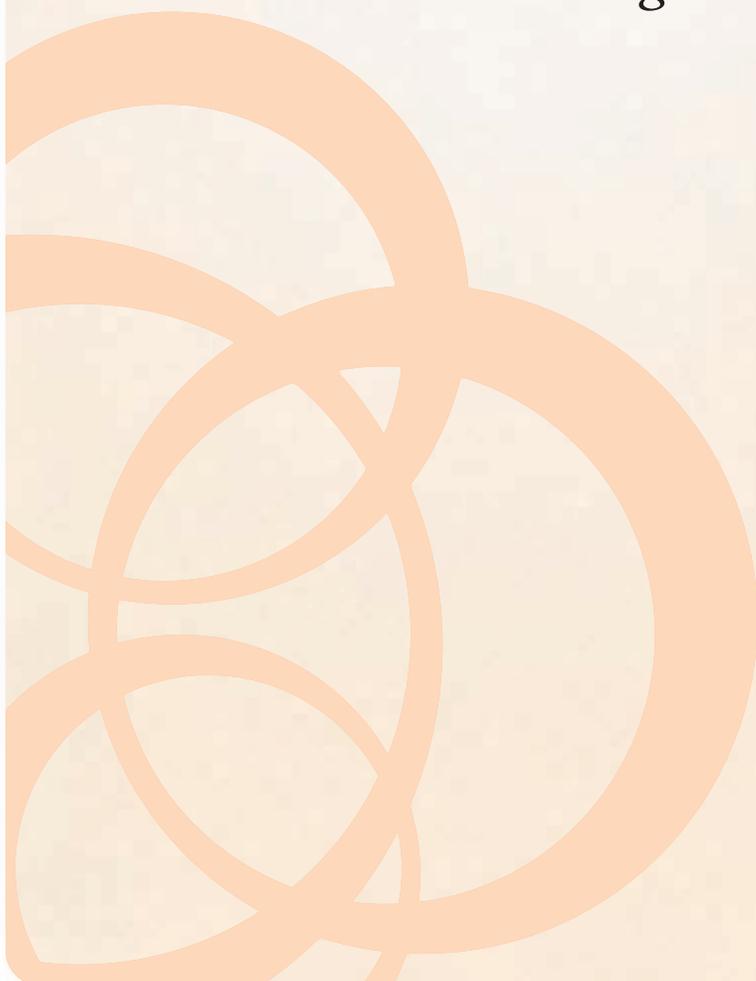




Center for
Educator Compensation
Reform

Case Summary

*School-Based Performance Pay
in Georgia*





School-Based Performance Pay in Georgia

April 2008

Introduction

In the early 1990s, several states replaced career ladder or merit pay programs with alternative pay plans that rewarded teachers for schoolwide academic performance. These school-based performance pay programs promised two principal advantages. First, schoolwide programs could encourage professional collaboration among teachers by basing awards on overall school performance rather than individual performance. Second, teachers in untested grades and subjects, as well as support staff, could be recognized for their contributions to schoolwide achievement. Even as states and districts increasingly focus on rewarding the performance of individual teachers, several compensation reform plans continue to utilize awards based on school performance as part of their strategy:

- Denver's ProComp plan includes a bonus for schoolwide performance.
- The Teacher Advancement Program (TAP) provides awards for teacher- and school-level performance.
- The Houston Independent School District's Teacher Performance Pay Plan recently expanded the role of school-based performance awards in its alternative pay plan (Houston Independent School District, 2007).

The continued popularity of the schoolwide approach to performance-based compensation points to a critical need to better understand the design, implementation, and effects of such an approach. This case summary examines the statewide school-based performance pay plan developed by Georgia, known as the Pay for Performance program. The program began in 1993 and ended 11 years later in 2004, when the state legislature discontinued funding. Georgia's program ultimately rewarded individual teachers through a process in which the state distributed award funds to schools, and teachers at each school determined the method for allocating the funds. By the time the program ended, the state had distributed more than \$56 million in awards to teachers and schools.

Georgia's program is particularly relevant for current compensation efforts because it served a dual role as an incentive program and a school improvement program: Schools earned financial awards for setting and meeting their own performance objectives outlined in a detailed plan. A pay plan linked to school improvement plans has new relevance in the context of the *No Child Left Behind (NCLB) Act*, which requires low-performing schools to develop and implement school improvement plans. Georgia's program provides an example of a state that tied incentives to a school improvement planning process prior to *NCLB*.

Because the Georgia Pay for Performance program ended in 2004, only limited information about the program is available from the Georgia Department of Education. Many officials involved in the program no longer work at the Georgia Department of Education, and few program materials are available online or from current staff. As a result, this case summary is based on a limited number of remaining program materials obtained from the Georgia Department of Education, as well as newspaper articles, a program guidebook, two school-level program applications, and telephone interviews with a former program director and two principals.

