



**Teacher Incentive Fund
Notice of Final Priorities, Requirements, Definitions, and Selection Criteria
and Application Notice**

The U.S. Department of Education (USED) published in the May 21, 2010, Federal Register a notice of final priorities, requirements, definitions, and selection criteria ("the notice") for the Teacher Incentive Fund (TIF). It also published a notice inviting applications for new TIF awards for FY 2010, with an application deadline of July 6, 2010. (Applicants are also requested to notify USED of their intent to apply by June 1, 2010.) In FY 2010, new TIF grant awards will be made by USED with funds appropriated under the American Recovery and Reinvestment Act of 2009 (ARRA) and the regular appropriation for Fiscal Year 2010. USED's application notice indicates that of the \$600M available from these two sources, about \$437M will be available for new TIF awards, with the remaining funds awarded to continue previously funded projects and to implement national evaluation, technical assistance, training, and management activities.

The notice makes relatively modest changes from the proposed priorities, requirements, definitions, and selection criteria published for public comment on February 26, 2010. Also, the final notice does not make significant revisions in the purpose and scope of the current TIF program, but, through detailed priorities and requirements, aims to align the program with teacher effectiveness policies embedded in the ARRA's Race to the Top Fund, State Fiscal Stabilization Fund, and Title I School Improvement Grants. In addition, USED seeks to evaluate specific teacher and principal compensation models by adding detailed requirements on project design for applicants that seek to receive larger awards in exchange for participating in a national evaluation of the program mandated in the ARRA.

Overview

General

The TIF program supports projects that develop and implement performance-based compensation systems (PBCSs) for teachers and principals and other school personnel in order to increase educator effectiveness and student achievement in high-need schools.¹ Eligible applicants include local educational agencies (LEAs), including charter schools that are LEAs; states; and partnerships of an LEA, a state, or both with at least one non-profit organization. Under the FY 2010 appropriations act and ARRA – (a) TIF funds must be used to develop and implement in high-need schools PBCSs that (i) consider student achievement gains as well as

¹ High-need schools are defined in the notice as schools with 50% or more of their enrollment from low-income families (with provision for middle and high schools to establish eligibility based on data from their feeder schools).

classroom evaluations conducted multiple times during each school year; and (ii) provide educators with incentives to take on additional responsibilities and leadership roles; (b) the PBCS must be developed with input of teachers and school leaders in the schools and LEAs to be served; and (c) applications must include a plan for the financial sustainability of the project once the grant has expired. While TIF funds may be used for financial performance incentives for teachers and principals only in high need schools identified in the application, these funds also may be used for activities for the entire LEA such as developing or improving systems and tools (e.g., teacher evaluations and tools to measure student achievement growth to enhance the quality of the PBCS); professional development; evaluation and research analysis; and data system enhancement or development.

Grants will be made for a period of up to five years, with an anticipated start date of October 1, 2010. The notice estimates that 40-80 grant awards will be made ranging from \$5M to \$10M and averaging \$7.5M.

The proposed notice would have prohibited use of grant funds to support schools already served or to be served by current TIF grants. However, the final notice permits use of new grants in schools already served or to be served by current TIF grants, but only to expand existing PBCSs to cover new categories of staff in those schools; e.g., expanding a current PBCS that only includes teachers to cover principals as well. (Newly funded PBCSs must serve both teachers and principals and may also include other school personnel.) In addition, the final notice adds a new competitive priority worth 2 points for nonprofit organizations that are current grantees and that propose to work with SEAs and LEAs that they did not work with under their prior TIF grants and for any applicant that has not previously received a TIF grant.

Two Competitions

Consistent with provisions in the ARRA that require a national evaluation, the notice provides for two separate competitions: the "Main TIF competition" to support implementation of PBCSs and the "TIF Evaluation competition," which will provide enhanced funding of at least \$1M per grant to support implementation of PBCSs in exchange for an agreement to participate in the national evaluation. Under the ARRA, the national evaluation – conducted by USED's Institute of Education Sciences (IES) in a select group of PBCSs in one or more LEAs – must use a randomized controlled methodology to the extent feasible, meaning that IES must ensure adequate participation of a "treatment group" of schools and a "control group" of schools in the evaluation.

Applicants may apply for either the Main TIF competition or the TIF Evaluation competition. However, selections for TIF Evaluation grants will be made first, so those applications that are not selected as part of that competition will automatically be reviewed for funding as part of the Main TIF competition (without submitting a separate application). Subject to several additional requirements applicable to the TIF Evaluation competition, the priorities, requirements, definitions, and selection criteria are the same for both competitions.

