

RECOMMENDATIONS FOR LOUISIANA'S SALARY SCHEDULE:
THE MINIMUM LEVEL OF SALARIES,
ALTERNATIVE STATEWIDE SALARY STRUCTURES, AND
INCLUDING THE SCHEDULE IN THE MINIMUM FOUNDATION PROGRAM

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June 2004

Executive Summary

APA recommends four distinct changes: increase salary levels in the minimum salary schedule, revise the statewide salary schedule to reward skills, explicitly include teacher salaries in the Minimum Foundation Program (MFP) formula, and create a framework for performance-oriented compensation. These changes range from those which can be immediate, have limited effect, and cost little to those which require planning and consultation, would have a broad impact, and imply a major commitment of new resources.

The goals of adjusting the current minimum schedule are to clarify it as a model for districts and to make the salary system fairer by increasing the minimum pay to a defensible and realistic level. The aims of reorienting the schedule to reward skills are to encourage junior teachers to improve their education-based skills, to encourage senior teachers to keep current and recertify themselves, and to make the system fairer by providing equal pay increases for equal education improvements and for equal increases in experience. The purposes of including the salary schedule in the MFP are to provide direct legislative input into teacher salary levels and to raise the average pay in districts that pay the least to their teachers. The reasons for creating a performance-oriented framework are to use the basic compensation system to encourage teacher preparation, school accountability, and student learning growth, and to bring together in a single framework disparate current incentive programs.

Introduction

In December, 2003, the Louisiana Board of Elementary and Secondary Education (BESE) approved a contract with Augenblick, Palaich and Associates, Inc. (APA) to conduct two analyses in order to (1) help BESE better understand Louisiana's public K-12 education fiscal needs and (2) determine what role a statewide salary schedule might play in the state's school finance system, the Minimum Foundation Program (MFP). The purpose of this report is to focus on the second issue. The report is organized as follows: (1) we review Louisiana's statewide salary schedule and propose a way to modify it slightly and bring it up to date over a five year period; (2) we suggest

a more skill-based structure for the statewide schedule; (3) we discuss a way to redesign the MFP so that a primary “driver” of state aid is the statewide salary schedule; (4) we outline the structure of a possible statewide compensation framework; and (5) we recommend a series of steps to modify the statewide salary schedule and the MFP.

We recommend major changes that would be phased in over time. These recommendations begin with small steps that make the statewide salary schedule relevant to actual teacher pay and conclude with proposals for a state-led shift away from the traditional salary schedule toward a skill-and-performance oriented compensation system. The four sets of changes are distinct. All could be done, but one set of changes does not depend on another.

The initial proposed change of raising the salary levels can be performed quickly, with minimum disruption and effect. The increases in the salary levels add up over time but no single year includes a major change. The second set of changes, to a skill-based salary structure, is a more notable departure from current practice, as it shifts some of the emphasis from paying for experience to paying for skill. Because this statewide schedule is more a model than a mandate, districts can redesign their own schedules to correspond to the state schedule over a period of time. The state policy change would be quick; the district effects would be gradual.

Third, the redesign of the MFP to include a salary structure involves a longer process of policymaking, beginning with further study of such a redesign's implications and leading to the creation of a detailed proposal. Building a consensus behind a specific plan takes time. In a few years, once the MFP formula included salary, a series of adjustments could begin. Fourth, the creation of a reorganized statewide compensation system would require the involvement of all concerned parties and the highest level of decision-makers. The framework would include an emphasis on performance and accountability and would add new state programs aiding teachers to meet these standards. The initial steps of this change would include a study of the likely contours and costs of such a package.

Louisiana's Statewide Minimum Salary Schedule in Historical and National Context

All school districts in Louisiana, like most of the over 14,000 school districts around the country, use a salary schedule as the basis of paying teachers. Such schedules tend to be grids composed of rows (or steps) and columns (or lanes) in which columns typically reflect levels of educational attainment (bachelors degree, masters degree, degrees plus credit hours, etc.) and rows reflect years of experience. There may be mathematical relationships between rows (so that, for example, a masters degree is worth two percent more than a bachelors degree or a masters degree is worth \$1,000 more than a bachelors degree) or between columns (so that, for example, one more year of experience is worth one percent more than the previous year or one more year is worth \$300 more than the previous year) – although there are numerous variations on this theme.

It is not unusual that the large number of cells in the grid (a five column by 20 row grid has 100 cells) are “driven” by the salary level specified for the teacher with the lowest level of education and the lowest level of experience (the base salary set for a teacher with a bachelors degree and no experience, or “BA/0”). Under this approach, setting the base salary and the rules applicable to different levels of education and experience determine the salary of every teacher (each of whom has a particular combination of education and experience). The combination of the salary schedule and the placement of teachers in the grid (sometimes referred to as a “scattergram”) produces a total cost of employing teachers in a school district. Teachers in some districts may receive additional pay as a result of providing additional services (coaching, teaching summer school, and so on) or due to some special characteristic, such as certification by the National Board for Professional Teaching Standards. In some school districts other factors may enter into salary calculations, including the results of periodic evaluation, teaching in schools with particular characteristics (such as a high level of poverty), or student performance. While the single salary schedule has distinct advantages, including the elimination of gender bias, some researchers and policy makers have criticized it because it focuses on factors that may not be directly associated with student performance. Over the past 10-15 years, districts and states have examined several alternatives, including “merit pay,” although the single salary schedule based on education and experience remains the dominant approach.

Louisiana, unlike most states, has a statewide salary schedule. The schedule provides a template for the salary grid and sets minimum levels of pay for every cell in the grid. Under the pre-1994 MFP, the statewide salary schedule was a “driver” in calculating the fiscal needs of school districts; that is, the level of state aid paid to a district was a direct result of the number of teachers with particular characteristics and where those characteristics placed them in the statewide schedule. Under the current MFP, the salary schedule plays no role other than to specify minimum salary levels. Because the schedule has not been updated in years, all the salary levels of all district schedules far exceed those in the statewide schedule. However, it is worth noting that the salary schedules of every district look like the statewide schedule in terms of the structure of rows and columns; the statewide schedule therefore has a significant impact on how teachers in the state are paid.