Case Summary at a Glance

This case summary consists of four sections. The first section describes the creation of the Georgia Pay for Performance program as well as its early history. The second section describes the program's design. The third contains a discussion of its implementation, including the level of program participation and funding. The final section summarizes some of the lessons that Georgia's experience in compensation reform may offer to others.

Program Development

Georgia designed its Pay for Performance program after a failed attempt to implement a career ladder program in the 1980s. Career ladder programs became popular following the publication of *A Nation at Risk* (National Commission on Excellence in Education, 1983), an influential report that called for efforts by states to improve teacher quality, among other reforms (Cornett & Gaines, 1992). By 1986, 29 states had implemented or had plans to implement a career ladder program, including Georgia (Cornett & Gaines, 1992). State legislators passed an education reform bill in 1985 called the *Quality Basic Education Act of 1986 (QBE)*, which included plans for a career ladder program to create new pathways for teachers to increase their pay. The state convened a 33-member task force to recommend a design for the career ladder, and the state board of education approved the program in June 1988.

The career ladder provided an opportunity for teachers to increase their pay based on classroom performance, student achievement, additional responsibilities, and professional growth. The highest rung of the career ladder would have provided teachers about \$17,000 in additional pay, and the program would have cost between \$250 million and \$300 million per year at full implementation (Georgia Department of Education, 1991). Five districts and 1,560 teachers agreed to pilot the career ladder in the 1988–89 school year. However, a recession led the state legislature to eliminate funding for the career ladder from the budget, and teachers dropped out of the pilot program. Although the state board of education requested funding for the career ladder program in the 1991 budget, the state legislature did not appropriate funds (Elliott, 1996).

In 1991, newly elected Governor Zell Miller appointed a task force to develop an incentive program to reward high-performing teachers. The Governor’s Task Force on Teacher Pay for Performance (Task Force) consisted of educators, state legislators, business leaders, and state officials. The Task Force considered the state of teacher pay reform at that time and assessed the lessons learned from the efforts of other states to develop compensation reform plans (Georgia Department of Education, 1991). Several states had experimented with career ladder programs for teachers, as well as merit pay programs that awarded teachers on the basis of evaluations by school principals. The Task Force perceived a shift from teacher-based pay plans, which were “complex and costly,” to school-based programs that were “less expensive and easier to administer” (Georgia Department of Education, 1991, p. 2).

Figure 1. Key Dates for Pay for Performance in Georgia

Career Ladder	
1985	<i>Quality Basic Education Act of 1986</i> passed
1986	Career Ladder Task Force provides recommendations
1987	<i>Quality Basic Education Act of 1986</i> revised to include career ladder program
1988	State Board of Education creates Career Ladder Pilot of Career Ladder begins in five districts
1989	State legislature does not fund Career Ladder in 1990 budget
1990	State legislature does not fund Career Ladder in 1991 budget
School-Based Performance Pay	
1991	Task Force on Teacher Pay for Performance appointed by Governor Zell Miller
1992	State legislature authorizes school-based award program State board of education creates the Pay for Performance program
1993	First year of Pay for Performance program
2000	<i>A-Plus Education Reform Act</i> passed by state legislature
2001	Revisions to Pay for Performance program
2002	
2003	
2004	Schools receive final Pay for Performance awards

Sources: Dodd (2004), Elliott (1996), Georgia Department of Education (1991).

The Task Force recommended that Governor Miller create a school-based award plan before pursuing a pay plan based on the performance of individual teachers (Georgia Department of Education, 1991). The decision to focus on school-level awards partly reflected the challenge of measuring and rewarding individual teacher performance at that time. The state's teacher evaluation system, known as the Georgia Teacher Evaluation Program (GTEP), measured basic teaching practices using an observation tool but was not sensitive enough to distinguish between different levels of performance: about 90 percent of all assessed teachers passed the assessment (Georgia Department of Education, 1991). According to the Task Force, implementing performance pay for teachers required revised evaluation instruments that could differentiate teacher performance and additional training for evaluators. Also, at that time the state tested only students in Grades 3, 5, and 8, which meant that a large number of teachers taught in untested grades and subjects, so student outcome measures could not be used as part of a uniform assessment of teacher performance.

