Rethinking Teacher Compensation to Drive Student Performance

Tennessee Accelerated Planning Districts

November 20-22, 2013

Progress!

Session 2

Session 1

You've taken it to this step…

VISIONING TEMPLATE
SUMMARY

Purpose:

This is a **visioning** document for designing your differentiated pay plan. The template guides you through key compensation design elements, presenting an array of options as well as a template for articulating your ideas. This template works hand-in-hand with the *Quick Cost Checker*, which is designed to preliminarily estimate the cost of the new system.

This template is ***not*** an exhaustive inventory—in many cases, decision options have been simplified to allow you to draft plans relatively quickly. Please use the customizing options if you feel that the options provided do not resonate well in your districts. In Session 3, you will be provided a more flexible modeling tool to fully customize your differentiated pay plan, obtain more precise cost estimates, and consider long-term costs.

Instructions:

1. Complete each section of the *Visioning Template* in the order presented.
2. After completing each *Visioning Template* section, turn to the corresponding section of the *Quick Cost Checker* to obtain cost estimates. Feel free to toggle between these two documents as the information presented will continually inform your decisions.
3. After completing all sections of the *Visioning Template* and the *Quick Cost Checker*, see the last page of the *Quick Cost Checker* to calculate the total cost of the redesigned system.
4. If you already offer differentiated teacher roles, effectiveness pay, district priority incentives and/or bonuses, rewards & recognition, calculate your current investments using the methods outlined throughout the template.
   - Consider which investments you will maintain or repurpose, and use those values to inform the true net cost or cost reduction for your entire differentiated pay plan.

Project Overview: Session 3

Session	Topic	Type	Timing
1	Compensation as a Part of Human Capital Strategy	Whole Group	Sep 5
2	Human Capital System Choices and Impacts	Regional	Oct 16 - 18
3	**Fiscal Considerations and Trade-Offs**	**Regional**	**TODAY**
4	Building Support and Communication	Whole Group	Dec 11

Today's Objectives

- Learn from peer districts as they share their draft plan and the planning process

- Learn to use the ERS compensation design model to finalize the design decisions for your district

- Engage in a group exercise to think strategically about how to fund your district's compensation investments in the context of your total budget

Today we will work with two tools that will help you finalize the design of your new pay plan

Homework 1 **Session 2** **Homework 2** **Session 3** **Session 3/ Homework 3**

High Level Costing ➤ **District X** ➤ **Visioning & Costing** ➤ **Budget Hold'em** ➤ **Long-Term Modeling**

Understand the breakdown of my district's compensation spending and how much is available for new investments

Envision the "Ideal System"

Start the preliminary draft of the differentiated pay plan

Look beyond compensation dollars to the entire district budget and evaluate necessary tradeoffs

Create the final plan for my district

Today's Agenda

Time	Topic
9:00am	Project Overview
9:15am	District Share Out
9:45am	Interactive Compensation Modeling Session
10:30am	*Break*
10:45am	Interactive Compensation Modeling Session Continued
11:30pm	Model Your Own Scenarios
12:00pm	*Lunch*
1:00pm	Budget Hold'em
2:00pm	Gallery Walk
2:15pm	*Break*
2:30pm	Whole Group Debrief
2:45pm	Next Steps + Homework Instructions (15 min)

Using the Differentiated Pay Plan Design Model

Agenda

- Design Model Overview (30 min)
- Activity 1: Design a scenario (30 min)
- Activity 2: Compare scenarios (30 min)
- Model your own scenarios (30 min)

Facilitators will be available at each table to provide support.

Open the model using Microsoft Excel. A bar will display with a note that macros are disabled.

- If you are using Excel 2007
  - Click "Options…" button
  - In the pop-up menu select "enable this content"
  - Press OK

- If you are using Excel 2010
  - Click "Enable this content"

Some key design factors when creating a Differentiated Pay Plan:

- District-Specific Situation

- Fiscal Sustainability

- Impact on Student Learning

- Impact on District-wide Teacher Effectiveness

Model Focus

- Internal HR Capacity

- Stakeholder Buy-in

- District's Current Value Proposition

- District's Competitive Position

The Differentiated Pay Plan Design Model allows you to:

- Measure the effect of a differentiated design plan in your district-specific context over time

- Compare new plans against the existing (baseline) plan

- Compare multiple design plans across:
  - Fiscal Sustainability
  - Impact on Student Learning
  - Impact on District-wide Teacher Effectiveness

There are a variety of fiscal sustainability tools available to districts at different stages of the compensation design process

