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### Strategic Compensation Policy 5.600

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#### The Background:

T.C.A § 49-3-306(h), adopted by the General Assembly in 2007, requires all school districts to adopt and implement differentiated pay plans to aid in staffing hard-to-staff subject areas and schools and attracting and retaining highly qualified teachers. Due to the limited funding flexibility in the state minimum salary schedule at the time of original adoption, this policy was never enforced by the Department of Education. In June 2013, the State Board of Education, after more than a year of discussion and research, revised the structure of the state's minimum salary schedule to allow districts more flexibility to redesign salary schedules and implement differentiated pay plans. The Board created and adopted guidelines for differentiated pay plans to provide additional clarity for the law. The Board approved the following differentiated pay guidelines:

1. Districts may reward teachers who teach in high needs schools or high needs subject areas.
2. Districts may reward teachers for performance based on State Board approved evaluation criteria.
3. Districts may choose to give additional compensation to teachers who take on additional instructional responsibilities (i.e. teacher mentors, instructional coaches).
4. Districts may choose to adopt alternative salary schedules in order to meet requirements of the differentiated pay policy.

All districts developed and began implementing differentiated pay plans that incorporated at least one of these principles in the 2014-15 school year. Moving into the third year of differentiated pay implementation, the majority of districts are implementing plans with minimal reach and impact to teachers. However, districts are in the fifth year of implementing the state-wide evaluation system, which provides districts with access to data that can strengthen human capital decision making and inform differentiated pay plans.

The department recognizes that a strong differentiated pay plan is one component of a comprehensive talent management strategy for ensuring there is an effective teacher in every classroom. *Tennessee Succeeds*, the department's strategic plan, outlines the importance of aligning data based decision making with human capital decisions in two priority areas: All Means All and Educator Support.

This new policy codifies existing guidance passed by the State Board regarding differentiated pay and puts forth a revised and more clearly defined set of differentiated pay criteria. In addition the policy also formalizes the approval process and recommends a formal approval cycle for alternative salary schedules.

Based on feedback received from stakeholders after first reading, one clarification has been made in section 1.d. to clarify "trend analysis of educator effectiveness data."

**The Fiscal Analysis Impact:**

T.C.A. § 49-1-212 requires that the department prepare a fiscal analysis of any policy, rule, or regulation proposed to the State Board. This item has no financial impact on an LEA. Implementation of differentiated pay is an existing requirement of all districts. Districts can use any federal, state, and local monies to fund differentiated pay as well as taking advantage of the state minimum salary schedule flexibility to shift funds allocation in future years.

**The Recommendation:**

The Department of Education recommends adoption of this item on final reading. The State Board staff concurs with this recommendation.