The final report by the Task Force outlined the official positions of the state teachers and administrator associations. The two state teacher associations in Georgia—the Georgia Association of Educators and the Professional Association of Georgia Educators—preferred a pay plan that rewarded school performance rather than classroom performance and provided districts flexibility in designing the plan (Georgia Department of Education, 1991). In addition, the associations promoted the use of multiple measures of teacher performance. The teacher associations supported earlier efforts to develop a career ladder but had reservations about implementing a new performance pay plan without increasing teachers' base salary (Georgia Department of Education, 1991). The association representing superintendents, principals, and other administrators warned against setting a limit for the number of teachers rewarded

and recommended rewards at the school or teacher-team level (Georgia Department of Education, 1991). In addition, administrators wanted a role in deciding which teachers received awards.

Taking into account these realities and perspectives, the Task Force ultimately proposed a two-step process in which the state would initially implement a school-based performance pay plan and then a pay plan based on the performance of individual teachers. The school-based portion would reward schools for meeting their own performance goals and allow teachers in each school to decide as a group how to distribute rewards. The second stage of implementation would reward teachers, and eventually all certified personnel, based on individual measures of performance. The Task Force provided basic design principles for both performance pay programs: (1) participation should be voluntary, (2) awards should be one-time bonuses, and (3) multiple performance criteria should be used to determine awards.

Based on the recommendations of the Task Force, the state legislature passed the school-based performance pay program in 1992 (Georgia State Assembly, Section 20-2-213.1), and the state board of education formalized the program in a rule passed that same year (Georgia Board of Education, Rule 160-3-1.01). The Pay for Performance program began in the 1993–94 school year, and the legislature appropriated schoolwide awards to schools through the 2004–05 school year (Dodd, 2004), after which the program ended. Although there is little definitive information available regarding why the program ended, reasons may include the election of a new governor in 2002, shifting priorities as a result of *NCLB*, and inadequate state funding.

The 11-year history of the Georgia Pay for Performance program makes it one of the longest running schoolwide pay-for-performance programs. The design and implementation of the program provide insight into how the program managed to

last so long as it did. The following section describes the design of the program and how schools applied to participate.

Program Design

Georgia's Pay for Performance program represented a slight variation on the statewide school-based performance award plans created during the 1990s. These programs often held schools accountable for a set of performance indicators defined by the state and focused solely on academic achievement measures (Cornett & Gaines, 1992). In contrast, Georgia's school-based award program featured the following characteristics:

- **Voluntary Participation.** Schools could choose whether to apply for participation in the state's Pay for Performance program. School staff decided by consensus whether to submit an application for participation.
- **Local Flexibility.** Schools had substantial flexibility under the Pay for Performance program to design their own performance objectives, define the measures of school performance, and determine the method for distributing award funds. The state provided oversight of the design of school plans, made the final decision about which schools could participate, and determined which schools earned an award for their performance.
- **School Planning Process.** To participate in the program, school leaders and faculty had to invest time in the spring and summer to develop a plan that defined schoolwide objectives and the methods for measuring performance on these objectives. The state expected schools to use a collaborative process for designing and developing these plans and required that teachers in the school reach decisions by consensus. The plans defined areas of improvement for

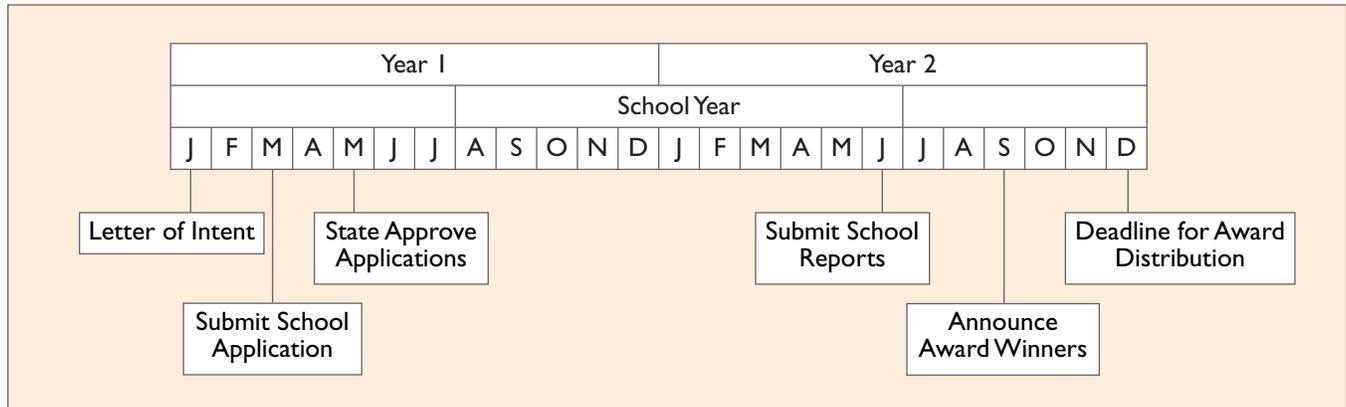
the following school year, and the state held schools accountable for meeting the objectives.