Exploration

Teaching Tool

Purpose	Directional understanding of subset of design choices	
User	Design Team/External Stakeholders	
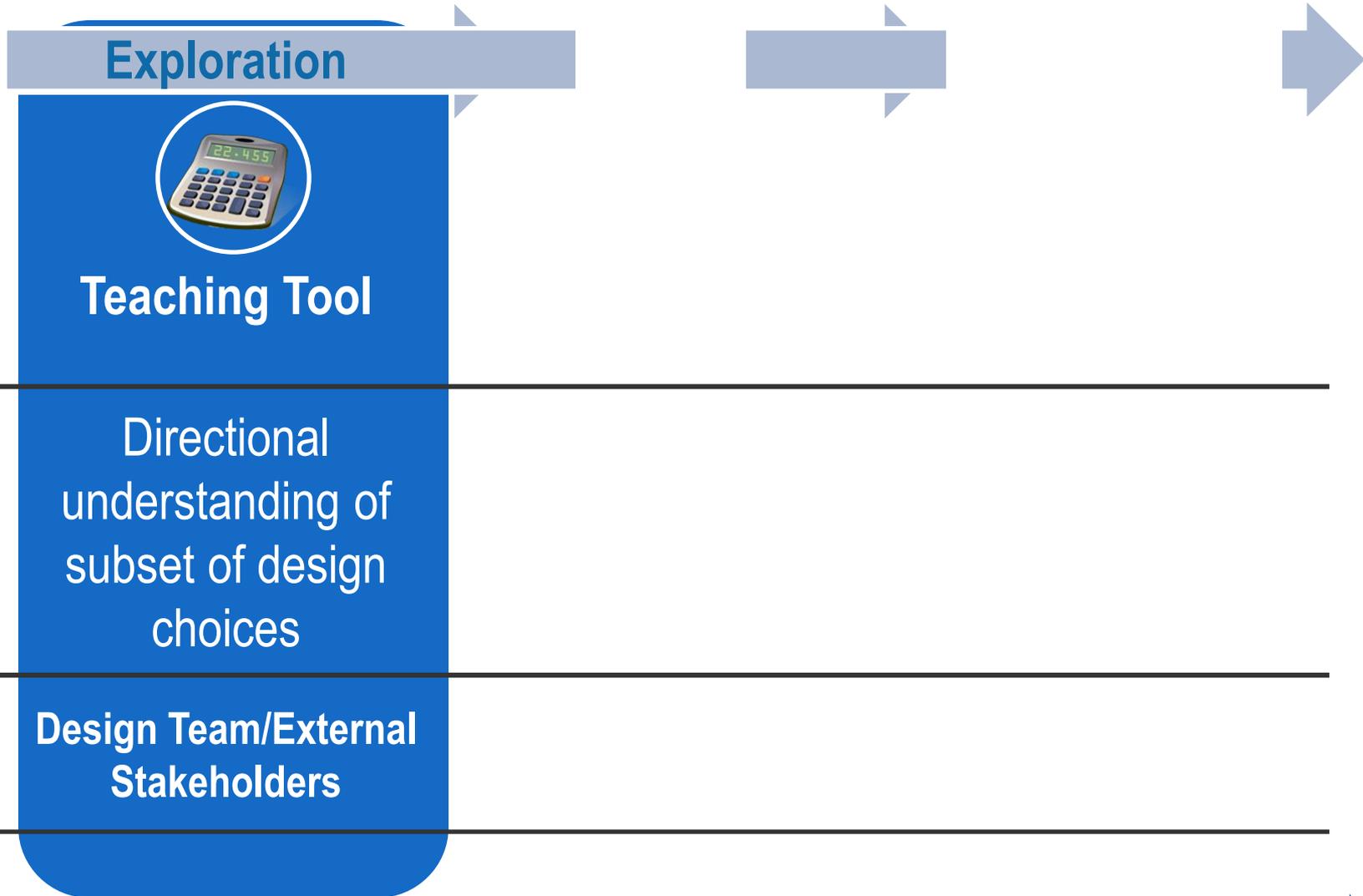
Overview of each page in the model

Inputs → Roles, DPI & Bonuses → Effectiveness Steps & Bands → Base Salary Adjustments → Other Human Capital Decisions → Run Model → Single Scenario → Scenario Comparison

Inputs + **Series of Design Decisions** → **Single Scenario: Output & Charts** + **Scenario Comparison: Output & Charts**

Model Calculations
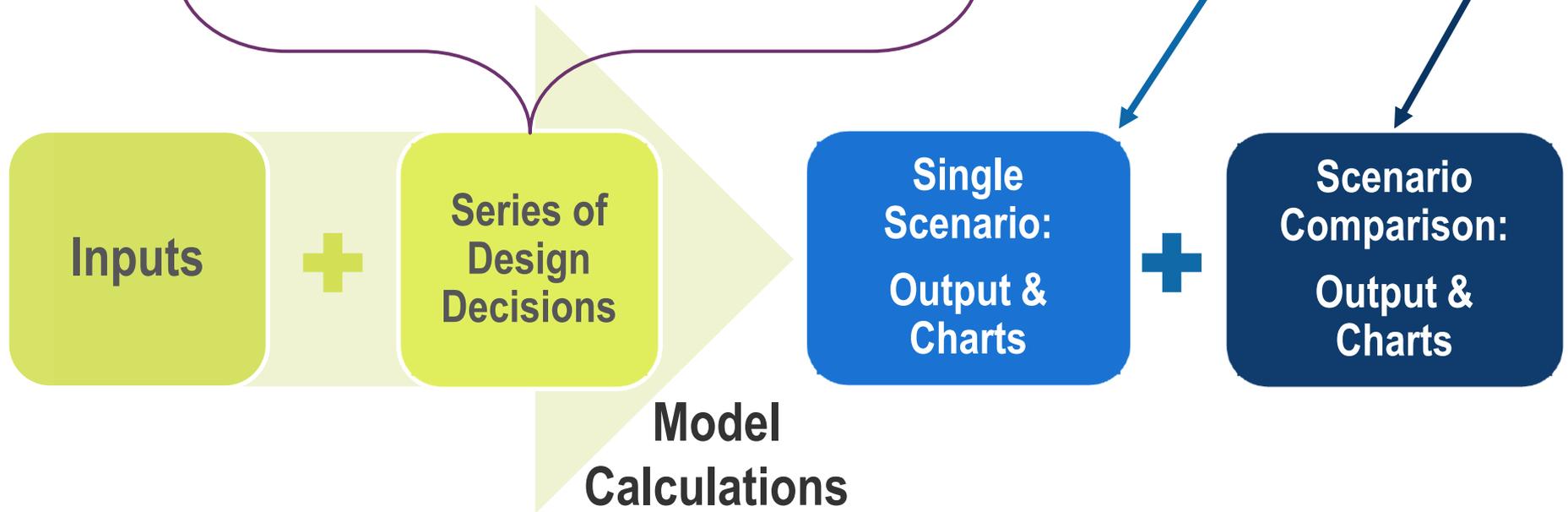
District-specific data

