



**Ninety-Seventh Legislature - First Session - 2001**  
**Committee Statement**  
**LB 305**

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**Hearing Date:** 1/29/01  
**Committee On:** Education

**Introducers:** (Education Committee, Wehrbein)  
**Title:** Change teacher salary, the mentor teacher program, and the Master Teacher program provisions

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**Roll Call Vote – Final Committee Action:**

- Advanced to General File
  - X Advanced to General File with Amendments
  - Indefinitely Postponed
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**Vote Results:**

6	Yes	Senators Brashear, Price, Wickersham, Suttle, Raikes, Coordsen
1	No	Senator Maxwell
1	Present, not voting	Senator Stuhr
0	Absent	

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**Proponents:**

Senator Ron Raikes  
 Duane Obermier  
 Chris Nelson  
 John Bonaiuto  
 Ann Nickerson  
 Jim Griess  
 Joe Higgins  
 Tom Whalen  
 Justin Wagner

**Representing:**

Introducer  
 Nebraska State Education Association  
 Nebraska Council of School Administrators  
 Nebraska Association of School Boards  
 Nebraska Parent/Teachers Association  
 Nebraska State Education Association  
 Task Force Member  
 Task Force Member  
 Citizen

**WRITTEN:**

Freida Lange  
 Greg Ruehle  
 Joe Golden

Nebraska Association for the Gifted  
 Nebraska Farm Bureau  
 Children and Family Coalition of Nebraska

**Opponents:**

Marvin Fritz  
**WRITTEN:**  
 D'Anne Welch

**Representing:**

Citizen  
  
 Citizen

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**Neutral:**

Stephen Scherr, Chair  
Joel Scherling for Don Lambert, Chair

**Representing:**

State Board of Education  
Department of Education  
Excellence in Education Council

**WRITTEN:**

Brad Cabrera

Nebraska Rural Community Schools Association

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**Summary of purpose and/or changes:**

Legislative Bill 305 is the implementing legislation for the recommendations of the Teacher Salary Task Force. The eight recommendations that are included in this proposed legislation are:

1. Create the Professional Teacher Incentive program with state funding for salary supplements;
2. Include an extended contract allowance in the state aid formula to provide funding with a maximum based on 5 additional contract days for every teacher in the district;
3. Fund the Master Teacher Program at \$2,500 per year for qualified teachers;
4. Fund the Attracting Excellence to Teaching Program to provide \$2,500 per year forgivable loans for teacher education students, particularly in subject shortage areas;
5. Expand and fund the teacher mentoring program to include all first-year teachers and second and third-year teachers who wish to participate and to provide for mentor training;
6. Create a Teacher Recognition Task Force to examine current teacher recognition programs and the need for a state-sponsored teacher recognition program;
7. Develop and implement a pilot project through an E.S.U. for evaluating teacher performance according to a performance model and providing performance pay based on the evaluations; and
8. Provide an exception to the limit on general fund operating expenditures for teacher salaries and benefits that can be taken twice within a 5 year period.

An additional recommendation was to ask the 3R Task Force to consider recommending a proposal for restructuring teacher certification to reflect skill- and knowledge-based concepts. The 3R Task Force was appointed by the State Board of Education pursuant to a grant from the federal government to look at the recruitment, retention, and renewal of teachers. The 3R Task Force did not choose to include this proposal in their final recommendations.

**Professional Teacher Incentive Program**

The Professional Teacher Incentive Program would provide salary supplements for all teachers employed by school districts or educational service units. For the purposes of this provision, teacher means any certificated employee who is not performing administrative functions. However, full-time equivalencies may be used to prorate supplements for part-time teachers and for administrators who also teach children as part of their employment responsibilities. The payments would supplement locally negotiated agreements and would be required not to supplant funds from other local, state, or federal sources.