- **Multiple Measures of Performance.** Georgia's program required that school objectives focus on four different aspects of school performance: (1) student achievement, (2) parent and community involvement, (3) school resources, and (4) educational programming. School objectives, for example, might focus on improving student assessment results, increasing parent attendance at school events, raising funds for technology tools, and implementing a new curriculum, respectively.

To participate, each school sent a letter of intent to the state department of education. This step began a two-year process before the school would receive its bonus (see Figure 2). After submitting the letter of intent in January, schools then had to submit a formal program application to the state by March. In the application, each school defined a set of performance objectives that it planned to achieve during the next year and ways to measure its success. A state review panel evaluated applications to decide which schools could participate in the program and notified schools of its approval by May. After working to meet their objectives during the following school year, each school submitted a report at the end of the school year to document its performance on each of those objectives. The state defined the information that needed to be included in school reports. The review panel used these reports to determine by September which schools received an award and then distributed the awards by December.

The following sections describe the program's design in more detail, explaining how schools needed to complete each step of the process. These design details provide a broader understanding of how the program operated each year.

Figure 2. Timeline for Georgia's Pay for Performance Program



School Application and Objectives

The required school application had to contain a well-specified plan that defined performance objectives and a comprehensive description of the following: (1) the activities needed to meet the objective, (2) criteria for determining whether the objective was met, (3) documentation and types of information collected for the objective, and (4) baseline data for measuring improvement on the objective (Georgia Department of Education, 2001). The state required an introduction to the application that described the school context in terms of student population, academic performance, and community environment.

The state intended the process of designing the plan to be collaborative, with the requirement that each performance objective be “agreed upon by a school faculty” (Georgia Board of Education Rule, 160-3-1.01). The state allowed schools to determine how to reach a consensus and did not define the number of teachers needed to approve a decision. As an example, one principal in Georgia described the process at her school in which teachers worked in groups to discuss different aspects of the plan, a group of 10 teachers then wrote the plan, and all of the teachers voted on whether to approve it (C. Antrim, personal communication, January 30, 2008).

Although schools had flexibility in designing their school applications, the state provided a basic structure for how schools defined their performance objectives. The state expected performance objectives to be comprehensive in scope, to affect a large portion of students, and to have potential for improving the school (Georgia Board of Education Rule, 160-3-1.01).

In addition, schools had to define objectives in four areas—academic achievement, client involvement, educational programming, and resource development—as described below.

Academic Achievement. Schools had to set at least three objectives that focused on improving student achievement outcomes. The state allowed schools to define these goals in terms of student achievement growth over time or student achievement levels. Tracking the change in test scores over time for a grade level provided one way to measure student growth. For example, one school defined an objective as a 2 percent increase in Grade 3 scores on the Iowa Test of Basic Skills (ITBS) (C. Antrim, personal communication, January 30, 2008). Alternatively, schools could compare their student achievement level to schools with similar student populations. One middle school set an objective that students would perform 19 percentage points higher than schools serving students from a similar background (RESA Academy, 2003).

During the first 10 years of the program, schools had flexibility in determining which assessments they used as the basis for measuring student achievement. Although schools often relied on standardized tests or state assessments, schools also set objectives based on other achievement measures. For example, one school set the following objective for learning-disabled students: 5 percent of grades in the fall that are D's or F's will increase to C's by the spring (*Atlanta Journal Constitution*, 1995). Another school based 10 academic achievement objectives on the ITBS and 5 objectives on student performance on local assessments (C. Antrim, personal communication, January 30, 2008). The state requested that schools provide information about the content and difficulty of any local assessments used for their objectives.

The state eliminated this flexibility in test use beginning in 2002. Georgia began requiring that schools use state-mandated assessments as the basis for most academic achievement objectives. Although limited information is available to determine why the state made this revision, the most likely factor is an education reform bill known as the *A Plus Education Reform Act of 2000*. The reform bill mandated statewide testing in reading and mathematics in Grades 1–8 and held schools accountable for these assessments by awarding a letter grade to each school based on student performance. By requiring that schools in the Pay for Performance program measure academic achievement based on state assessments, the state most likely sought to align the incentive program with the reform bill. In addition, the timing of this change coincided with passage of *NCLB*, which required annual states' assessments in Grades 3–8.

To accommodate those schools that had students who did not take state assessments, the state allowed such schools to use “comparable standardized tests that are appropriate for the school's grade configuration” (Georgia Department of Education, 2001, p. 10).