Under the pre-1994 MFP, districts could set salaries higher than those in the statewide schedule and use mathematical formulas to express the relationships between rows or between columns that were different from those used in the statewide schedule. Today, districts continue to use salary schedules that are structurally similar to the statewide schedule but different in terms of how rows and columns are calculated. Most states that want to influence the way teachers are paid specify a statewide minimum base salary and/or require that a salary schedule be used and specify some of its structure. Only a few states (such as North Carolina) use a statewide salary schedule as the basis of paying teachers or determining the amount of state aid districts receive.

Updating Louisiana's Statewide Minimum Salary Schedule for Equity and Clarity

The statewide salary schedule should guide districts by providing minimum salary levels and by presenting a grid as a model even for salaries above the minimum. The salary level of the current schedule is too low to provide a realistic minimum and the schedule is not coherent enough to offer a good model. We propose to make the schedule fairer by raising the minimum over time to \$33,140 in the 2008-2009 school year, which would have a secondary effect of raising the average salary. The second goal is to provide a model for districts to follow in the relationship of steps and lanes. As a model, we suggest an alternative grounded in Louisiana experience that has a clear structure for pay differences. A clear structure is just as important as a fair one.

Attached in Appendix I is the statewide salary schedule that existed in Louisiana for the 2002-03 school year. In addition to the fact that the numbers are low compared to the actual figures used in all districts that year, the rationale for the relationships between cells in rows or cells in columns is unclear.

We examined the actual 2002-03 salary schedules in the 66 districts that were operating in that year. The structure of all schedules was essentially the same with five categories of education (B.A., M.A., M.A.+30, Education Specialist, and Doctorate -- with some districts having additional categories for teachers without a B.A.) and 26 years of experience (0-25). District schedules differed primarily based on the value assigned to BA/0 (that is, bachelors degree and no years of experience, which ranged from \$20,418 to \$32,248). The adjustment for an MA was about 2.1 percent (although it tends to be lower in districts with both high and low BA/0 levels [1.3-1.7 percent]). The ratio of MA/25 to BA/0, which represents the extent of lifetime growth for most teachers, was 1.40 on average.

In order to update the schedule, we examined a set of rules for building a statewide schedule based on the actual average behavior of all school districts. The schedule would be driven by whatever amount is assigned to the BA/0 cell and the following rules: (1) annual increases would be as follows for the columns: BA, 1.25 percent; MA 1.35 percent, MA+30, Specialist, and Doctorate, 1.45 percent; and (2) the ratio of columns to BA/0 would be as follows: MA and MA+30 are 1.02 times BA; Specialist is 1.025 times MA (or 1.0455 times BA); and Doctorate is 1.03 times Specialist (or 1.0769 times BA). The use of these rules is somewhat different from those used in many districts in which there is no increase in salary (other than that caused by a change in the BA/0 figure) for several years within specific education-level columns.

Having created a simple set of rules by which the values of all cells could be calculated in an updated statewide salary schedule, we needed to set the value for the BA/0 level. The existing statewide schedule has a value of \$14,631 for a teacher with a bachelors degree and no years of experience, substantially below the comparable cell in any of Louisiana's districts in 2002-03. While the figure could be raised to the average level of all districts, \$27,290, numerous districts would then be required to pay their teachers at a substantially higher level immediately. While raising salaries to that level might be an

appropriate action to take, the cost could be prohibitive, particularly if it is unclear whether the existing MFP would provide sufficient funds to pay the new salaries in some districts (while providing more than enough in other districts). We felt that the best course of action was to raise the BA/0 value dramatically, but not much above the level of the district with the lowest value (\$20,418, in West Carroll, which would be a 40 percent increase over the existing level of \$14,631).

When we used the new statewide salary schedule structure, the \$20,418 figure for the BA/0 value, and the scattergram of teachers in West Carroll, we found that the total cost was actually lower than the current total cost in that district. We found that we could raise the BA/0 value up to \$21,235 and that the total cost would only increase slightly in a few districts, as shown below. It is worth noting that if the BA/0 value were set at \$21,235 in 2002-03, it would need to rise by 7.7 percent for six years, through 2008-09, so that the average salary of all teachers using the new statewide salary schedule would match the actual average expected in 2008-09 (which we projected to be the value in 2002-03 inflated by an expected increase of two percent per year). This means that the value of the BA/0 in 2004-05 would need to be about \$24,630.

While setting the BA/0 salary at the \$21,235 level and using our proposed schedule in 2002-03 would not immediately affect many districts, it would require the districts with the lowest levels of BA/0 to increase spending very slightly on teachers' salaries. We estimated the increase assuming that teachers would be paid at the higher of our proposed schedule or the actual schedule in place depending on the specific cell in which they were located. We looked at the seven districts with the lowest BA/0, as follows:

<u>District</u>	<u>BA/0</u>	<u>% Increase</u>	<u>\$ Increase</u>	<u>Average Salary</u> Current - New
West Carroll	\$20,418	.97%	\$45,000	\$25,919 - \$26,171
Tensas	\$20,468	1.57%	\$29,000	\$24,706 - \$25,093
Madison	\$20,660	1.13%	\$44,000	\$24,946 - \$25,228
Union	\$21,049	.05%	\$ 3,000	\$26,069 - \$26,082
Jackson	\$21,340	.00%	\$ 300	\$26,194 - \$26,196
Catahoula	\$21,591	.00%	0	\$26,319 - \$26,319
Franklin	\$21,913	.00%	0	\$26,831 - \$26,831

We also looked at the district with the highest BA/0 level (West Feliciana, at \$32,248). The proposed statewide salary schedule would have accounted for 66.3% of actual salaries paid in 2002-03. The average statewide schedule salary in West Feliciana would have been \$25,831 versus the actual average salary of \$38,964 in that district.