Vision for pay plan

Pay plan output over time

Multiple pay plans – Side by side comparison for a given year

The model calculates predicted costs and teacher behavior based on district-specific inputs

Inputs	Roles, DPI & Bonuses	Effectiveness Steps & Bands	Base Salary Adjustments	Other Human Capital Decisions	Ru

- Input data is used to understand each district's
  - Size & expected growth rate
  - Salary schedule
  - Teacher demographics
  - Flow of teachers into, out of, and through the system
  - Distribution of teacher effectiveness

In order to populate district-specific data, you will need to…

| Inputs | Roles, DPI & Bonuses | Effectiveness Steps & Bands | Base Salary Adjustments | Other Human Capital Decisions | Ru |

- **Step 1: Select your District – (*Cell C15*)**
- **Step 2: Load District Data** – Inputs page data will populate automatically

Step 3: Review the data that populated for your district
Consider: Are there fields that are confusing? Values that are surprising? You will have time to update these values later in the exercise

- You can **edit yellow cells** in the model
- On the Inputs page, you can update the data in yellow cells to reflect your district data if needed

In order to get the model ready to run you need to…

| Inputs | Roles, DPI & Bonuses | Effectiveness Steps & Bands | Base Salary Adjustments | Other Human Capital Decisions | Ru |

- **Step 4: Populate Model with Teacher Data** – Prepares the model to run. Click this button if:
  - It's the first time you are loading district data
  - If the input values change
- **Step 5: Set Baseline for Comparison** – Runs the model without a differentiated pay plan.

Depending on the size of your district the model can take anywhere from **1 to 10 minutes to run**

Baseline	Year 0	Year 1	Year 3	Year 5
Cost Structure				
Total Cost (Salaries, Stipends, & Recruiting)	**$13.4**	**$13.4**	**$13.6**	**$1**
% Budget Gap from Baseline		0%	0%	
Total Budget Gap from Baseline		$0.0	$0.0	$
Total Base Salary Pay	**$13.4**	**$13.4**	**$13.6**	**$1**
District Starting	$10.6	$10.6	$10.6	$1
Total Experience Pay	$2.1	$2.1	$2.2	$
Total Education Pay	$0.7	$0.8	$0.8	$
Total Bonuses	$0.0	$0.0	$0.0	$
Total Stipends	$0.0	$0.0	$0.0	$
Total Local Supplement	**$1.8**	**$1.8**	**$1.9**	**$**
Student Impact				
% Students with Level 5 Teacher	46%	46%	46%	
% Students with Level 1 or 2 Teacher	8%	8%	8%	
Teacher Impact				
% Novice	18%	16%	12%	
Average YRs Teacher Experience	12	13	13	
Average Teacher Salary ($K)	$43.0	$43.2	$43.6	$
% of teachers paid more than baseline -				
Pay above original system	0%	0%	0%	

Why run a baseline scenario?

- Represents projected teacher compensation spending given the current compensation system
  - Cost neutral means it matches the cost of the baseline
- The cost of teacher compensation in the baseline scenario may increase or decrease over time
- This means that the cost of teacher compensation of a cost neutral differentiated pay plan may increase or decrease to match the baseline scenario

Note: These dollars are given in "real" terms. COLA is assumed to match actual cost of living and excluded from the model.