For example, a school that served students with behavioral challenges measured student learning using a Texas academic assessment and a life skills and career education assessment. The state also revised the program guidelines so that schools could not use the same test score for more than one objective, and the state did not allow schools to base objectives on subscores (e.g., computation, number logic) within the major assessment areas (e.g., mathematics, reading). According to a program guidebook created by the state, the latter change addressed concern about the potential validity and reliability of assessment subscores (Georgia Department of Education, 2001).

Client Involvement. Schools had to develop at least two objectives that addressed the needs of its students, parents, and community. The state expected schools to find ways to integrate these constituents into the work of the school and improve their relationships with the school. Examples of client objectives included new after-school activities for students, improved communication with parents, hosting of school events for parents or the broader community, and efforts to create links with businesses or organizations in the community.

Educational Programming. At least two objectives had to focus on improving the educational offerings provided by the school. The state defined this area as a “deliberate strategy to improve schooling for the student body” (Georgia Department of Education, 2001, p. 10). For example, a school might implement a new instructional program or curriculum or measure its success with an existing educational program. The state guidelines recommended but did not require that schools focus on programs that had evidence of effectiveness or showed promise for effectiveness with students.

Resource Development. The Pay for Performance program required resource development objectives to focus on raising additional funding for school programs, offering professional development for teachers, improving instructional materials, or enhancing school facilities.

Resource development could include human, financial, or material resources that contribute to student outcomes. Some examples of resource development objectives included applying for external grant funding, raising money to purchase technology tools, and participating in professional development activities. Any resources obtained by the school needed to be used for improving student outcomes.

To provide flexibility in setting objectives, the state allowed schools to define the number of objectives and assign a point value or weight to each objective. The full set of school objectives had to total 100 points, so the point values determined each objective's importance in contributing to this total. The higher the point value, the more important the objective to the school's final score. A state review panel, described below, had responsibility for determining whether schools met each of their objectives. To earn an award, schools had to earn at least 80 points by achieving objectives that added up to this amount.

The state prioritized academic achievement by requiring that academic achievement objectives account for the largest portion of a school's score (see Table 1). From 1992 to 2001, academic achievement objectives had to account for at least 40 of the 100 total points. Each of the other areas had to receive a point allocation of at least 10 points. As previously stated, beginning in 2002, the state required that academic achievement objectives make up at least 50 of the total points (Georgia Department of Education, 2001). In addition, these 50 points had to be based on state assessments of student learning.

Table 1. Minimum Number of Objectives and Points, by Area

Objective Area	Minimum Number of Objectives	Minimum Total Points (1992–2001)	Minimum Total Points (2002–04)
Academic achievement	3	40	50
Client involvement	2	10	10
Educational programming	2	10	10
Resource development	2	10	10

Source: Georgia Department of Education (1999, 2001).

Table 2 provides an example of a school's objectives and their weights from an elementary school application submitted for the 1999–2000 school year. At the time, academic objectives had to total 40 points and the state allowed schools to base objectives on standardized test subscores.

Table 2. Example of School Objectives

Objectives	Points (Weight)
Academic Achievement	40
2% increase in Grade 3 ITBS mathematics subtest on estimation	2
2% increase in Grade 3 ITBS mathematics subtest on problem solving	2
2% increase in Grade 5 ITBS mathematics subtest on data interpretation	2
2% increase in Grade 5 ITBS mathematics subtest on estimation	2
2% increase in Grade 3 ITBS reading/language subtest on evaluative, inferential	2
2% increase in Grade 3 ITBS reading/language subtest on punctuation	2
2% increase in Grade 3 ITBS reading/language subtest on usage	2
2% increase in Grade 5 ITBS reading/language subtest on factual, inferential	2
2% increase in Grade 5 ITBS reading/language subtest on punctuation	2
2% increase in Grade 5 ITBS reading/language subtest on expression	2
Predicted grade equivalent on Grade 3 total reading and total math	5
Predicted grade equivalent on Grade 5 total reading and total math	5

Table 2. Example of School Objectives continued

Objectives	Points (Weight)
9 months of growth on the Standardized Test for Assessment of Reading for Grades 1–5	5
One-level increase on county writing standards for Grades 1–5	3
85% mastery of grade-level material on cumulative mathematics assessment for Grades 1–5	2
Client Involvement	25
10% increase in school programs to serve families and promote parental involvement	10
Maintain or increase business partnership activities	8
5% increase in number of students participating in after-school activities	7
Educational Programming	15
90% of students pass at least 10 Accelerated Reader tests during the year	5
90% of full-year, full-time teachers provide before- and after-school remediation, enrichment, and/or extracurricular programs	10
Resource Development	20
All full-time teachers complete 15 hours of staff development in strategies to increase achievement	5
100% regular education teachers attend 5 hours of staff development on writing instruction	5
100% regular education teachers implement technology lessons in the IBM lab	5
15% of certified teachers enroll in advanced degree or certification add-on programs	5