Finally, we looked at all teachers with at least a BA (49,283) to determine total current salaries, the proportion of actual salaries covered by the current statewide schedule,

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and the proportion of salaries covered by APA's first proposal for a statewide salary schedule, which produced the following:

	<u>Total (Millions)</u>	<u>Average Salary</u>
Current salaries (2002-03)	\$1,738.5	\$35,276
Salaries covered by the current statewide salary schedule (2002-03)	\$ 966.5	\$19,611
Salaries covered by the APA proposed statewide salary schedule in 2002-03	\$1,257.0	\$25,505
Expected salaries with no change in the statewide salary schedule (2% increase each year through 2008-09)	\$1,957.9	\$39,727
Expected salaries using the proposed salary schedule with a 7.7% increase each year through 2008-09	\$1,961.6	\$39,803

These figures indicate that the current statewide salary schedule only covered 55.6 percent of actual salaries in 2002-03 (representing an average salary of \$19,611 out of an actual average salary of \$35,276) and that the increase of the BA/0 figure in the current schedule to \$21,235 would increase the average salary to \$25,505, which would cover 72.3 percent of the actual average salary. If actual salaries rose by two percent per year over the six years from 2002-03 through 2008-09, reaching an average of \$39,727, the statewide salary schedule would need to grow by 7.7 percent per year over the same period to reach that point – but in 2008-09 the average salary covered by the salary schedule (\$39,803) would exceed the expected average salary at that point (\$39,727).

In the immediate future, the proposed revisions in the statewide minimum salary schedule would bring the schedule more into line with current district practice, both for the minimum salaries and for the pay ratios for levels of experience and education. Because districts tend to follow the format of the state schedule, if not the exact amounts, the new schedule would have a broader impact than on the few districts and teachers directly affected in the first year by the changed amounts. Over time, the increases in the minimum levels would raise the salaries of the lowest-paid teachers.

A More Skill-Based Statewide Salary Schedule

The structure proposed in the previous section is clear and fairer to those earning the minimum. It falls short of a third goal: encouraging and rewarding junior teachers to improve their skills by taking university courses and achieving degrees through structured programs. As a model pay structure, the statewide salary schedule can lead by example, illustrating a new stress on education. The structure can also be made fairer by recommending equal reward for equal accomplishment: equal raises for equal educational improvement and equal raises for equal increases in experience.

We propose changing the relationships among cells in the two-dimensional grid (education and experience). We recommend moving to fixed amounts for step (experience) increases and for degrees and certification (education). That is, teachers would be paid an amount for a unit of experience and an amount for appropriate education. The step increases might be contingent upon receiving a "satisfactory" or better rating at the most recent evaluation. Beyond the initial period of learning the teaching craft, the step increases may be dependent on recertification or increased knowledge and skill.

To provide equal pay for equal contribution, we set the step increases to a percentage of a pay index, in this case the BA/0 salary. We have chosen 1.25 percent of the index pay as the amount for a step increase. That is, each year of experience is considered equally valuable and is equally rewarded whether the person acquiring it has a low level or a high level of experience.

Similarly, we set the salary amount for master's degrees (MA), specialist degrees, and doctorates to a percentage of the pay index. This has a consequence of moving the compensation for education closer to the time of when it is acquired. In turn, this encourages current and prospective teachers to acquire additional knowledge and skill.

The percentages recommended increases the reward for education. To improve the salary adjustment for education in a structured program, we have increased the payouts for MAs to six percent of the index (BA/0), for specialists to another three percent (a total of nine percent), and for doctorates to another three percent (or 12 percent in total). These levels are above current practice in Louisiana. The emphasis is entirely on education in a postgraduate program under individual supervision leading to a degree or certification. Credit hours taken at random would not add to salary.

We have eliminated step increases beyond year 15 for BAs and beyond year 20 for MAs. However, any teacher would have step increases for 10 years after certification or recertification. Effectively, teachers would be recertified or receive more structured education in order to continue receiving step increases. We have two versions of step increases, one in which yearly increases continue and another in which increases beyond the 12th year come every third year, as at present. If evaluations are conducted every third year, then salary increases might be linked to satisfactory performance on these evaluations.

The recommended pay system is simple. Once a teacher knows the base salary and the rates for steps and degrees, all she needs to do is to multiply her years and degree times the rates and then to multiply the total by the index pay. We present in Appendix II the schedule, in terms of multiples of the index pay, with salary increases every third year of three times the yearly rate.

The alternative schedule, for yearly increases, evens out into equal yearly amounts the increases for senior teachers. If it is desired, APA can create a schedule showing rates for teachers who renew certification.

The pay index, or BA/0, might be set at one of a variety of levels, might be adjusted over time for inflation, and might be increased over time to raise the minimum.

Simulation of the Effects of the Skill-Based Salary Schedule

For a BA/0 pay of \$21,235 in 2002-2003, the districts potentially affected are the ten districts paying less than \$23,600 to a beginning BA (and less than \$35,700 to a doctorate with 25 years experience).

For step increases of 1.25% given every year, the following districts would have to raise some existing salary payments by the indicated total amounts in order to meet the new minimums:

Catahoula	\$	1,695
Franklin	\$	764
Jackson	\$	4,701
Madison	\$	45,955
Tensas	\$	24,567
Union	\$	7,870
West Carroll	\$	27,456

Total \$113,009

The total includes all salary for all teachers. Only three districts would have costs of \$10,000 or more, and the total cost is relatively low. This total does not include the cost of increased benefits.

Higher costs appear when the BA/0 (index pay) is increased. If the index pay were raised to \$22,000, the total cost would be \$388,000; if raised to \$23,500 the cost for the ten lowest-paying districts would be \$1.66 million, and other districts might be affected.

One option might be to increase the amount provided for step increases. For step increases of 1.5%, given every third year beyond the 12th year, the districts would have to increase some salaries by:

Catahoula	\$ 1,695
Franklin	\$ 977
Jackson	\$ 7,627
Madison	\$ 48,391
Tensas	\$ 28,279
Union	\$ 13,007
West Carroll	\$ 40,052

Total \$140,028

Four districts would have costs over \$10,000. For a base of \$23,500 with 1.5% step increases every third year, the cost would equal \$2.2 million.

For the small increases in total cost, either districts might bear the cost or the state might provide a phase-out supplement covering the full cost of the increase the first year, two-thirds of the cost the second year, and one-third of the cost the third year. Were these changes to be combined with the 7.7% raises in the minimum salary recommended for six years in the section above, the realignment and the costs would be more substantial.

In summary, providing increased reward for education and equalizing pay for steps of experience and for educational accomplishment can be accomplished with a salary schedule with an index pay. Raises for experience and education can be expressed as percentages of the index. More emphasis on early education can be achieved by raising the pay for educational advancement. The total cost of this change would have been \$113,000 in 2002-2003, concentrated in three districts.