Use the first chart on the Scenario Comparison Chart tab to see a visual representation of the budget gap
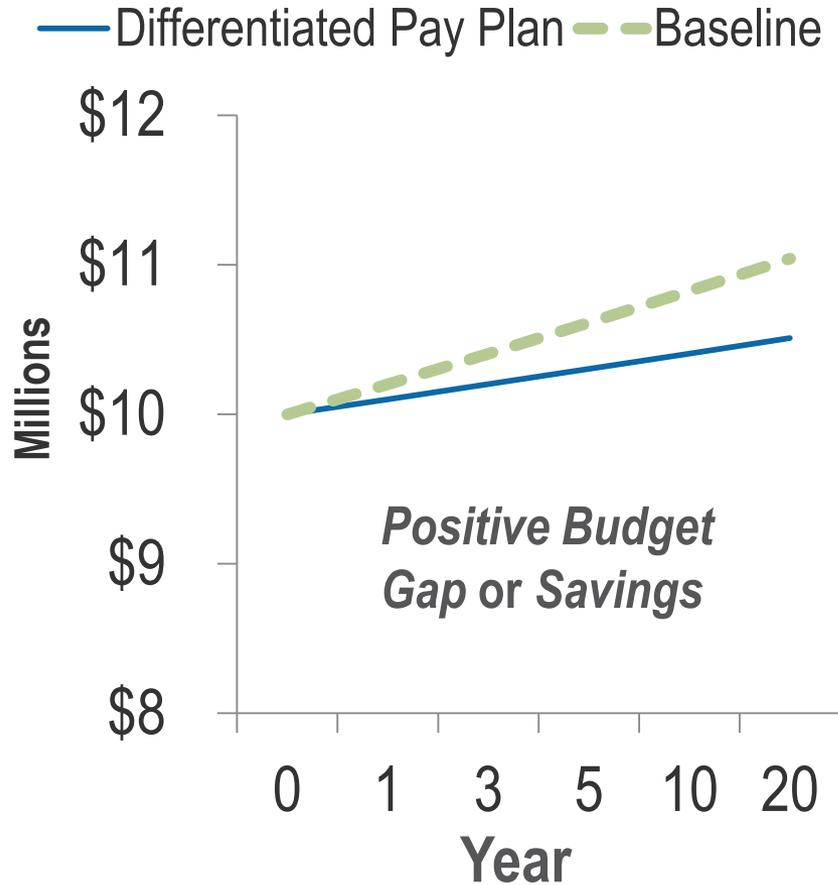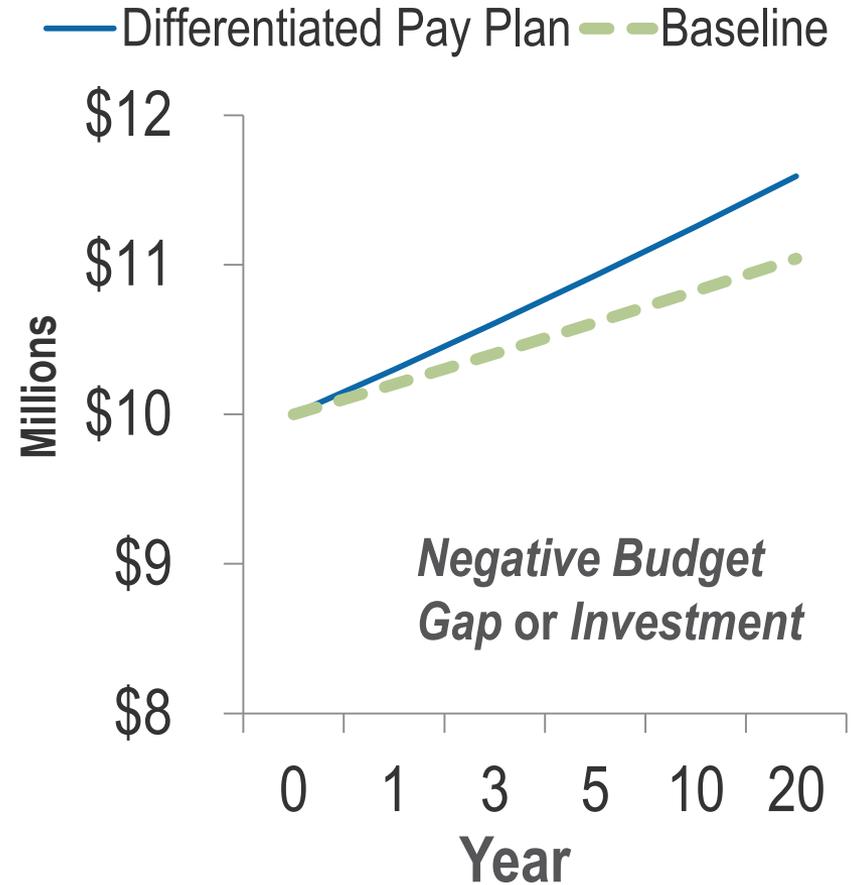
The next step is to engage with a series of design decisions over the next 4 tabs…

Roles, DPI & Bonuses	Effectiveness Steps & Bands	Base Salary Adjustments	Other Human Capital Decisions	Run Model

- Tabs are aligned to the decisions in the Visioning Template

- If you are not going to implement anything in a particular tab, that tab can be skipped

- Comments in the model are used to give key considerations of a given cell

TEACHER COMPENSATION VISIONING TEMPLATE
SUMMARY

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COMPENSATION REDESIGN GOALS

Before beginning the template, list your district's primary goals for teacher compensation below.
Goals:
- _____
- _____
- _____
- _____
- _____

The "Run Model" button is only active in the "Other Human Capital Decisions" tab

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# Roles, DPI, & Bonuses tab: Districts can engage with…

Roles, DPI & Bonuses	Effectiveness Steps & Bands	Base Salary Adjustments	Other Human Capital Decisions	Run Model

- Decision options:
  - Roles & Incentives
  - Extended Reach Roles
  - Bonuses, Rewards & Recognition
  - Coaching, Mentoring, & PD

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Goals:
- _____
- _____
- _____
- _____

- **Decision 1:** District Priority Incentives (DPIs)
- **Decision 2:** School Roles
- **Decision 3:** Bonuses, Rewards, and Recognition

Before leaving this page, districts can also see a cost estimate for these Roles, DPI, & Bonuses

Roles, DPI & Bonuses	Effectiveness Steps & Bands	Base Salary Adjustments	Other Human Capital Decisions	Run Model

Estimated Cost *Hit Shift+F9* to refresh			
Year 1	Year 3	Year 5	Year 10
$0	$53,468	$75,931	$176,252

- You can use this table to view costs of the designed Roles, DPI, & Bonuses

- In order to fully understand the impacts on attrition & retention, these roles are run through the model

Effectiveness Steps & Bands tab: Districts can design effectiveness steps, bands, neither or both

| Roles, DPI & Bonuses | Effectiveness Steps & Bands | Base Salary Adjustments | Other Human Capital Decisions | Run Model |

Districts are provided an opportunity to outline a potential system, including details on:

- How new hires will be placed in the system
- % or $ basis for steps
- Size of pay change

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COMPENSATION REDESIGN GOALS
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Goals:
- _____
- _____
- _____
- _____

- **Decision 4:**

  Effectiveness Pay

  - Steps
  - Bands
  - Both

Step & Lane Adjustments tab: District can adjust starting salary, experience, and education pay

| Roles, DPI & Bonuses	Effectiveness Steps & Bands	Base Salary Adjustments	Other Human Capital Decisions	Run Model