Approval Process

A state review panel reviewed each school application and decided whether a school could participate in the Georgia Pay for Performance program. The Georgia Department of Education organized a review panel by soliciting recommendations for panelists from superintendents across the state, which included teachers, administrators, and district staff (J. Rhodes, personal communication, February 1, 2008). Staff from the state department of education also served on the review panel, in addition to the 40

or 50 educators recommended by superintendents. To prevent a conflict of interest, a reviewer could not evaluate an application if he or she had professional contact with the applicant school in the past five years. Reviewers came together in one location for a three-day period to receive training on the review process, read applications, and make judgments about each application.

The review process proceeded in three steps:

- Step 1: Initial Screening.** After schools submitted their applications in March, staff from the state education department screened the applications for basic requirements, such as assigning a weight to each objective, setting weights that totaled 100 percent, meeting the minimum number of objectives for each area, and providing sufficient background information about the school (Georgia Department of Education, 2001). The review panel read only those applications that met this initial screening.
- Step 2: Rating of Objectives.** At least two reviewers read each application and rated objectives on their clarity and appropriateness for the school and on whether the school defined (1) the level of performance required to achieve each objective and (2) an objective, verifiable, and reasonable method for measuring performance on the objective. In addition, the reviewers judged whether the proposed performance level could be considered exemplary or demonstrating “outstanding progress” (Georgia Department of Education, 2001, p. 26).
- Step 3: Approval Decision.** Reviewers considered whether the full set of performance objectives proposed in each school application were comprehensive in scope, would affect a large portion of students, showed promise for improving the educational offerings of the school, and were appropriate given the school

context (Georgia Department of Education, 2001). Each reviewer made a final recommendation to approve the application, approve the application with minor revisions, or reject the application. In order for an application to earn approval, at least two of three reviewers had to recommend it. The state completed this approval process by May of each year.

School Reports and the Review Process

After a school's application was accepted, school staff began working to fulfill the objectives they set. At the end of the first school year of their participation, by June 15, schools compiled a report that described their success in meeting each objective. The report listed each objective, the activities implemented to meet the objective, the criteria for evaluating success on the objective, and the assessments or measurement tools used for the objective (Georgia Department of Education, 2001). In addition, schools indicated whether, based on the evidence collected, the school met each objective.

The type of information schools used to demonstrate achievement of each objective varied widely. To document academic achievement objectives, a school might submit state assessment results from the current and previous school years to demonstrate that it had achieved its expected improvement. Sign-in sheets from parent-teacher conferences or attendance forms from after-school programs could serve as documentation of client involvement. Schools had to maintain sufficient documentation to demonstrate their performance on each objective.

The review panel that evaluated school applications also reviewed school reports at the end of the school year. At least two reviewers had to review each report and agree on whether a school met their objectives. Each reviewer noted his or her level of certainty about whether schools met each objective and whether the

school provided sufficient information or evidence to make a judgment (Georgia Department of Education, 2001). Reviewers rated these factors—using a scale that extended from a very high degree of confidence to a low degree of confidence—and decided whether schools met each objective (J. Rhodes, personal communication, February 1, 2008). If a school did not provide sufficient information to judge performance on an objective, it did not meet the objective.

As noted, in order to receive an award, schools had to earn at least 80 points for the objectives they had set. Schools that earned a Pay for Performance award received a lump sum bonus based on \$2,000 per certified staff member (so a school with 100 teachers received \$200,000). The state required that teachers decide by consensus how to distribute the amount awarded to the school and provided broad flexibility in what teachers could purchase with the awards.

By allowing teachers to decide the method for distributing awards, Georgia's program provides unique insight into how teachers, if given the opportunity, would allocate financial rewards. Schools often used most of the money for individual bonuses and a smaller portion for school purchases, such as instructional equipment, computers, or staff training (J. Rhodes, personal communication, January 15, 2008; Ussery, 1999). Teachers in some schools voted to share the award evenly among all staff in the school, including nonteaching staff (C. Antrim, personal communication, January 30, 2008; Carter, 2003; Dodd, 2004; B. Lunsford, personal communication, January 11, 2008). As one teacher stated, "Teachers can't do their job without support personnel" (Carter, 2003, p. B1). Other Georgia schools distributed bonuses to teachers based on which teachers had an active role in achieving the school objectives (Quinn, 1999).