Integrating the Updated Statewide Salary Schedule into the MFP

The purpose of this section is to describe a procedure the state could use to integrate a statewide salary schedule into the Minimum Foundation Program (MFP). If the statewide salary schedule is to be more than a minimum and a model, it must be integrated into the MFP formula. Under the current MFP, teacher salaries are not a distinct component of the way state aid to school districts is calculated (although Level III of the MFP provides funds that support annual salary increases to districts). Since personnel salaries represent a significant part of any district's expenditures, with teachers' salaries being a major portion of personnel salaries, it makes sense to base the MFP on teachers' salaries.

In the past, state study groups have suggested that the MFP be sub-divided into components, one of which should be based on the salaries of all certified staff, not just teachers. It should be remembered that for all the concerns about the current MFP (its complexity, the fact that a primary "driver" of state aid is school district spending that the state does not control directly, and the inability to distribute salary increases directly through the Level I formula, among others), the major change brought about by the

current MFP when it was implemented a decade ago was to calculate each district's cost by a set of state-determined factors while giving districts flexibility to use resources in ways they felt were best in order to fulfill the expectations of the state's accountability system. These philosophical positions have not changed as far as we know and they should be incorporated into any new MFP.

In order to make teacher salaries distinct within the MFP, it would be necessary to divide Level I of the MFP into components, which would need to include at a minimum: (1) a teacher salary component [I-A] and (2) a component for all other costs [I-B]). The use of these components does not affect Levels II and III, which could continue in some form (although, hopefully, the use of component I-A would mitigate the need for Level III).

The MFP operates as a "foundation" program, which requires the state to do the following: (1) calculate a target cost level for every district; (2) deduct a calculated amount of local support from the target cost; and (3) pay the difference between the target cost and the local support as state aid for each district. Louisiana's foundation program is stronger than many others because it calculates the target cost on the basis of district needs (taking into consideration the base cost of serving students with no special needs as well as the added costs of serving students with special needs) and because it measures the ability of districts to provide local support using both property and sales tax wealth. In the cases of both component I-A and component I-B (which together make up Level I), there would be a need to calculate a cost for each district. Our feeling is that the statewide salary schedule should be used, directly or indirectly, to calculate the target costs of both components I-A and I-B. In addition, there would need to be one or more factors that would reflect the unique situations of each school district, some of which might reflect characteristics beyond the control of districts and others of which might reflect how districts choose to pay their teachers

The following information would need to be known in order to estimate a target cost for component I-A in each district:

- (1) the actual number of teachers employed by the district (we suggest using the number who hold at least a bachelors degree);
- (2) the statewide average salary using the statewide salary schedule (based on the placement of all teachers in the state into the statewide salary schedule);
- (3) the ratio of each district's average salary to the statewide average salary (based on salaries associated with the statewide salary schedule);
- (4) each district's relative need (based on the ratio of "weighted" students to student membership using existing student weights for at-risk students, add-on vocational units, students with other exceptionalities, gifted/talented students, and economy-of-scale add-on units); and

- (5) the statewide average benefit rate for teachers (relative to salaries).

For example, if a district had 800 teachers, the statewide average salary using the statewide salary schedule was \$35,000, the ratio of the district's average salary to the statewide average (both based on the statewide salary schedule) was 1.02, the relative need of the district was 1.40, and the statewide benefit rate was 28 percent, the calculated need associated with component I-A would be \$51,179,520 (800 X \$35,000 X 1.02 X 1.40 X 1.28). If a different district had the same number of teachers and the same relative need (1.40) but it had a different distribution of teachers on the statewide salary schedule (so its ratio was .96 rather than 1.02), its calculated need would be \$48,168,960 (800 X \$35,000 X .96 X 1.40 X 1.28).

Under this approach to calculating need, a district that chose to employ more teachers relative to its student membership would have a higher need; for example if a district had the same characteristics as the first one discussed above but had 900 teachers, its calculated need would be \$57,576,960. While this calculation procedure allows districts to raise their costs based on decisions they make about employing teachers, the assumption is that districts would not be reimbursed for the full cost of component I-A; since districts would bear some portion of the burden of paying for teachers there would be some disincentive to simply hire more teachers to raise state aid.

Having calculated teacher salary-driven costs (component I-A), it is necessary to calculate non-salary related costs for every district (component I-B). While there are many ways to do this, a simple way would be as follows:

$$\text{Component I-B costs} = .60 \times \text{Component I-A calculate costs}$$

This works reasonably well when component I-A costs are based on a statewide salary schedule similar to the one discussed earlier, using \$21,235 as the base level, particularly when both the actual number of teachers employed and the student weighting factors are used. Because the starting salary would need to increase for several years, in order to produce the actual statewide salary level, the .60 factor could probably decrease somewhat over time. The value of using this simple approach is that it ties other costs to teacher salaries and, at the .60 level (or lower in the future), it makes teachers' salaries the primary determinant of costs.

Once target costs are calculated for components I-A and I-B, it would be necessary to determine the share of costs the state should pay. We believe this could be done using a formula of the following form:

$$\text{State Aid} = \text{Calculated Cost} \times (1 - [\text{Relative Wealth} \times \{1 - \text{State Aid \%}\}])$$

In this formula, "calculated cost" would be the amounts for either component I-A or component I-B, "relative wealth" would be the local wealth factor used in the current

MFP (expressed as a percentage of statewide average wealth when it is 1.000), and the “state aid %” would be a policy decision that would set the proportion of state aid for a district of average wealth. This formula is designed so that the relationship between the relative wealth of districts would determine the relative local contribution; that is, a district with 10 percent more wealth than another district would make a local contribution 10 percent higher than the other district.