The supplements would be based on the combination of years of teaching experience in any school district or private school, the highest college degree achieved, and the number of credit hours or credit hour equivalents beyond the degree as recognized by the district or E.S.U. Two grids are used to determine the supplements. Teachers who have a master's degree, an education

specialist certificate, or a doctoral degree and at least 3 years of experience are placed on the Professional Teacher grid. All other teachers are placed on the Initial Teacher grid. The grid provides a multiplier by which the base for the grid is multiplied to determine the supplement. For 2001-02, the bachelor's degree base is \$2,000. The base would grow by the basic allowable growth rate for each year thereafter. The master's degree base is 150% of the bachelor's degree base.

The grids are as follows:

#### Initial Teacher Grid

Years Experience	Bachelor's Degree	+9 Credit Hours	+18 Credit Hours	+27 Credit Hours
1	1.00	1.12	1.24	1.35
2	1.02	1.14	1.26	1.38
3	1.04	1.16	1.28	1.40
4	1.06	1.18	1.30	1.42

#### Professional Teacher Grid

Years Experience	Master's Degree or Specialist Certificate	+9 Credit Hours	+18 Credit Hours	+27 Credit Hours	Doctoral Degree
4	1.00	1.12	1.24	1.36	1.80
5	1.025	1.145	1.265	1.385	1.625
6	1.050	1.170	1.290	1.410	1.650
7	1.075	1.195	1.315	1.435	1.675
8+	1.100	1.220	1.340	1.460	1.700

The department would calculate 115% of the sum of all salary supplements for each district and E.S.U. and distribute the funds accordingly. The additional 15% would assist districts with funding increased retirement and social security costs attributable to the district or E.S.U. The distribution from the state would be divided into two payments with the first on or before December 15 and the second on or before May 15. Each district or E.S.U. would pay the supplements as additional salary either in a regular paycheck or in a separate paycheck. The supplements would be paid to the teachers on or before the January 15 and June 15. The supplements would be included as salary for statistical purposes.

Section 79-1003 is amended to include funds received from the Nebraska Professional Teacher Incentive Program in the definition of special grant funds, which are exempt from the budget limitations for school districts and are not counted as receipts in the calculation of state aid. However, receipts from this program are included in the definition of the special receipts allowance in § 79-1003 and the list of receipts to be included in formula resources pursuant to § 79-1018.01.

## Extended Contract Allowance

There are currently two allowances in the state aid formula that work in the same manner. They are the transportation allowance and the special receipts allowance. In both cases a defined amount for each local system is subtracted from the general fund operating expenditures before aggregate per student averages are calculated for the cost groupings. Then needs are calculated by multiplying the per student average by the adjusted students and then adding back the allowances to the individual local systems. This methodology allows certain expenditures to remain with the local system and increase needs for that local system without the expenditures being diluted in the averaging process. This bill adds an extended contract allowance that would work the same way.

Beginning with 2002-03, any district would be able to apply for a specific dollar amount of extended contract allowance. The maximum dollar amount of extended contract allowance for any qualifying district equals:

$$5 \text{ Days} * \text{The Daily Rate} * \text{The Number of Full-Time Equivalent Teachers}$$

The daily rate for 2002-03 is \$227.46. For each school fiscal year thereafter, the daily rate is increased by the basic allowable growth rate.

Application forms would be prescribed by the department and would be due on or before the October 15 preceding the initial certification of state aid for the applicable school fiscal year. The application forms would include, but need not be limited to:

1. The district name and county-district number;
2. The local system name and county-district number;
3. The number of full-time equivalent teachers;
4. The dollar amount requested; and
5. The extended contract expenditures for the most recently available complete data year, including categorizations of the expenditures as required by the department and the purposes for which the extended contract days were utilized.

If for the most recently available complete data year, the full amount of the extended contract allowance requested was not used for expenditures related to extended contract days, the difference between the request and the amount expended would be subtracted from the district's state aid payments. The department would adopt rules and regulations establishing expenditures which are related to extended contract days including, but not limited to, salary, payroll taxes, and benefits that would not have been incurred without the extended contract days. Expenditures related to extended contract days would also be reported on the annual financial report.

