



PERFORMANCE INCENTIVES FOR SCHOOL ADMINISTRATORS

Background

When state policymakers and district leaders pilot performance incentives, they signal the behaviors and outcomes that they value. The rewarded behaviors and outcomes take several forms, as described below.

Districts usually implement principal performance pay systems at the urging of state policymakers or as part of grant-funded efforts. This briefing summarizes research about the efficacy of district approaches, describes state laws in place, and offers three considerations for state policymaking.

Legislative Request

Will SREB share research studies and state policies that address performance incentives, especially those tied to the recruitment and retention of effective principals?

What Does the Research Say?

SREB has analyzed five studies related to principal compensation and performance incentives. Not surprisingly, the research scan shows that fewer studies exist for principal performance pay than for teachers.

The studies provide guidance on how to design principal incentive strategies and to construct the measures that rate administrator performance. In the studies analyzing district strategies, researchers emphasize the importance of involving administrators in system design and implementation.

Several of the studies find that ambiguity of purpose and miscommunication about key processes affected principal attitudes toward the district strategies. Two of the five studies also address concerns over the reliability of student achievement data in rating principals' performance and the lack of precision in defining the principal's role in bringing about desired outcomes.

While these concerns do not disqualify the development of administrator performance systems, they demonstrate the challenges of constructing district compensation systems with quality and the importance of aligning potential measures with existing school improvement principles and state policy priorities.

Research Addressing District Performance Systems

Mathematica produced a [2015 study](#) analyzing the implementation of district pay-for-performance systems. The study compares educator and student outcomes between Teacher Incentive Fund (TIF) schools with pay-for-performance arrangements and a set of control schools. Administrators in control schools received an automatic bonus that did not require demonstration of leadership effectiveness.

RAND Corporation produced a [similar study in 2012](#) that focuses on one district strategy, the Pittsburgh Principal Incentive Program. Pittsburgh's plan provided \$2,000 permanent salary increases based on principal performance and annual bonuses of up to \$10,000 based on school and student achievement measures. Student achievement increased in high-need schools and for low-performing students. In both cases, the researchers attribute these developments to the design of the bonus.

The Mathematica study found that only 30 percent of districts in the sample awarded principal bonuses that were challenging to earn and consequential enough in size to engender the changes in practice envisioned by district system designers. The RAND study analyzed a program that demonstrated moderate success, but achievement gaps persisted. Surveys reported uneven understanding about specific supports and the overall performance pay structure. While these studies show that districts can pull off performance incentives, their leaders need to ensure principals understand performance expectations and that they have the resources and time to reach them.

What Measures Could States and Districts Use?

A [study](#) by the Center for Educator Compensation Reform (2009) analyzed the principal compensation plans pursued by Teacher Incentive Fund (TIF) grantees. Each plan incorporated one or more of the attributes found in Table 1 to create an incentive-based system.

Table 1. Attributes of Principal Performance Incentives	
Behaviors	Outcomes
<p><i>Recruitment & Retention</i></p> <ul style="list-style-type: none"> • Takes position at a low-performing school • Stays in the position <p><i>District and Peer Leadership</i></p> <ul style="list-style-type: none"> • Mentors aspiring administrators • Coaches current administrators • Participates on district panels, committees <p><i>Professional Growth</i></p> <ul style="list-style-type: none"> • Completes professional learning activities • Acquires advanced endorsements, certifications 	<p><i>School-Based Metrics</i></p> <ul style="list-style-type: none"> • Attains specific accountability goals • Achieves school/district improvement targets <p><i>Principal Effectiveness</i></p> <ul style="list-style-type: none"> • Demonstrates effectiveness via leader evaluation • Meets professional growth goals, as determined by principal and district evaluator

Benefits and Drawbacks of Using Student Achievement Data

The National Center for Education Evaluation (2016) released a [report](#) that analyzed whether four performance metrics predicted the principal’s contribution to student achievement. Within-year student achievement measures did not predict “principals’ contributions to student achievement in the following year” (p. ii). Researchers found that value-added and adjusted value-added measures were more accurate metrics for measuring principal performance, but that only one-third of the variance in value-added ratings was based on the principal’s contribution. These findings caution against test-based measures as the sole criterion for performance compensation. However, value-added data could prove helpful when bundled with other non-test measures.