The impact of the formula can be shown using a small table. Assuming that the relative wealth of most districts was between 60 percent and 140 percent of the statewide average and that state aid was set between 60 percent and 80 percent for a district of average wealth, the proportion of estimated cost the state would pay would be as follows:

	<u>Relative Wealth</u>									
	<u>60%</u>	<u>70%</u>	<u>80%</u>	<u>90%</u>	<u>100%</u>	<u>110%</u>	<u>120%</u>	<u>130%</u>	<u>140%</u>	
	<u>60%</u>	76%	72%	68%	64%	60%	56%	52%	48%	44%
<u>State</u>	<u>65%</u>	79%	75.5%	72%	68.5%	65%	61.5%	58%	54.5%	51%
<u>Aid</u>	<u>70%</u>	82%	79%	76%	73%	70%	67%	64%	61%	58%
<u>%</u>	<u>75%</u>	85%	82.5%	80%	77.5%	75%	72.5%	70%	67.5%	65%
	<u>80%</u>	88%	86%	84%	82%	80%	78%	76%	74%	72%

For districts of substantially lower or higher wealth, state aid would be higher or lower. For example, a district with 40 percent of statewide average wealth would receive 88% state support if state aid for the average wealth district was set at 70 percent. A district with twice statewide average wealth would receive 40 percent state support if state aid for the average district was set at 70 percent.

One of the advantages of using the approach is that the state could set two different levels of state share, one for component I-A and one for component I-B. For example, the state could specify that it wanted to provide 75 percent of calculated cost for component 1-A and 60 percent of calculated cost for component I-B.

Using the example described above, where calculated costs for component I-A were \$51,179,520, if that district’s local wealth factor were .80 (20 percent below statewide average wealth) and the state decided to provide 70 percent of calculated costs in a district of average wealth (where the local wealth factor was 1.00), state aid would be 76 percent of calculated cost or \$38,896,435. If the state decided to pay 60 percent of the calculated cost of component I-B, state aid would be 68 percent of calculated cost (which is 75 percent of the calculated cost of component I-A) or \$26,101,555. Therefore in that district the state would pay \$64,997,990, or about 72.5 percent of total calculated

cost. If the district had wealth that was 20 percent above average (1.20) then state aid for component I-A would be 64 percent of calculated cost or \$32,754,893 and state aid for component I-B would be 52 percent of calculated cost or \$19,960,013; in total, state aid would be \$52,714,906, or 58.8 percent of calculated cost. Looking at these figures from the local perspective, the local contribution expected if relative wealth were 20 percent above average would be 50 percent higher than the local contribution expected if the wealth were 20 percent below average (\$36.9 million versus \$24.6 million); this reflects the fact that a district with a local wealth factor of 1.2 has 50 percent more wealth than a district with a local wealth factor of .80 ($1.20/.80 = 1.5$).

The only way to really understand how such a state aid system would work would be to simulate it. We felt uncomfortable running a simulation based on the data we had used to develop the concept for a new MFP, which was for the year 2002-03. However, we did several simple runs just to see whether the approach was even close to being viable. What we found was that we could run the system and spend no more than what the state had spent that year, although a number of districts would receive less state aid, which would probably require the use of hold-harmless funding. We found that setting the level of state aid to the district of average wealth at 72.5 percent for component I-A and at 62.5 percent for component I-B worked reasonably well. However, at this point, we feel that further work would be needed to simulate the new approach with confidence.

Our feeling is that the new approach would simplify the MFP and make it very sensitive to a statewide salary schedule, both of which respond to some of the criticisms of the MFP. It is clear that making a major change in the structure of the MFP will create a whole new set of hold-harmless districts, which will need to be addressed at the time a change is made. Finally, the cost of the new approach will be driven by the statewide salary schedule; as the yearly schedule increases are phased in, costs will rise and, until the schedule approaches statewide average salary levels, the primary beneficiaries of any change will be districts that have paid lower salaries in the past. In our view, a geographic cost factor becomes even more important when the system is driven by salaries unless the sense is that similar salaries across the state are appropriate.

Creating the Framework for a Performance-Oriented Compensation System

Louisiana has already begun to move away from the traditional experience and education pay system and towards a compensation system aimed at fostering teacher preparation, school performance, and student achievement. The changes in the compensation system, however, have lagged changes in testing and accountability. Because most of the funds spent on education go to compensation, encouraging performance-oriented pay is an important step toward promoting achievement and accountability. In this section, we propose a way in which Louisiana can reorganize its compensation to create a framework that permits pay that encourages performance. Whereas changes to date have been at the margins – bonuses or pay for exemplary teachers – we propose a new framework for salary itself.

Louisiana already has in place many of the elements for a professional compensation system linked to professional development, professional evaluation, and student performance. At present, these are not related together into a single unified program but instead have discrete rationales and funding sources and criteria. APA's suggested change is to bring contingent bonuses and temporary awards into the framework of the minimum salary schedule and the MFP formula.

For example, under the current arrangement, the \$5,000 a year provided for the duration of a teacher's ten-year National Board for Professional Teaching Standards (NBPTS) certification is presently a separate legislative item. Similarly, professional evaluation and assistance in the first two years, LINCS, and 8g funding are separate, uncoordinated programs. Under current arrangements, it would be almost impossible to recognize student performance as a factor in paying teachers for a variety of reasons. For example, the statewide testing system includes noncomparable criterion-based and norm-referenced tests, so that student growth across grades can not easily be measured.

APA does not recommend moving at once to a comprehensive, unified system. Instead, we suggest bringing the existing programs into a single framework and adding to them with provisions designed to fill some of the current gaps. Some of the new programs are already used in Louisiana as part of the Teacher Advancement Program (TAP) sponsored by the Milken Family Foundation. Others resemble parts of Denver Public Schools' new ProComp system.

The contingent yearly stipends are organized into broad categories in the proposed framework, with multiple specific programs in each category. Within this framework, specific programs could be added or removed depending on measures of the program's effectiveness over time. The broad categories are: professional standards, student growth, professional development, professional duties, and market incentives.

Professional standards would include the current \$5,000 per year stipend for holding NBPTS certification. If the ten-year certification is renewed upon expiration, the stipend would continue. Professional standards could also include a yearly stipend of \$2,500 for holding professional certification above the required level in a specialty that the teacher is using in her job. Specialties vary from high school mathematics to nursing. Most specialties have professional associations that sponsor certification processes. The certifications would have to be at a step above that required to be hired for the job category that the individual holds. For example, if a tenured teacher is required to be certified in some specialty in order to remain employed by the district, certification in a specific specialty would not necessarily qualify for a stipend.