Program Participation and Funding

The Pay for Performance program started slowly, with schools choosing not to apply because of uncertainty about whether the state legislature would fund the program (Elliott, 1996). In fact, due to the timing of the fiscal year, the legislature did not appropriate funds for the program by the time the first schools applied to participate in early 1993. During the first year, 67 schools submitted applications, 18 received approval to participate, and 10 schools earned an award for their performance during the 1993–94 school year (see Table 3).

Table 3. Participation in the Pay for Performance Program by School Year

School Year	Number of Schools Applying	Number of Schools Participating	Number of Schools Awarded	Total Amount Awarded
1993–94	67	18	10	\$1,048,000
1994–95	100	44	19	\$2,018,000
1995–96	100	37	29	\$3,300,000
1996–97	228	91	59	\$6,696,000
1997–98	210	99	72	\$7,616,000
1998–99	262	155	116	\$13,340,000
1999–2000	326	165	95	\$10,158,000
2000–01	NA	NA	92	NA
2001–02	NA	129	60	\$6,697,900
2002–03	NA	119	68	\$5,702,222
2003–04 ¹	32	21	4	NA

¹ Participation in 2003–04 limited to secondary schools.

NA: Data not available.

Source: Information compiled by the Georgia Department of Education.

Table 3 displays the number of schools that applied to the program, the number of schools the state selected to participate, and the number of schools that received an award. Participation remained low in the second year, as schools questioned whether the state would continue to fund the program (Elliott, 1996). The state initially received 47 applications for the second year, although the application process reopened at the end of the summer after the legislature appropriated funds for the program (Elliott, 1996).

A total of 44 schools received approval to participate in the second year, and 19 earned an award for their performance in the 1994–95 school year.

The state had the option of returning school applications for modifications or additions. The state returned all of the school applications during the first two years and all but one application in the third year. In the first year, about half the schools submitted a revised application to the state; in the next two years, 90 percent of schools returned a revised application. The state eliminated the opportunity for schools to revise their plan beginning in the 2002–03 school year (Georgia Department of Education, 2001). The review panel either approved or rejected a school application and did not allow schools to resubmit revised applications.

The number of schools participating in the program grew substantially after the first three years. In the fourth year of the program (1996–97 school year), the number of school applications more than doubled, from 100 to 228. More than 200 schools submitted applications during the next two years, and 326 submitted applications by the 1999–2000 school year. As the number of schools applying for the program expanded, the application approval rate rose as well. The percentage of applications receiving approval increased from 27 percent the first year to 51 percent in the program’s seventh year.

For most years of the program, the majority of approved schools received a Pay for Performance award (see Table 4). Based on the available data, about 60 percent of participating schools earned an award from the program. The portion of participating schools that earned an award ranged from 43 percent in the 1994–95 school year to 78 percent in the 1995–96 school year. As more schools applied to participate in the program and the approval rate increased over time, the number of schools earning an award grew each year, from 10 the first year to 116 in the seventh year. The proportion of participating

schools earning an award declined to about 50 percent during the last three years of the program. There is no information available to determine the factors for the decline.

Table 4. Proportion of Schools Approved and Awarded, by School Year

School Year	Proportion of Applicant Schools Approved to Participate	Proportion of Applicant Schools that Received an Award	Proportion of Participating Schools that Received an Award
1993–94	27%	15%	56%
1994–95	44%	19%	43%
1995–96	37%	29%	78%
1996–97	40%	26%	65%
1997–98	47%	34%	73%
1998–99	59%	44%	75%
1999–2000	51%	29%	58%
2000–01	NA	NA	NA
2001–02	NA	NA	47%
2002–03	NA	NA	57%
2003–04	66%	13%	19%
Total	48%	30%	61%

NA: Data not available.

Source: Information compiled by the Georgia Department of Education.

The quick expansion of the program after its initially slow start created challenges for program funding. In the early years of the program, the state education department estimated funding each year based on the amount awarded the previous year. The program faced a shortfall when the total amount awarded increased by \$1 million for the 1995–96 school year and another \$3 million the following year (American Association of School Administrators, 1997). The state legislature appropriated an additional \$1 million the third year, but the Office of Planning and Budget turned down the request for additional funding the next year (Quinn, 1999). Because the available funding covered 78 percent of the needed award funding, schools would have received only a portion of their award (Ussery, 1999). However, the state board of education and the state superintendent of education worked with the governor to resolve the issue and approved the appropriation of additional funding (Quinn, 1999).

Program funding was further threatened in 2000, when the state board chairman raised concerns about the lack of broad participation in the program and suggested a cap on program funding (*Augusta Chronicle*, 2000). Although the program attracted an average of 180 applications each year during the first seven years, this number did not represent more than 10 percent of all schools in the state. At the program’s peak, 17 percent of schools in the state submitted an application; 10 percent of schools in the state received approval to participate; and 6 percent of schools in the state earned an award. Despite this relatively low level of participation, the cost of the program exceeded \$10 million in its seventh year. The state board chairman criticized the level of participation in the program and questioned whether the program’s criteria were “too subjective” (Salzer, 2000, p. B1).