If the requirements of this section and of rules and regulations adopted under this section are met by the applying local system, the department would approve the extended contract allowance application up to the maximum amount as provided in this section and the approved amount would be the extended contract allowance.

Section 79-1003 is amended to defined extended contract days as days for which the teacher is paid by the district in excess of the number of days in the district's standard contract. A district with a standard contract containing fewer days than the standard contract contained in 1999-00 is not eligible to designate any extended contract days. Extended contract days may be used for

continuing education, mentoring assistance, developing curriculum and assessments aligned to the state standards, teaching summer school, or any other purpose approved by the school board with the goal of improving education in the district.

Teacher is defined for school finance purposes as a certificated employee who is not performing the duties of a school administrator. For determining full-time equivalent teachers, a school administrator who actually teaches children may be included for the part of the contract which applies to actual teaching.

Section 79-1007.02 is amended by subtracting the extended contract allowances from the estimated general fund operating expenditures before the average formula cost per student is calculated for each cost grouping and by adding the local system's extended contract allowance to the calculation of each local system's formula need.

Section 79-1007.02 is also amended by adding the extended contract allowances to the general fund operating expenditures for calculating the estimated general fund operating expenditures for 2002-03 and 2003-04. This is necessary due to the fact that these expenditures were not present in the general fund operating expenditures used to calculate state aid for 2002-03 and 2003-04. Therefore, for two years the estimated expenditures would need to be increased by this methodology in order to allow increased aid to be distributed for extended contracts. For 2004-05, the expenditures for 2002-03 would be used to calculate state aid and those expenditures would include spending for extended contracts.

Section 79-1001 is amended to include the section providing for the extended contract allowance in the Tax Equity and Educational Opportunities Support Act.

#### Master Teacher Program

The Master Teacher Program was adopted during the 2000 legislative session as part of LB 1399. The program is designed to provide annual salary bonuses and registration awards to teachers who are defined as Master Teachers or who are applying to become Master Teachers. The definition of Master Teachers requires the teacher to hold credentials from a national organization approved by the Department of Education with rigorous standards in a broad range of educational areas. The program was not funded by the Legislature.

Section 79-8,127 is amended by lowering the annual salary bonus for Master Teachers from \$5,000 to \$2,500 and by eliminating the \$1 million cap on total disbursements. Language is also eliminated that suggests there may be years when the provisions of this section are not funded.

Section 79-8,128 is amended by clarifying that Master teacher status is maintained until the expiration of the credentials.

Section 79-8,130 is amended by eliminating the 40 teacher cap on registration awards and by clarifying that registration awards may only be provided to teachers who apply to the credentialing organization on or after the effective date of the act.

### Attracting Excellence to Teaching Program

The Attracting Excellence to Teaching Program was adopted during the 2000 legislative session as part of LB 1399. The program is designed to provide forgivable loans to students in teacher education programs. Funding for the program was vetoed by the Governor.

Section 79-8,136 is amended by adding an intent to appropriate \$2,700,000 for 2001-02 and each fiscal year thereafter for the Attracting Excellence to Teaching Program.

### Teacher Mentoring

Section 79-761 is amended by requiring each E.S.U. to establish a mentor teacher program for public school teachers in their first three years of teaching. Each first-year public school teacher would be required to participate in the program. Public school teachers in their second or third year of teaching would have the option of participating in the program. The program would assure that each participating teacher teaching within the geographical boundaries of the educational service unit is provided with a mentor.

Currently, the State Board of Education has developed guidelines for mentor teacher programs in local systems and those local systems that provide mentors for each first-year teacher are provided funding from lottery funds. With this proposal the State Board would continue to be responsible for developing guidelines for programs and would also be responsible for developing guidelines for the selection of appropriate mentors and mentor training. An expired requirement for the department to report to the Legislature on or before December 1, 1998 is modified to require annual reporting.