Priorities

The notice includes six priorities for both the Main TIF competition and the TIF Evaluation competition:

- Priority 1: (An "Absolute priority," meaning the application must meet this priority to be funded): The project must provide differentiated levels of compensation for effective teachers and principals in high-need schools. In determining teacher effectiveness, the LEA must give significant weight to "student growth" (defined consistent with the Race to the Top definition) based on objective student performance data; must include observation-based assessments of teacher and principal performance at multiple points in the year by evaluators trained in using objective, evidence-based rubrics; and may include other measures such as evidence of leadership roles that enhance the effectiveness of other teachers. In determining principal effectiveness, the LEA must give significant weight to student growth and may include supplemental measures such as high school graduation and college enrollment rates. Applicants are expected to justify the sufficiency of proposed incentive amounts to change the behavior of current and prospective teachers and principals.
- Priority 2: (Absolute priority): Fiscal Sustainability of the PBCS The application must project the costs of developing and implementing the PBCS, during the project period and beyond, and provide evidence of the LEA's commitment to provide performance-based compensation to teachers and principals and, as applicable, other school personnel who earn it. It also must provide evidence that the applicant will provide an increasing share of performance-based compensation over the course of the 5-year project.
- Priority 3: (Absolute priority): Comprehensive Approaches to the PBCS The application must provide evidence that the proposed PBCS is aligned with a coherent and integrated strategy, including use of data and evaluations for professional development and retention and tenure decisions to strengthen the educator workforce during and after the end of the TIF project.
- Priority 4: (A "Competitive priority," earning up to 5 extra points): Use of Value-Added Measures of Student Achievement² To meet this priority, the applicant must demonstrate the value-added measure of impact on student growth to be used as a significant factor in calculating differentiated levels of compensation and include a plan to ensure it has the capacity to (1) implement the value-added model and (2) clearly explain the model to teachers to enable them to use data generated by the model to improve classroom practices.
- Priority 5: (Competitive priority, earning up to 5 extra points): Increased Recruitment and Retention of Teachers in Hard-to-Staff Subjects and Specialty Areas in High-Need Schools To meet this priority, the applicant must demonstrate that the proposed PBCS

² The notice does not include a separate definition of value-added measures, but USED has described these measures as seeking to statistically isolate the contribution of teachers and principals to growth in student achievement from other factors contributing to student achievement growth, including prior student achievement and student and family characteristics.

is designed to assist high-need schools to serve high-need students (defined to include students at risk of educational failure or otherwise in need of special assistance) and retain and recruit effective teachers in hard-to-staff subjects and specialty areas (such as math, science, special education, & English language acquisition) and also demonstrate that they will implement a process for communicating to teachers which of the LEA's schools are high-need and which subjects and specialty areas are hard-to-staff.

- Priority 6: (Competitive priority, earning up to 2 extra points): New applicants to the TIF To meet this priority, the applicant must not have previously been awarded a TIF grant, or, in the case of a nonprofit organization that previously received TIF funding in partnership with one or more LEAs or SEAs, must be applying to work with a different group of LEAs or SEAs than it worked with under any previous TIF grant and may not use TIF funds to implement a PCBS in LEAs and high-need schools already served under a TIF grant.

Requirements – Main TIF Competition

The notice includes requirements designated as applicable to the Main TIF competition. All applicants, including applicants for the TIF Evaluation competition, must meet these requirements.

Each applicant must —

- Describe how the proposed PBCS will provide incentives for educators to take on additional responsibilities and leadership roles;
- Have five core elements of its PBCS in place, or, if not, it must implement a planning period of up to one year of the project to develop the core elements it lacks before using TIF funds to provide incentive payments.³ These elements include: (1) A communication plan about the PBCS for teachers, administrators, other personnel, and the community-at-large; (2) The involvement and support of teachers, principals, and other personnel, including unions that are exclusive representatives for collective bargaining needed to carry out the grant; (3) Rigorous, transparent, and fair evaluation systems for teachers and principals that use multiple rating categories to differentiate effectiveness, taking student achievement growth into account as a significant factor and using a classroom observation process that meets several requirements; (4) A data-management system that can link student achievement data to teacher and principal data systems (compliant with FERPA and state and local privacy laws); and (5) A plan to ensure that teachers and principals understand the specific measures of effectiveness included in the PBCS and to provide them with professional development to use data under these measures to improve their practice.

³ Differentiated pay (and an across-the-board salary increase required for control schools under Evaluation projects (See section below on Evaluation projects)) would be implemented starting in school year 2010-11 for applicants that have all 5 core elements in place. Other LEAs would implement differentiated pay (as well as an across-the-board salary increase for control schools) beginning in school year 2011-12.

- Provide high quality professional development,⁴ targeted to identified areas of need, to participating teachers and principals that meets specific requirements in the notice;
- Document with school-level data that all participating schools are high-need schools.
- If the applicant is involved in a current TIF project, confirm that the proposed PCBS would be available to educators in high-need schools in which there is no available PCBS; or, if the current project serves only principals or only teachers, that the proposed project would add teachers or principals in high need schools who are not eligible for performance-based compensation under the current TIF project.