- Quick estimates: Increasing starting salary

Estimated Cost *Hit Shift+F9 to refresh*			
Year 1	Year 3	Year 5	Year 10
$63,184	$181,654	$300,124	$596,299
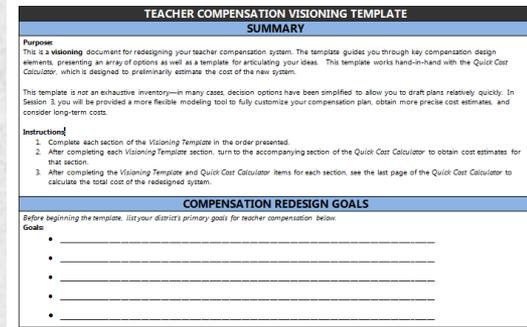
- Decision trees: Education & Experience Pay

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Goals:

Base Salary

- **Decision 5:** Starting Salary
- **Decision 6:** Education Pay
- **Decision 7:** Experience Pay

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Other Human Capital Decisions tab

Roles, DPI & Bonuses	Effectiveness Steps & Bands	Base Salary Adjustments	Other Human Capital Decisions	Run Model

- **Changes to Recruiting Process**

- **Managing Out Low Performers**

Note: The "Run Model" button is only active in the "Other Human Capital Decisions" tab

Review the Differentiated Pay Plan Design Tabs with your facilitator

Break

Test the Model: Activity 1

Take 5 minutes to use the "Roles, DPI, and Bonuses" tab

to add **1 Role/Incentive** and **1 Extended Reach Role**

District Priority Incentive	Extended Reach Teacher
Hard-to-staff positions	Add 1 extra class
$4000	$4000
No additional prep period	Level 5 teachers only
Level 4 or Level 5	Start in Year 1 of the reform
No minimum years of experience	Not reducing total FTE
Start in Year 1 of the reform	
Select a number of FTE to award the role that makes sense for your district	

When you are ready, press the "Run the Model" button

4 Output Tabs

ase Salary djustments	Other Human Capital Decisions	Run Model	Single Scenario	Scenario Comparison

Single Scenario	Scenario Comparison
• Single scenario • Multiple years	• Multiple scenarios • One year of data
Both outputs are available in data table and chart form	

Note: 5% differences across scenarios can be considered within the margin of error.

When your model finishes running, you will see the Single Scenario Output tab. This tab allows you to:

ase Salary djustments	Other Human Capital Decisions	Run Model	Single Scenario	Scenario Comparison
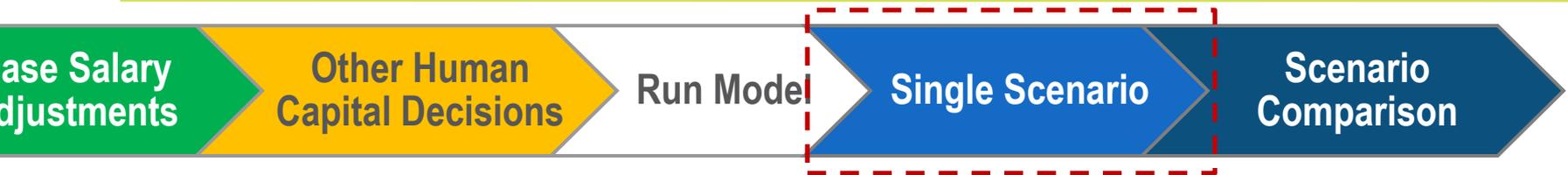
- Select a scenario to review
- Save a scenario for future review
- Review the baseline scenario
- Review data at years 0, 1, 3, 5, 10, and 20
    - Expenditure data
    - Teacher data
    - Student data

Review the Single Scenario Output with your facilitator

Test the Model: Activity 2

Keep your Activity 1 Roles

"Roles, DPI, and Bonuses" tab: Add 1 bonus

Bonus
$6,000 per teacher
Level 5 teachers
Start in Year 5
No End Year (Select Year 20)

"Base Salary Adjustments" tab: Consolidate your schedule to two lanes

Lane Adjustments

Lane Consolidation

Yes	Will you consolidate lanes?
2	If yes, how many lanes will you have?

When you are ready press the "Run the Model" button

The model will notify you if it projects that you will need to follow the Alternate Salary Process

- If base salary raises are linked to effectiveness
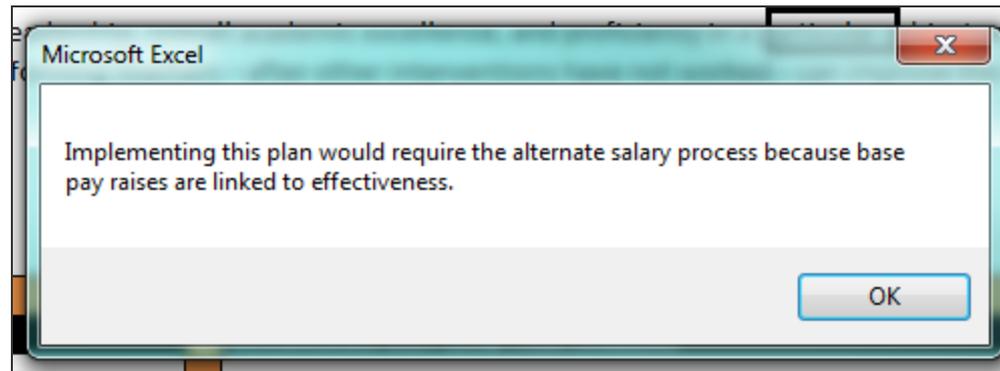
- If base salaries are projected to be lower than state minimums
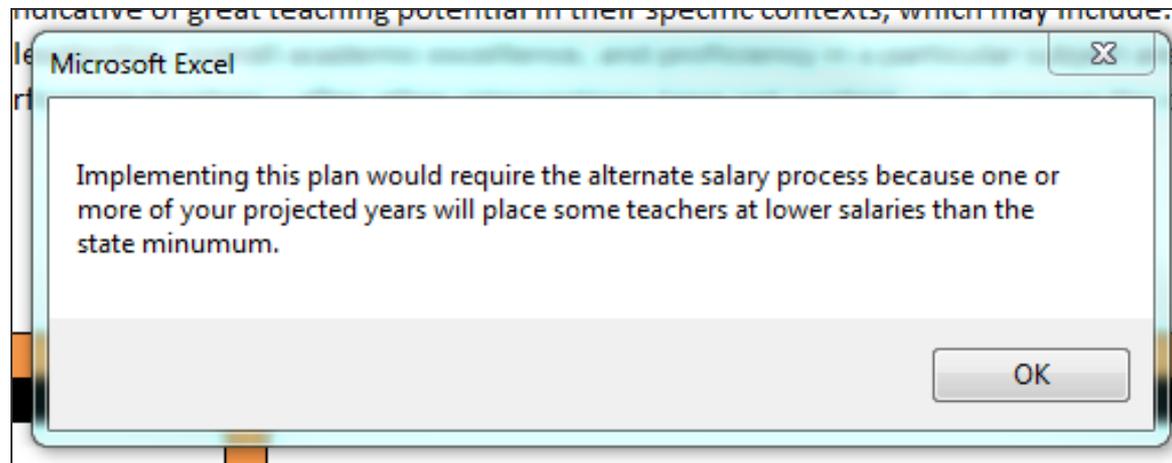
After the second scenario has completed running, you can start using the Scenario Comparison page. This tab allows you to:

ase Salary djustments	Other Human Capital Decisions	Run Model	Single Scenario	Scenario Comparison
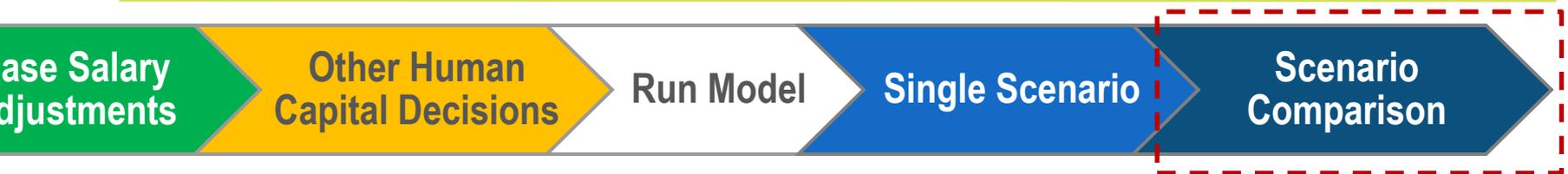
- Select a year of reform to review
- Save a scenario for future review
- Compare the results from multiple scenarios
    - Baseline scenario
    - Current scenario
    - Up to 7 additional saved scenarios
- Data is displayed one year at a time, across multiple scenarios
    - Underlying data is the same as the data you saw on the Single Scenario tab

Review the Scenario Comparison Output with your facilitator

Guided time to explore…

Load the model you designed using your draft plan and/or visioning template into the model.

Your facilitator will be able to answer any questions you have.

Feel free to run the model multiple times and compare scenarios.

If you save over a scenario, you will need to re-run it. There is no "undo" for the "Save" button.

Your feedback is very important to us.

Please let your facilitator know any feedback you have: Metrics, Design, Output, etc.

Lunch

Budget Hold'em

We are about to invest in a new compensation plan…

For many districts it will require additional resources ….

And in most cases even the baseline budget will continue to rise

Differentiated Pay Plan — Baseline

Millions

$12
$11
$10
$9
$8

0 1 3 5 10 20
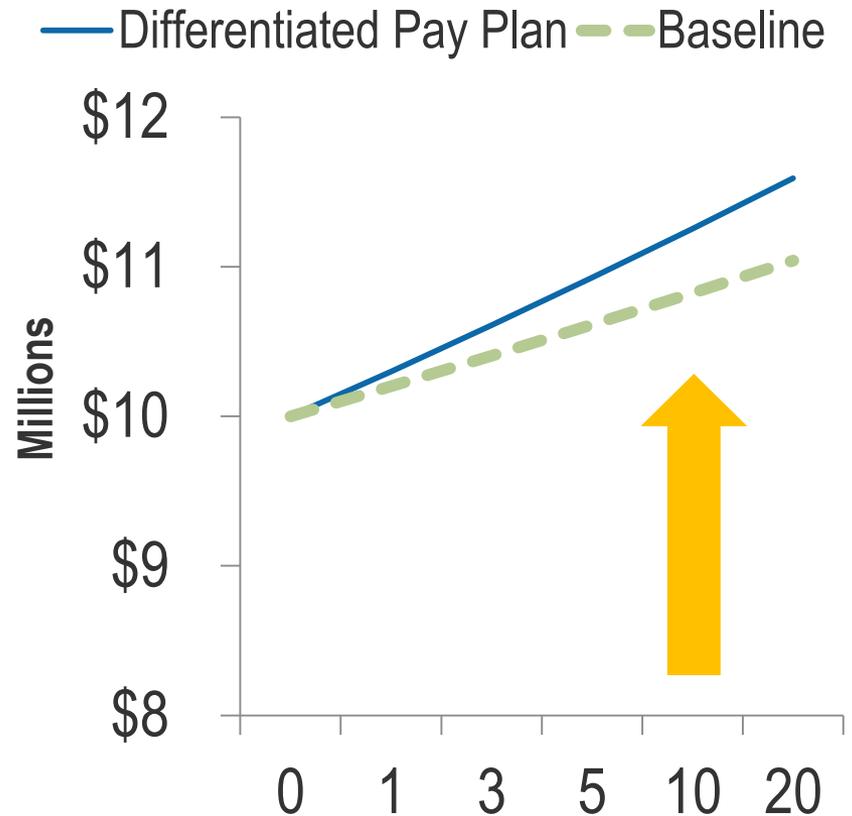
Typical responses to budget gaps are to preserve current structures and attempt to do less with less