The Department of Education would allocate funding to E.S.U.'s based on the number of participating teachers. The funds would be used for paying mentor teachers and for support of the programs. The funds would be provided from a combination of lottery funds and other state sources. An intent is stated to appropriate \$1,172,400 for 2001-02 in addition to the lottery funds of \$800,000. The combined total would be \$1,972,400. For 2002-03 and each school fiscal year thereafter, the combined appropriation would be grown by the basic allowable growth rate.

Section 9-812 is amended to fix the amount of lottery funding that would be used for the mentor teacher program. Currently, up to 10% of the funds may be used for that purpose. With the amendments, \$800,000 would be used for the mentor teacher program. This amount is approximately equal to the current 10%.

Section 13-519 is amended to allow E.S.U.'s to exceed the budget limitations for fiscal year 2001-02 by a dollar amount equal to the increase in funding received pursuant to § 79-1241 for core services plus the amount of funds received for mentor teacher programs pursuant to § 79-761. Section 79-1241 is amended by increasing the minimum disbursement to an E.S.U. for core services from 0.5% to 0.8% of the funds appropriated for core services. Section 79-1241.01 is amended to state an intent to appropriate \$11,047,200 for 2001-02 for core services.

Section 79-1204 is amended by including mentor teacher programs in the core services of E.S.U.'s and by making those programs the highest priority of the core services.

Section 79-1003 is amended to include funds received from the state for a mentor teacher program in the definition of special grant funds, which are exempt from the budget limitations for school districts and are not counted as receipts in the calculation of state aid.

#### Teacher Recognition Task Force

The Teacher Recognition Task Force would be created to examine the current teacher recognition programs and the need for a state-sponsored teacher recognition program. The members would be as follows:

1. The Education Committee Chairperson;
2. The Commissioner of Education;
3. 1 member of the State Board of Education, appointed by the board;
4. 2 teachers, appointed by the State Board;
5. 2 teachers, appointed by the Executive Board of the Legislative Council;
6. 1 representative of an association of school boards, appointed by the Executive Board;
7. 1 representative of a teachers' organization, appointed by the Executive Board;
8. 1 representative of an association of school administrators, appointed by the Executive Board;
9. 2 representatives of the business community who have a background in human resources, appointed by the Executive Board; and
10. 1 representative of a community organization aimed at assisting schools in meeting the national education goals under Goals 2000, appointed by the Executive Board.

The chairperson of the Education Committee would be the chair and would call the meetings of the task force. The task force would be required to report findings and recommendations to the Clerk of the Legislature and the Education Committee on or before October 1, 2001.

#### Performance Pay Pilot Program

The Performance Pay Incentive Pilot Program would develop an evaluation model with criteria defining specified levels of teaching excellence and a performance pay model that compensates teachers based on the evaluation model. The State Board would contract with an E.S.U. to develop and administer the program with the assistance of the department. Up to 5 districts may participate as pilot districts. A performance pay advisory team would be established by the department to assist in selecting the contracting E.S.U., in selecting the pilot school districts, in developing the teacher evaluation and performance pay models, the parameters of the pilot programs, and developing the program evaluation. The team would have balanced representation from the business community, teachers, school administrators, school boards, teacher education institutions, and E.S.U.'s. The ongoing role of the team would be specified in the contract between the State Board and the selected E.S.U.

The State Board would inform E.S.U.'s about the opportunity, distribute applications, and establish an application deadline. The board would make the selection following the application deadline and after receiving a recommendation from the team.

The timeline would be as follows:

FY2001-02: The contract would be established, the models would be developed, and pilot districts would be selected.

FY2002-03: Evaluators for the pilot districts would be trained to evaluate and rate teaching performance according to the model and the evaluation of teaching performance would begin.