Participation in the Pay for Performance program declined substantially in the last year of the program. The state limited participation to secondary schools for the 2003–04 school year; only 32 schools applied and 21 schools participated, representing about 5 percent of schools serving students in the secondary grades.

Lessons Learned

Because the program was one of the longest lasting school-based performance award programs in the country and because it received support from educators and administrators alike, a variety of lessons can be drawn from Georgia’s experience. These lessons may be useful for other states and districts that are considering or implementing school-based performance awards.

Georgia’s Pay for Performance program may have increased collaboration and communication within schools. Several stakeholders in Georgia described a benefit of the program as increased collaboration or communication within a school. The director of

a state teachers association noted that the Pay for Performance program “cause[d] the staff to become cohesive, to work together” (Salzer, 1998, p. C6). A former program director described how the program “unified” school teachers and staff in a school by focusing them on the performance objectives outlined in their plan (Elliott, 1996). A principal from a school that earned the award multiple times said that the program improved communication between teachers (C. Antrim, personal communication, January 30, 2008). During the school’s planning process, general education and special education teachers learned more about each other’s work and developed a higher level of respect for one another. By facilitating a school planning and review process and requiring that teachers reach decisions by consensus, the Pay for Performance program potentially encouraged communication and collaboration among teachers.

Awards based on criteria designed by schools may recognize, rather than enhance, increased effort to achieve school objectives. Based on anecdotal evidence from newspaper accounts and interviews, it appears that some schools received rewards for work already underway. One school decided to participate because “if we’re working this hard, we ought to get some extra compensation for it” (Ussery, 1999, p. C8). Another school noted that teachers were “already so hard working” that the program simply “documented things [the teachers were] already doing” (Wilfong, 2001, p. B1). The state teachers association described how many schools participating in the program already had school improvement plans (Salzer, 1998). Two school principals confirmed that their district required a school planning process that made participation in the Pay for Performance program easier because the principals could use the same performance objectives across the two programs (C. Antrim, personal communication, January 30, 2008; B. Lunsford, personal communication, January 11, 2008).

School-set performance objectives account for the school context. The state designed the Pay for Performance program with the expectation that reviewers would judge school applications within the context of the school and local community. According to a former program director, the reviewers considered the school context included in the application when deciding whether a school had set appropriate objectives (J. Rhodes, personal communication, February 1, 2008). For example, a high-performing school may find a two percentage-point increase difficult to achieve because it has less room for improvement than a low-performing school. Both advantages and disadvantages arise from this approach. Georgia’s approach allowed schools to develop objectives that met their local needs. However, the potential existed for holding low-performing schools to a lower standard or expectation than high-performing schools. Unfortunately, the limited information available on the program does not provide a basis for determining how often this situation occurred.

Predicting the amount of funding needed for the program presented a challenge. The state department of education relied on the state legislature to appropriate funds each year for the Pay for Performance program. The state department of education predicted funding needs based on participation in the previous year. As described above, this approach created a challenge when program participation expanded quickly, which led to insufficient funding to distribute the full award amount. In addition, the number of awards could change depending on the number of schools that submitted an application to participate, the number of schools approved for participation, and the number of schools that met their objectives.

Extensive application and reporting requirements may limit participation. The proportion of schools applying for the Pay for Performance program did not exceed 17 percent throughout the 11 years of the program. Although insufficient information exists to determine the reason for this low application rate, the amount of effort required to apply for and participate in the program is a likely factor. In order to participate, schools needed the capacity and leadership to develop school goals, document school performance, implement improvement activities, and report on their progress. One school reported that the most difficult aspect of the program was the paperwork (Ussery, 1999). A principal from another school believed that participation in the program required strong leadership to guide teachers through the planning process (C. Antrim, personal communication, January 30, 2008). Because schools had to make decisions based on the consensus of all teachers, the process required additional time and effort from teachers. The size of the award relative to the amount of effort required to earn the award also may have affected schools' decision to participate.

Conclusion

Georgia's Pay for Performance program represents a unique approach to rewarding school performance. The program facilitated a school planning process and rewarded schools, and ultimately teachers, for setting and achieving a defined set of performance objectives. Instead of focusing solely on student achievement, the program also required that schools demonstrate performance in improving their educational programming, engaging parents, and developing resources. Georgia's approach to rewarding school performance provides a useful case study for current compensation reform efforts and a guide to the benefits and challenges of this approach.

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