Furlough days

Across the board cuts

Frozen salaries

Incremental staffing ratio adjustments

School Budget Hold'em is a tool to help district leaders rethink their budgeting process

- ❑ Removes us from the traditional budget process of fighting for resources within silos

- ❑ Focuses on investing in district priorities by freeing resources from low value- added "historic" uses

- ❑ Builds understanding of relative size of different options

Agenda

- **Instructions on how to play (15 min)**

- **Play Budget Hold'em (45 min)**

- **Gallery Walk (15 min)**

The Object of the Exercise

Create a "hand" of cards that allows you to achieve a <u>target budget reduction</u> to fund your investment plans in teacher compensation.
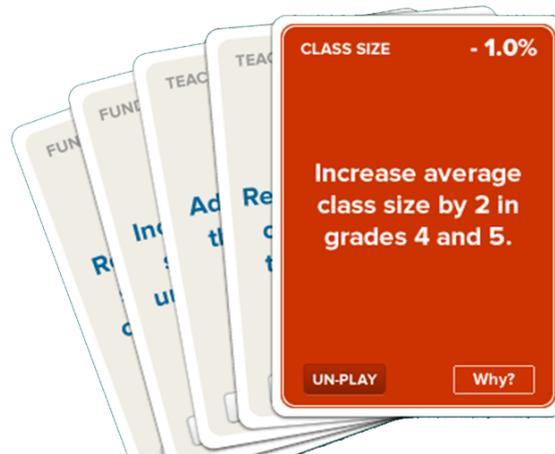
The cards are organized into 7 categories

Teaching

Buildings & Land

Class Size

Leadership

Special Ed

Partners

Efficiency

What is on a Hold'em card?

Category →

Explanation →

FYI →

Implications for compensation investments (If any) →

→ **Savings** as % of budget

Class Size   − 1.4 %

Increase average Secondary School class size by 2

Benefits from reducing class sizes have only been demonstrated in classes with fewer than 17 students in core academic subjects and early/transitional grades. Outside of those parameters, increasing class sizes, even by a few students, can free up resources without negatively impacting student outcomes.

⚠️ **Increasing average class size across the district will likely result in larger increases in some schools and classes than others, depending on the distribution of current class sizes. School leaders need to carefully consider the composition of student needs in each class and how this matches teacher expertise. As class sizes rise, you may wish to invest in expert teachers for small group instruction for core subjects and certain student groups.**

? *Does this align with your other human capital investments?*

There are also *Wildcards* so you can add more savings options

How to play:

SCHOOL BUDGET
Hold'em

Step 1 **Assign Roles and Review Process (2 min):**
- Score Keeper
- Task Master
- Scribe
- Card Reader

How to play:

Step 2   **Write:** The net investment on the investment card + poster (5 min)

Step 2: Set target budget reduction

If   **Net Investments in Compensation** **>** **Current compensation budget**

If   **Net Investments in Compensation** **<** **Current compensation budget**

**Then
set the budget reduction target
to meet your savings goals
or your total budget gap**

What is the net investment amount for your Differentiated Pay Plan?

TOTAL COST CALCULATOR		
Note: *If you have not made changes to the base salary structure but have only made investments that represent 1% of total teacher salary pay, then your district is likely in a fiscally sustainable position.*		
Future Compensation Elements	**Total Investments**	**Total Cost Reduction**
ROLES → Enter the total cost in the box provided. (bottom of pg. X)	$	
DISTRICT PRIORITY INCENTIVES → Enter the total cost in the box provided. (bottom of pg. X)	$	
BONUSES, REWARDS & RECOGNITION → Enter the total cost in the box provided. (bottom of pg. X)	$	
EFFECTIVENESS PAY → Enter the total cost in the box provided. (bottom of pg. X)	$	
STARTING SALARY (leave blank if no changes made) → If you are *increasing* starting salary, enter the total cost in the **red** box. (pg. X) → If you are *decreasing* starting salary, enter the total savings in the **green** box. (pg. X)	$	$
EDUCATION PAY (leave blank if no changes made) → If you are reducing or eliminating current education pay enter the total savings from in the **green** box. (Reduction- pg. X, Elimination- pg. X). → If you are offering tuition reimbursements, enter the total cost in the **red** box. (pg. X)	$	$
EXPERIENCE PAY (leave blank if no changes made) → If you are reducing or eliminating experience pay enter the total savings from in the box provided. (Reduction- pg. X, Elimination- pg. X).		$
TOTAL REDESIGN COST/SAVINGS		
→ Enter the sum of all of the red boxes above in the **red** box below, and the sum of all of the green boxes above into the green box below. → Subtract the savings from the costs to calculate the net cost of your new system. Compare the net cost to the total cost of your current compensation system (not including benefits).		
$ – $ = $ TOTAL COSTS – TOTAL SAVINGS = NET COST		

Refer to
the **Net Cost**
in your
Total Cost Checker
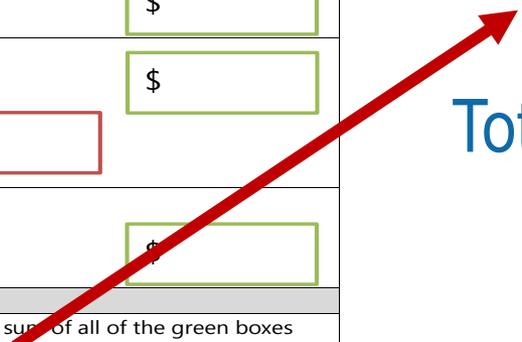
What is the net investment amount for your Differentiated Pay Plan?