FY2003-04: Performance pay would be distributed based on evaluations, the models would be evaluated, and adjustments to the models would be completed.

FY2004-05: The pilot would continue with the adjustments from 2003-04.

FY2005-06: The pilot would continue without further adjustments.

January 2006: If the pilot program is successful according to the program evaluation, legislation would be introduced by the Education Committee to supplement the Nebraska Professional Teacher Incentive Program with the evaluation and performance pay models.

#### Budget Lid Exception

Section 79-1028 is amended by allowing districts to exceed their applicable allowable growth rate by a specific dollar amount for any two school fiscal years from 2001-02 to 2005-06 for the purpose of increasing teacher salaries. The additional budget authority equals the difference between the amount budgeted for teacher salaries, benefits, and payroll taxes for the applicable school fiscal year as compared to the prior year with the amounts for the prior year grown by the applicable allowable growth rate plus 1%.

#### Other Technical Revisions

Section 79-1072.01 is amended by removing an unnecessary cross reference that would become inaccurate with the amendments to § 79-1003.

#### **Explanation of amendments, if any:**

The committee amendments would replace the original provisions of the bill while retaining the focus on teacher salaries. Exceptions to the budget limitations related to teacher salaries would be available to school districts for 2001-02 and 2002-03 and some districts would be able to access up to 3% optional budget authority. The budget exception for teacher salaries in the first year would be based on the increase in teacher salary expenditures and would be coupled with Salary Adjustment Incentives. The Salary Adjustment Incentives would provide \$2,000 per teacher in the first four years of teaching to districts and E.S.U.'s that raised salaries for those teachers by at least \$2,000.

The budget exception in the second year would be equal to the new Teacher Salary Enhancement Allowance. The Teacher Salary Enhancement Allowance would begin with aid for 2002-03 and would add \$100 per adjusted formula student to formula needs in the state aid formula. Along with implementing the Teacher Salary Enhancement Allowance, a modification to the aid

formula would allow the expenditures underlying all of the allowances to be grown to reflect the fact that the information is two years old.

The Performance Evaluation Pilot Program would provide an opportunity to develop an evaluation model and an opportunity for five school districts to pilot the model. The growth rate in the community college aid formula would be increased to allow the community colleges to also increase the salaries for their teaching staff.

To provide additional revenue to fund the measure, the sales tax rate would be increased by 0.25% from 5.00% to 5.25%. Transfers between the general fund and cash reserve would be used to manage the cash flow.

#### Budget Limitations

Section 79-1028 would be amended by adding an exception for school districts to the budget limitations for school fiscal year 2001-02 and another exception for school fiscal year 2002-03.

For 2001-02, Class II, III, IV, V, and VI districts would be allowed to exceed the applicable allowable growth rate by a specific dollar amount less than or equal to 115% of the anticipated increase in teacher salary expenditures. The anticipated increase would be based on the teacher salary schedules for both years and the teachers teaching in the district for school fiscal year 2000-01 and the teachers expected to teach in the district for school fiscal year 2001-02. The State Board of Education would have to approve the growth rate exception.

For 2002-03, Class II, III, IV, V, and VI districts would be allowed to exceed the applicable allowable growth rate by the teacher salary enhancement allowance attributable to the district based on weighted formula students.

Section 79-1029 would be amended by allowing Class II, III, IV, V, or VI districts to exceed their applicable allowable growth rate by up to 3%, instead of the current 1%, if:

1. The district is budgeting for a first-year teacher salary increase of at least 6%; and
2. The district is part of a local system with below average spending for their cost grouping, based on the local system's adjusted general fund operating expenditures per formula student compared to the cost grouping aggregate adjusted general fund operating expenditures per formula student.