A [study](#) published in *Educational Evaluation and Policy Analysis* (2015) used student achievement data from a large urban district to test three models for measuring principal performance. The first model measures school performance during a principal’s tenure, while the second model compared achievement over time for principals in the same school. The third and final model measures school improvement over time and qualifies the principal’s role in bringing about this change. While the researchers found the third model most conceptually appealing, they found it difficult to separate principal contributions from other school-based effects. The researchers caution against the use of student test scores as the sole measure of principal performance, especially because it could “have the unintended consequence of further exacerbating the relative attractiveness of leadership positions in high-performing and low-performing schools” (p. 22).

SREB State Policies

Numerous SREB states have experimented with performance incentives. SREB has organized state policies into three categories: laws requiring performance pay, laws authorizing incentives, and programs authorized by state laws that are currently unfunded.

States Requiring District Action

- **Florida** law ([§ 1012.22](#)) requires local school boards to adopt performance salary schedules for teachers and administrators based on results of district performance evaluation. Districts set *salary adjustments* for highly effective or effective performance and *salary supplements* for assignment in Title I school, assignment to low-performing school, or assignment of additional responsibilities.
- **Louisiana** law ([LRS 17 § 418](#)) requires districts to create salary schedules for teachers and administrators based on three areas: *effectiveness* (as measured by Compass ratings), *demand* (assignment to high-need and/or hard-to-staff schools), and *experience* (service time). The SEA has provided a [summary](#) for districts and educators.
- **Tennessee** law (TCA § 49-3-306h) requires districts to develop differentiated pay plans for teachers *but not for administrators*.

Laws Authorizing State and/or District Action

- **Arkansas** law ([ACA § 6-17-1601](#) et seq.) authorizes the State Board of Education to develop rules for the Master Principal Program. The Arkansas Leadership Academy operates the [program](#). The program requires participating administrators to progress through three phases before receiving the Master Principal designation. The principal will receive an annual supplement of \$9,000. Also, the program rewards principals by giving “hold-back longevity bonuses” for principals that remain in high-need schools for at least three years.
- **Delaware** administrative rules ([Title 14, § 100](#)) authorize districts to use federal, state, or local funding to “provide performance incentives for teachers and principals based in significant part on student achievement.” The same section allows Partnership Zone schools to develop retention and employment incentives, as long as the SEA or district approve the arrangement through a Memorandum of Understanding.
- **Kentucky** law ([KRS § 157.390](#)) authorizes the appropriation of funds to provide salary supplements for teachers or administrators who serve as mentors, teacher partners, or professional development leaders. Kentucky administrative rules (702 KAR § 3:310) create a system of differentiated compensation and describe the factors that districts can use in their models.
- **Mississippi** law (Miss. Code Ann. § 37-19-9) established a performance-based compensation pilot for four school districts. The law provides required criteria for developing a statewide performance compensation system. Another section (§ 37-19-7) indicates that performance-based pay will occur only after full funding of the Mississippi Adequate Education Program.
- **Virginia** law ([Code of Virginia § 22.1-318.2](#)) authorizes local school divisions to submit strategic compensation models to attract and retain effective teachers. Currently, the program *does not award* performance pay to school administrators.

Active Laws but Inactive Programs

- **Georgia** law ([OCGA § 20-2-214.1](#), p. 14-15) authorizes the State Board of Education to establish the High Performance Principals program to recruit and retain highly effective administrators in low-performing schools. The Georgia Department of Education [sent out a 2008 press release](#) recognizing principals who received this distinction.
- **Maryland** law (Md. ED Code Ann. § 6-116) creates the Principal Fellowship and Leadership Development Program and authorizes the State Board of Education to set criteria for selection of fellows and receiving schools. If funded by state appropriations, fellows would receive a \$20,000 annual stipend.
- **Texas** law ([Ed. Code § 21.357](#)) authorizes the Commissioner of Education to design a system of principal performance incentives that awards high-performing administrators in the top two quartiles. If funds are appropriated in the current biennium, eligible principals will receive \$2,500 or \$5,000.

Position Statements from National Association of Secondary School Principals

NASSP has released a 13-point policy statement ([link](#)) on performance-based compensation for principals. Highlights include the following:

1. States should develop guidelines on performance incentives and process for districts to participate in the program, including the timeline for state approval
2. Districts should align their performance pay systems with school and district improvement plans
3. Performance pay frameworks should include multiple measures of principal effectiveness and leadership that correlate with state standards of college and career readiness
4. Recommended measures for assessing principal performance include self-assessments, documentation of instructional leadership, evaluations by central office and teachers, and teacher retention rates.