Or the percent of compensation budget gap shown on your compensation design model

Current Scenario	Year 0	Year 1	Year 3	Year 5	Year 10	Year 20
Cost Structure						
Total Cost (Salaries, Stipends, & Recruiting)	**$10.2**	**$10.2**	**$10.1**	**$10.0**	**$10.0**	**$10.0**
Change from baseline scenario in selected year	0.0%	-1.0%	-1.0%	-1.5%	-1.5%	-1.5%
Total Base Salary Pay	**$9.4**	**$9.4**	**$9.3**	**$9.2**	**$9.2**	**$9.2**
District Starting	$6.9	$6.9	$6.9	$6.9	$6.9	$6.9
Total Experience Pay	$1.6	$1.6	$1.5	$1.4	$1.3	$1.3
Total Education Pay	$0.9	$0.9	$0.9	$0.9	$1.0	$1.0

How to play:

Step 2
40 min

Write: The net investment on the investment card + poster (2 min)

Discuss + Write: Quickly talk over your district's overarching priorities and write the top three priorities on the poster (10 min)

Step 2: Write down your district priorities on the poster

District Name: _____

OVERALL DISTRICT PRIORITIES

- _____

- _____

- _____

Net Compensation Investment:
(or budget reduction goal)

_____ %

Step 2: Discuss how your district's compensation-related priorities fit within the overarching goals for your district

Example - Priorities

Support continuous improvement of <u>effective teachers</u> – recognize, support and reward great teaching.

Organize time and staffing to provide <u>individual support to match student needs</u> in high priority areas, focusing on early intervention for at-risk students.

Ensure <u>school leadership</u> has information, knowledge, and resources to build strategic school designs that maximize student growth potential.

Consider <u>adding time</u> to the school day or school year for some or all students.

How to play:

Step 2
40 min

Write: The net investment on the investment card + poster (5 min)

Discuss + Write: Quickly talk over your district's overarching priorities and write the top 3 on the poster (10 min)

Read: Carefully read through the sample deck and create piles for "yes," "no," or "maybe" based on your district priorities (25 min)

How to play:

Step 3
15 min

Finalize your hand + Write on poster: Pick your final savings cards, add up the total savings as % of budget and write it on the second poster (5 min)

Take time to use Wild Cards, if needed (5 min)

Pick 3 most actionable ideas + Tape on the poster: Pick the 3 ideas that your district is most likely to implement and tape them on the second poster (5 min)

Tape the two posters to the wall

Step 3: Tape your final card options to the poster

Total Potential Savings: `_____` %
(add up your selected cards)

3 MOST ACTIONABLE IDEAS:

ACTION IDEA #1	ACTION IDEA #2	ACTION IDEA #3
(place Budget Hold'em card here)	(place Budget Hold'em card here)	(place Budget Hold'em card here)

How to play:

School Budget Hold'em

Step 1 — **Assign Roles** (Score Keeper, Task Master & Scribe) **and Review Process** — *5 min*

Step 2 — **Write:** The net investment in the investment card + poster (5 min)
Write: Quickly talk over your district's overarching priorities and write the top 3 priorities on the poster (10 min)
Read: Carefully read through the sample deck and create piles for "yes," "no," or "maybe" based on your district priorities. (25 min) — *40 min*

Step 3 — **Finalize your hand + Write on poster:** Pick your final savings cards, Add up the total savings as % of budget and write it on the second poster. Take time to use Wild Cards if needed. (10 min)
Pick 3 most actionable ideas + Tape on the poster: Pick the 3 ideas that your district is most likely to implement and tape them on the second poster (5 min)
Tape the two posters on the wall — *15 min*

Gallery Walk
(15 minutes)

Break

Discussion Questions

SCHOOL BUDGET
Hold'em

1. **What were the biggest insights and/or surprises regarding opportunities for savings?**

2. **What particular savings would be feasible or challenging in your district?**

3. **Are there places where your chosen options complement or contradict one another?**

4. **Were Wild Cards used? If so, how?**

Next Steps

Next Steps

- Please fill out the **Session 3 Evaluation** before you leave

- Fill out and turn in your reimbursement form

- Contact Information:
  - Laura Encalade, Laura.Encalade@tn.gov or (615) 854-4064
  - Fiscal consultants

Appendix

Customized Hold'em Data Sources

Data	Data Sources
• Staff salaries (teacher & teacher aids)	TN DOE 2012-2013 records (teachers) Bureau of Labor Statistics 2012 wage estimates for TN (teacher aides)
• District spending (total K12 operating budget, transportation, facility & maintenance, non-instructional staff, employee benefits, etc.)	National Center for Education Statistics, FY10
• Teacher working days/hours • Teacher Professional Development days/hours	Current teacher contracts for Nashville & Shelby Statewide TELL Survey of TN Teachers, 2011
• Student enrollment by grade • Percentage of students with disabilities • Pupil-teacher ratios • School sizes	National Center for Education Statistics, fall 2010 enrollment data by district and school
• Class sizes	National Center for Education Statistics state average class size, 2008

Original Hold'em Data Sources

Data	Data Sources
• Average small school premium • Percentage of district costs on Central Office	Averages of multiple ERS district clients
• School closing costs and savings	ERS analysis for Boston Public School closings, 2009-2010
• Some cost savings (external activity partners, etc.) • Management and training costs for new programs	Estimates based on past ERS work, rates quoted in news articles, etc.
• Classroom fill rates • Percent time on core subjects	Averages of multiple ERS district clients
• School vacancy rates and empty seats	Estimates based on past ERS work