Selection Criteria

Selection criteria applicable to both the Main TIF competition and the TIF Evaluation competition (with maximum competitive points for the FY 2010 competition indicated for each criterion) include:

- Need for the project (10 points), based on teaching staff and student achievement in the high-need schools proposed for the project.
- Quality of the project design (60 points), including the methodology to determine effectiveness of teachers and principals (and other personnel, if applicable) and the clarity of the applicant's definition of effectiveness; the sufficiency of the performance awards; support for the project from teachers, principals, unions, etc.; the rigor, transparency, and fairness of the evaluation system; quality of the data system; and the high quality of professional development;
- Adequacy of support for the proposed project (25 points), including the quality of the management plan, the quality of key staff, financial support for the project from other sources; and the reasonableness of the proposed budget.
- Quality of Local Evaluation (5 points), as proposed by the applicant, including strong and measurable performance objectives, evaluation data, and evaluation feedback to promote continuous improvement. All applicants should address this criterion, but for purposes of the TIF Evaluation competition, the score for this part of the application will not be used to rank the application, and TIF Evaluation grantees will not be required to conduct a local evaluation.

TIF Evaluation Competition

As noted above, the notice implements a statutory requirement for a national evaluation of the program by selecting some grantees as participants in the evaluation. The notice includes more prescriptive provisions related to the design of these projects to ensure an effective evaluation. The notice also provides for the IES evaluator (Mathematica Policy Research) to impose a specific implementation plan and, using a lottery, to select schools that will provide performance incentive payments to teachers and principals and control schools that will participate in other aspects of the program but not provide performance incentive payments.

⁴ High quality professional development is defined in Sec. 9101(34) of the Elementary and Secondary Education Act to involve sustained, intensive, classroom-focused activities, subject to additional detailed requirements.

Comparison Design

The proposed notice had described two possible comparison designs that might be used in the evaluation: one with control schools that made across-the-board salary increases of an amount equivalent to the expected average payout in the differentiated performance incentive payment; and the other, without such across-the-board increases but with other non-performance pay components of the BBCS such as professional development and incentives for leadership roles and for taking on additional responsibilities. However, the final notice requires an applicant under the Evaluation competition to agree to implement its differentiated effectiveness incentive component of the PBCS and, in control schools selected by lottery, a 1% across-the-board annual bonus. It also deletes a proposed requirement of matching for the across-the-board salary increase.

Evaluation Requirements

In addition to the requirements and priorities for the Main TIF competition, which also apply to the TIF Evaluation competition, the following requirements apply specifically to the TIF evaluation competition:

- Budget: Grantees under the TIF evaluation competition are eligible to receive a minimum of an additional \$1M for participating in the Evaluation over the 5-year grant period for four pairs of schools selected to participate in the evaluation, and an additional \$250K for each additional pair of schools participating in the evaluation, up to a maximum additional award of \$2M. These funds could be used only for TIF-related activities such as release time for teachers to attend professional development; salaries of academic coaches and master, mentor, or lead teachers; support for PBCS costs that otherwise would be paid with non-TIF funds, and costs of participating in the national evaluation. The application must include a proposed budget indicating how these funds will be used.
- Individual or Group Incentives: The proposed PBCS must provide incentive payments to both teachers and principals, using, for teachers, either an individual-based incentive pay model that awards differentiated pay based on the performance of individual teachers or a mixed-group incentive pay model that awards differentiated pay based on group performance criteria at the grade, team, or school level (or using a mixture of group and individual performance criteria).
- Incentive Amounts: The application must demonstrate, for both teachers and principals, that the average differentiated payout is substantial (e.g., 5% of average teacher or principal salary, as applicable); that the criteria for differentiated performance incentive payments are challenging; and that there is an expectation of meaningful differences in resulting pay (e.g., at least some teachers and principals could reasonably expect to receive an incentive payment of 3 times the average payout for teachers or principals (as applicable)).
- Implementation of Evaluation: The application must include an agreement to work with the IES evaluator in notifying all participating schools at least 2 months prior to implementation (this requirement will be waived for grantees that will implement their

PBCS in school year 2010-11, consistent with the evaluator's assigned groups) and to implement the applicant's differentiated performance incentive component in at least one LEA in accordance with the implementation plan developed by the IES evaluator and must identify the schools to participate in the evaluation. The application also must acknowledge that the IES evaluator will select, by lottery, from among those schools participating in the evaluation, those schools that will implement the differentiated performance incentive component and those school that will serve as control schools within the same LEA. Control schools may not implement differentiated pay for the duration of the project.

- Scope of Schools: An applicant for the TIF Evaluation competition must demonstrate that it will implement a PBCS in 8 or more high-need schools within an LEA that have students in tested subjects or grades (grades 3 through 8), with at least 2 schools proposed to participate in the evaluation within the same grade configuration in the same LEA. Based on USED concerns as to the complexities and reliability of evaluating performance based compensation at the high school level, the notice excludes high schools from the Evaluation grants. Applicants that include multiple LEAs must meet this scope requirement in at least one LEA. A consortium of small LEAs or an intermediary unit that is an LEA under state law does not have to have 8 eligible schools in a participating LEA, provided that the consortium or intermediary unit coordinates the project (the minimum number of schools is still 8.) USED will use the number of eligible schools, up to 16 per LEA, that a successful applicant makes available for the TIF evaluation.
- Commitment to Evaluation: Letters of commitment to participate in the evaluation must be provided from designated officials.

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