Three Considerations

1. State legislators can support thoughtful design and implementation of performance systems by setting state priorities and clarifying the state department and district roles in executing the strategy.
2. The design of district systems, the construction of specific measures, and communication with school administrators require significant effort. In particular, ambiguity of purpose and lack of understanding in how to achieve performance objectives could erode administrator confidence in the performance pay strategy.
3. Piloting the strategy in a several districts based on multiple factors, including district size, geography, school achievement levels, and human resource capacity could help state policymakers identify implementation challenges before allowing all school districts to apply for state funds.

For More Information

SREB is here to serve the State of North Carolina. If you have any more questions related to teachers and principals, please contact the Educator Effectiveness team!

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Appendix: Research Findings

Evaluation of the Teacher Incentive Fund: Implementation and Impacts of Pay-for-Performance

The [Mathematica Policy Research study](#) (2015) analyzes the implementation of district pay-for-performance systems. The study compares educator and student outcomes between schools with pay-for-performance arrangements and a set of control schools in which educators received an automatic bonus.

In the second year of implementation (SY 2012-13), fewer than “30 percent of districts awarded bonuses for principals that were differentiated, substantial, or challenging to earn” (p. 1). The researchers found that most principals received bonuses based on a single school-wide student achievement and two observations.

Nearly 80 percent of principals rated low on student achievement measures received at average or above average scores on the observation instrument. In combination with the low bonus amount provided to school principals relative to their base salaries, the study concludes that it is “unclear whether the actual structure of the bonuses would have provided educators with an incentive to modify their classroom or school practices” (p. 14).

Improving School Leadership through Support, Evaluation, and Incentives

The [RAND Corporation study](#) (2012) describes the Pittsburgh Principal Incentive Program, which provided \$2,000 permanent salary increases based on principal performance and annual bonuses of up to \$10,000 based on school and student achievement measures. Student achievement increased in high-need schools and for low-performing students. In both cases, the researchers attribute these developments to the design of the bonus formula, which provides extra compensation for principals who are in high-need schools or preside over growth among low-performing students. In fact, the model privileges growth among lower performers more than modest increases among already proficient students.

Even with these findings, poverty and racial achievement gaps persisted. Surveys reported uneven understanding about specific supports and the overall performance pay structure. For these continuing challenges, authors recommend that district leaders (1) develop strategies that differentiate principal performance, (2) monitor the effect of the bonus structure on reducing achievement gaps, and (3) assess how to give principal concrete tools and more time to engage in practices associated with increased school effectiveness.

Principal Compensation and Performance Incentives: Guide to Implementation

A [study](#) by the Center for Educator Compensation Reform (2009) analyzes the principal compensation plans pursued by Teacher Incentive Fund (TIF) grantees. The study recommends a system that includes multiple measures of principal performance, most of which should correlate to growth in teacher quality and student achievement. The briefing highlights state and district strategies that created performance incentives for school administrators.

Can Student Test Scores Provide Useful Measures of School Principals' Performance?

The National Center for Education Evaluation and Regional Assistance (2016) released a [report](#) that analyzed the degree to which four performance metrics predicted the principal's contribution to student achievement. Average achievement produced principal ratings based on end-of-year test scores, while school value-added looked at student achievement over time. Adjusted measures of student achievement and value-added recognized principals that exceeded expectations based on the school's past performance on these metrics.

Within-year student achievement measures did not predict “principals' contributions to student achievement in the following year” (p. ii). Researchers found that value-added and adjusted value-added measures were more accurate metrics for measuring principal performance, but that only one-third of the variance in value-added ratings was based on the principal's contribution. These findings caution against test-based measures as the sole

criterion for performance compensation. However, value-added data could prove helpful when bundled with other non-test measures.

Using Student Test Scores to Measure Principal Performance

A [study](#) published in *Educational Evaluation and Policy Analysis* (2015) used student achievement data from a large urban district to test three models for measuring principal performance. The first model measures school performance during a principal's tenure. The second model compares school performance under the current principal to that of previous administrators. The third and final model measures school improvement over time and qualifies the principal's role in bringing about this change.

The first and second models overestimate the impact of principals on educator and student outcomes, but include fewer data requirements than the third approach. While the third model attempts to measure year-over-year improvement, it requires principals to stay in their position for multiple years. Also, the researchers are uncertain that the third approach has a practical use, especially since "the improvement measures are so noisy" (p. 21). The researchers caution against the use of student test scores as the sole measure of principal performance, especially because it could "have the unintended consequence of further exacerbating the relative attractiveness of leadership positions in high-performing and low-performing schools" (p. 22).