Student growth would include two types of stipends: (1) those for meeting preset statewide criteria for increases on state exams and (2) those for specific objectives set by teachers and principals. The statewide criteria would resemble those for TAP. One set of criteria would be for rewards to all certified personnel in a school, the second set would be for rewards for individual teachers.

School-based awards would be based on average student performance growth across all LEAP, GEE and Iowa tests. Growth would be measured in terms of the difference between standardized scores for two yearly tests for a student. Performance exceeding the state average growth for such a range of tests by a statistically significant (at the 95 per cent level of confidence) amount would result in a stipend. The stipends would be for \$250 per year for each certified staff member.

Teacher-based awards would be for average student performance growth across primary subject matter standardized tests (LEAP, GEE or Iowa) that exceeds the state average growth for such a test by a statistically significant (at the 95 per cent level of confidence) amount. Growth would be measured in terms of the difference of between standardized scores for two yearly tests for a student. The stipends would be for \$500 per year for the staff member who was the students' primary subject matter teacher in the fields tested.

Unlike an absolute performance level, student growth scores are more highly correlated with effective teaching than they are with student social and economic background. The major reason that student background is correlated at all with growth scores is that capable and experienced teachers may make career moves toward teaching middle class students.

Statewide standardized tests do not cover all grades and subject matters, and not all certified staff are the primary teachers of a subject tested. To provide all teachers with an incentive to focus on student growth, the state would encourage districts to set up programs in which teachers and principals jointly set two growth goals for the teacher's classes. Growth would be measured as change from the prior year to the current year or from the start of the year to the end of the year. If the district had a qualifying program approved by DOE, stipends would be for setting two rigorous student growth objectives for classes in September (\$500) and for meeting two rigorous student growth objectives for classes by May (\$ 300). The performance pay pilot study in Denver shows that setting rigorous goals has more positive impact on student performance than does meeting goals.

Professional development covers diverse programs to increase teacher skills outside a degree or certification program. These would include participation in a DOE sponsored professional development program; the stipend varies with program (INTECH, LINCS, etc.).

We also propose the creation of a new professional development program (which we call TeachLink), which would involve a set of courses (to be designed) that, in addition to the instructor-provided material, would allow teachers to test practices in the classroom, present plans to colleagues under higher education faculty guidance, and reflect on the success of their innovations; these courses would be web-based classes only available to Louisiana K-12 teachers. Development of this program would require BESE/DOE standards and coordination of efforts involving state higher education

institutions or other providers in the creation of courses. Participation in TeachLink would carry a stipend of \$1,000 per year, plus tuition. As far as we are aware, there is no such program already existing in an American state.

Professional duties normally include compensation for a host of extra duty assignments. We recommend a focus on two roles dealing with other instructors: mentoring and master teacher. These would be similar to the TAP programs. If the district has a qualifying program approved by DOE, mentoring new teachers, subject-matter colleagues, or school colleagues in diagnostic testing would carry a stipend of \$2,000 per year. Being a master teacher who coordinated instruction and curriculum for two elementary schools, a middle school, or a high school would involve a stipend of \$5,000 per year.

Market incentive pay would be provided as an incentive for teachers to remain in positions for which demand exceeds supply. There are two areas of importance that lose qualified teachers at high rates: special education and high turnover schools. APA recommends considering offering market incentives to help keep teachers in those jobs.

For teaching as a qualified special education instructor, there would be step stipends of \$500 the first year, \$1,000 the second year, \$1,500 the third year, \$2,000 the fourth and subsequent years, and \$1,000 in the first year after ceasing to be a special education instructor but remaining employed by the district. The aim is to slow the loss of highly trained teachers due to burnout without providing such a large incentive that teachers remain in a job that they can no longer perform.

For being a certified staff person in a school with 20 percent or greater turnover of certified staff the prior year we recommend step stipends of \$500 the first year, \$1,000 the second year, \$1,500 the third year, \$2,000 the fourth and subsequent years, and \$1,000 in the first year after the school ceases to have 20 percent turnover but the teacher remains employed in the school. While turnover is partly an administrative problem, the aim is to keep a sizable remnant of the staff together long enough for new administrators to improve the situation. Stipends in high turnover schools are self-limiting: if teachers still leave, the number of stipends is low; if teachers do not leave, the school is not classified as high turnover.

Taken together, these programs and categories provide stipends that encourage teachers to acquire and apply professional skills, to serve in hard to staff jobs, to focus on student growth, and to aid in developing the skills of their colleagues. They are contingent, augmenting a salary structure that should provide for an adequate compensation for the education and experience of teachers who continue to demonstrate their competence.

While a district could by itself implement parts of this program, there is an economy of scale in having statewide procedures of employing the scores of statewide tests and a uniform program for TeachLink. Many of the smaller or more rural districts would not be able to implement this type of change without state leadership.

This proposed framework does not yet have a price tag, because too many components are as yet only ideas. It would be possible to set a price tag – an increase of \$6000 in the average salary of teachers over a eight year period – and then to design a program to fit the price. In return for a major salary increase, teachers may agree to a compensation system aimed at performance. It is at this political level that this recommended program would be linked to the pay increases described in earlier recommendations. The comprehensive program, when enacted, would substantially replace the statewide salary schedule and thus its role in the MFP.

Recommendations

We recommend that the following steps be taken in order to focus attention on teacher compensation and the role of the statewide salary schedule in Louisiana.

1. The State Board of Elementary and Secondary Education (BESE) should create a study group should follow up this report by: (1) examining Louisiana's statewide salary schedule and proposing changes in its structure and parameters so as to both update it and improve its equity and (2) proposing a new MFP structure designed around the statewide salary schedule, which would also simplify it and make it sensitive to both the fiscal needs of the state's school districts and their capacities to pay a fair share of that need.
2. BESE should propose an immediate change in the statewide salary schedule that would raise the salary for a teacher with a bachelors degree and no years of experience (BA/0) to \$24,630 in 2004-05. In addition, BESE should recommend redesigning the statewide salary schedule so all cells are driven off of the BA/0 salary level using the following rules: (1) the MA/0 cell is 1.02 times the BA/0 cell, the Specialist/0 cell is 1.025 times the MA/0 cell, and the Doctorate/0 cell is 1.03 times the Specialist/0 cell and (2) each year of experience in the BA column is worth 1.0125 times the previous year, each year in the MA column is worth 1.0135 times the previous year, and each year of experience in the Specialist and Doctorate columns are worth 1.0145 times the previous year.
3. BESE should propose that until further changes are recommended the BA/0 value should rise by 7.7 percent each year for the years 2005-06 through 2008-09 so that the level of the BA/0 in 2008-09 would be \$33,140. Between 2004-05 and 2008-09, any additional cost faced by a district due to the increase in salary should be shared based on the following formula:

$$\text{state share of increased cost} = (\text{increased cost}) \times (1 - \{[\text{local wealth factor}] \times \{.50\}\})$$

4. The BESE study group should consider increasing the emphasis on teaching skills in the salary schedule by: (1) creating a pay index; (2) setting annual

increases at 1.25 percent of the index; (3) providing increases of six percent of index for an MA, an additional three percent for certification as a specialist, and an additional three percent for acquiring a doctorate; and (4) allowing step increases for senior teachers who become recertified. Should these changes be implemented prior to 2008-09, the annual increase in the BA/0 level might be set less than 7.7 percent.

5. The BESE study group should examine the implications of changing the structure of the MFP in the ways described in the report by encouraging Department of Education staff to simulate the new structure. The BESE study group will need to make recommendations about the policy factors in the new MFP based on the simulations, including factors not touched on here, such as cost of living differences among districts. The work of the BESE study group should be completed by the end of 2004 so that BESE can consider recommending the new MFP in March 2005.
6. The BESE study group should consider redesigning the statewide salary schedule in the long run in order to create a framework for performance-oriented compensation by: (1) establishing the broad program categories of "professional standards," "student growth," "professional development," and "market incentives"; (2) moving existing programs into the appropriate categories; (3) creating new student growth programs, including a yearly stipend of \$2,500 for professional certification, a stipend (one for teachers and one for schools) for significantly above average student growth on state assessments, and a salary increase for meeting student growth targets agreed to between teacher and principal; (4) creating \$1,000 a year stipends for using TeachLink, a new professional development program offering higher education courses that apply innovations in the classroom; (5) broadening the program for providing mentor and master teacher stipends; and (6) creating pay incentives for teaching in a hard-to-staff position or a hard-to-serve school. The implications of these changes would need to be examined carefully in order to understand their cost implications and potential benefits. The BESE study group should be informed by the latest research in teacher compensation and by the work going on in several school districts across the country to modify the way teachers are paid in order to tie compensation both to the knowledge and skills teachers need to be effective and to state education accountability systems.

Recommendations for Louisiana's Statewide Salary Schedule

Appendices

Appendix I: 2002-2003 Statewide Minimum Salary Schedule

Years of Experience	Two Years College	Three Years College	Bachelor's Degree	Master's Degree	Master's Plus 30*	Specialist in Education	PH.D or Ed. D.
0	11095	11801	14631	14984	14984	15516	16223
1	11270	11979	14984	15337	15337	15868	16574
2	11448	12154	15337	15692	15692	16223	16930
3	11801	12508	15692	16044	16044	16574	17461
4	12154	12863	16044	16398	16398	16930	18020
5	12508	13216	16398	16930	17016	17555	18576
6	12863	13569	16753	17461	17646	18203	19132
7	13216	14100	17107	18020	18298	18854	19689
8	13748	14631	17461	18576	18947	19502	20245
9	14277	15161	18020	19132	19595	20154	20802
10	14808	15692	18576	19689	20245	20802	21361
11	14808	15692	19133	20245	20896	21451	21918
12	14808	15692	19707	20852	21547	22099	22445
13	14808	15692	20298	21479	22194	22761	23118
14	14808	15692	20298	21479	22194	22761	23118
15	14808	15692	20298	21479	22194	22761	23118
16	14808	15692	20907	22123	22860	23445	23812
17	14808	15692	20907	22123	22860	23445	23812
18	14808	15692	20907	22123	22860	23445	23812
19	14808	15692	21534	22787	23545	24149	24526
20	14808	15692	21534	22787	23545	24149	24526
21	14808	15692	21534	22787	23545	24149	24526
22	14808	15692	22180	23469	24252	24872	25262
23	14808	15692	22180	23469	24252	24872	25262
24	14808	15692	22180	23469	24252	24872	25262
25	14808	15692	22846	24174	24979	25619	26020

Recommendations for Louisiana's Statewide Salary Schedule

Appendix II: Recommended Updated Salary Schedule

Years of Experience	BA	MA	<u>Degree</u> MA+30	Specialist	Doctorate
		<u>0.02</u>	<u>0</u>	<u>0.025</u>	<u>0.03</u>
0	1.0000	1.0200	1.0200	1.0455	1.0769
1	1.0125	1.0338	1.0348	1.0607	1.0925
2	1.0252	1.0477	1.0498	1.0760	1.1083
3	1.0380	1.0619	1.0650	1.0916	1.1244
4	1.0509	1.0762	1.0805	1.1075	1.1407
5	1.0641	1.0907	1.0961	1.1235	1.1572
6	1.0774	1.1055	1.1120	1.1398	1.1740
7	1.0909	1.1204	1.1281	1.1563	1.1910
8	1.1045	1.1355	1.1445	1.1731	1.2083
9	1.1183	1.1508	1.1611	1.1901	1.2258
10	1.1323	1.1664	1.1779	1.2074	1.2436
11	1.1464	1.1821	1.1950	1.2249	1.2616
12	1.1608	1.1981	1.2123	1.2426	1.2799
13	1.1753	1.2143	1.2299	1.2607	1.2985
14	1.1900	1.2306	1.2478	1.2789	1.3173
15	1.2048	1.2473	1.2658	1.2975	1.3364
16	1.2199	1.2641	1.2842	1.3163	1.3558
17	1.2351	1.2812	1.3028	1.3354	1.3755
18	1.2506	1.2985	1.3217	1.3548	1.3954
19	1.2662	1.3160	1.3409	1.3744	1.4156
20	1.2820	1.3338	1.3603	1.3943	1.4362
21	1.2981	1.3518	1.3800	1.4145	1.4570
22	1.3143	1.3700	1.4001	1.4351	1.4781
23	1.3307	1.3885	1.4204	1.4559	1.4995
24	1.3474	1.4072	1.4410	1.4770	1.5213
25	1.3642	1.4262	1.4618	1.4984	1.5433

Recommendations for Louisiana's Statewide Salary Schedule

Appendix II Continued

Using a BA0 of \$21,235

Years of Experience	BA	MA	<u>Degree</u> MA+30	Specialist	Doctorate
		0.02	0	0.025	0.03
0	21,235	21,660	21,660	22,201	22,867
1	21,500	21,952	21,974	22,523	23,199
2	21,769	22,248	22,292	22,850	23,535
3	22,041	22,549	22,616	23,181	23,876
4	22,317	22,853	22,944	23,517	24,223
5	22,596	23,162	23,276	23,858	24,574
6	22,878	23,474	23,614	24,204	24,930
7	23,164	23,791	23,956	24,555	25,292
8	23,454	24,113	24,304	24,911	25,658
9	23,747	24,438	24,656	25,272	26,030
10	24,044	24,768	25,013	25,639	26,408
11	24,344	25,102	25,376	26,011	26,791
12	24,649	25,441	25,744	26,388	27,179
13	24,957	25,785	26,117	26,770	27,573
14	25,269	26,133	26,496	27,158	27,973
15	25,585	26,486	26,880	27,552	28,379
16	25,904	26,843	27,270	27,952	28,790
17	26,228	27,205	27,665	28,357	29,208
18	26,556	27,573	28,067	28,768	29,631
19	26,888	27,945	28,474	29,185	30,061
20	27,224	28,322	28,886	29,609	30,497
21	27,564	28,705	29,305	30,038	30,939
22	27,909	29,092	29,730	30,473	31,388
23	28,258	29,485	30,161	30,915	31,843
24	28,611	29,883	30,599	31,364	32,304
25	28,969	30,286	31,042	31,818	32,773

Appendix III: Proposed Skill-Based Salary Schedule

Years of Experience	BA	MA	MA+30	Specialist	Doctorate
		<u>.06</u>	<u>.06</u>	<u>.09</u>	<u>.12</u>
0	1.0000	1.0600	1.0600	1.0900	1.1200
1	1.0125	1.0725	1.0725	1.1025	1.1325
2	1.0250	1.0850	1.0850	1.1150	1.1450
3	1.0375	1.0975	1.0975	1.1275	1.1575
4	1.0500	1.1100	1.1100	1.1400	1.1700
5	1.0625	1.1225	1.1225	1.1525	1.1825
6	1.0750	1.1350	1.1350	1.1650	1.1950
7	1.0875	1.1475	1.1475	1.1775	1.2075
8	1.1000	1.1600	1.1600	1.1900	1.2200
9	1.1125	1.1725	1.1725	1.2025	1.2325
10	1.1250	1.1850	1.1850	1.2150	1.2450
11	1.1375	1.1975	1.1975	1.2275	1.2575
12	1.1500	1.2100	1.2100	1.2400	1.2700
13	1.1625	1.2225	1.2225	1.2525	1.2825
14	1.1625	1.2225	1.2225	1.2525	1.2825
15	1.1625	1.2225	1.2225	1.2525	1.2825
16	1.1625	1.2600	1.2600	1.2900	1.3200
17	1.1625	1.2600	1.2600	1.2900	1.3200
18	1.1625	1.2600	1.2600	1.2900	1.3200
19	1.1625	1.2975	1.2975	1.3275	1.3575
20	1.1625	1.2975	1.2975	1.3275	1.3575
21	1.1625	1.2975	1.2975	1.3275	1.3575
22	1.1625	1.2975	1.3350	1.3650	1.3950
23	1.1625	1.2975	1.3350	1.3650	1.3950
24	1.1625	1.2975	1.3350	1.3650	1.3950
25	1.1625	1.2975	1.3725	1.4025	1.4325

Recommendations for Louisiana's Statewide Salary Schedule

Appendix III Continued

The minimum schedule for a BA/0 and index pay of \$21,235 is below.

Index Pay: \$21,235	BA	MA	Specialist	Doctorate
Years of Experience		<u>.06</u>	<u>.09</u>	<u>.12</u>
0	\$ 21,235	\$ 22,509	\$ 23,146	\$ 23,783
1	\$ 21,500	\$ 22,775	\$ 23,412	\$ 24,049
2	\$ 21,766	\$ 23,040	\$ 23,677	\$ 24,314
3	\$ 22,031	\$ 23,305	\$ 23,942	\$ 24,580
4	\$ 22,297	\$ 23,571	\$ 24,208	\$ 24,845
5	\$ 22,562	\$ 23,836	\$ 24,473	\$ 25,110
6	\$ 22,828	\$ 24,102	\$ 24,739	\$ 25,376
7	\$ 23,093	\$ 24,367	\$ 25,004	\$ 25,641
8	\$ 23,359	\$ 24,633	\$ 25,270	\$ 25,907
9	\$ 23,624	\$ 24,898	\$ 25,535	\$ 26,172
10	\$ 23,889	\$ 25,163	\$ 25,801	\$ 26,438
11	\$ 24,155	\$ 25,429	\$ 26,066	\$ 26,703
12	\$ 24,420	\$ 25,694	\$ 26,331	\$ 26,968
13	\$ 24,686	\$ 25,960	\$ 26,597	\$ 27,234
14	\$ 24,686	\$ 25,960	\$ 26,597	\$ 27,234
15	\$ 24,686	\$ 25,960	\$ 26,597	\$ 27,234
16	\$ 24,686	\$ 26,756	\$ 27,393	\$ 28,030
17	\$ 24,686	\$ 26,756	\$ 27,393	\$ 28,030
18	\$ 24,686	\$ 26,756	\$ 27,393	\$ 28,030
19	\$ 24,686	\$ 27,552	\$ 28,189	\$ 28,827
20	\$ 24,686	\$ 27,552	\$ 28,189	\$ 28,827
21	\$ 24,686	\$ 27,552	\$ 28,189	\$ 28,827
22	\$ 24,686	\$ 27,552	\$ 28,986	\$ 29,623
23	\$ 24,686	\$ 27,552	\$ 28,986	\$ 29,623
24	\$ 24,686	\$ 27,552	\$ 28,986	\$ 29,623
25	\$ 24,686	\$ 27,552	\$ 29,782	\$ 30,419