Section 79-1007.02 would be amended by modifying the cost growth factor calculation. Currently, the cost growth factor includes 50% of any additional growth rate allowed by special action of school boards for both the school fiscal year in which the aid is to be distributed and the immediately preceding school fiscal year. That additional growth rate is currently 1%. Therefore, the current calculation is:  $[(50\% * 1\%) + (50\% * 1\%)] = 1\%$ . The modification to the cost growth factor calculation would replace the calculation based on the additional growth rate with a stated 1%. The current calculation would not work with the different levels of additional growth rates in the modified § 79-1029.

Section 79-1008.01 is amended by clarifying that if the applicable allowable growth rate changes after state aid is certified, the new applicable allowable growth rate will not change the "top-off" calculation for that school fiscal year.

## 2001-02 Salary Adjustment Incentives

By December 15, 2001, the department would distribute \$2,000 in salary adjustment incentives for each full-time teacher in their first four years of teaching to any district or E.S.U. that increased the standard contract salary for those teachers by at least \$2,000 over the standard contract salary that the teacher would have received for that same placement on the 2000-01 salary schedule. Using the definition in § 79-101, teachers are defined as any certified employee who is regularly employed for the instruction of pupils in the public schools. Applications from districts and E.S.U.'s for the salary adjustment incentives would be due on or before November 1, 2001.

By November 1, 2002, districts receiving salary adjustment incentives would report to the department on how the incentives were spent. If any of the incentives were not spent on salaries for teachers meeting the qualifications, then state aid would be withheld beginning with the February 2003 payment until such amount had been repaid. If a district receiving incentives would fail to report how the incentives were spent, then state aid would also be withheld until the entire amount of the incentives had been repaid.

## Teacher Salary Enhancement Allowance

Beginning with 2002-03, a teacher salary enhancement allowance would be calculated for each eligible local system. The allowance would be subtracted from the aggregate general fund operating expenditures for the calculation of the average formula cost per student in each cost grouping and added to the individual local system's formula need. The allowance would equal the teacher salary enhancement level multiplied by the adjusted formula students. For 2002-03, the teacher salary enhancement level would be \$100 per adjusted formula student. Thereafter, the enhancement level would increase each year by the basic allowable growth rate, which is currently 2.5%, plus 0.5%.

A local system would be eligible if:

1. The local system had a general fund common levy in the calendar year in which aid is certified equal to or greater than \$0.90; and
2. For 2002-03, either:
  - a. Each district in the local system qualified for salary adjustment incentives in 2001-02; or
  - b. The local system had a general fund levy for 2001-02 equal to or greater than \$0.97;
3. For 2003-04, each district in the local system either:
  - a. Had salaries for first-year teachers in each district that were equal to or greater than the statewide average salary for first-year teachers for 2002-03; or
  - b. Increased first-year teacher salaries from 2001-02 to 2002-03 by an amount equal to or greater than \$1,500 and increased total teacher salaries by an amount equal to or greater than the teacher salary enhancement allowance for 2002-03;
4. For 2004-05 and each year thereafter, each district in the local system either:
  - a. Had first-year salaries for teachers in each district that were equal to or greater than the statewide average salary for first-year teachers for the year immediately preceding the year in which aid is to be paid; or

- b. Increased first-year teacher salaries for the year immediately preceding the year in which aid is to be paid by an amount equal to or greater than 15 times the increase in the teacher salary enhancement level for such year and increased total teacher salaries by an amount equal to or greater than the increase in the teacher salary enhancement allowance.

For the qualification based on salary increases in each district, Class I districts would be deemed to meet the qualification unless the Class I district requested additional budget authority to meet the qualification and the request was denied. For 2001-02, § 79-1083.03 is amended by allowing Class I districts to ask for additional budget authority up to this June 15<sup>th</sup> and the high school district would be required to approve or deny the request within 30 days.

The increase in total teacher salaries would be determined by comparing the total salary cost of the current teachers using both the current salary schedule and the salary schedule for the prior year, except that for school fiscal year 2003-04, the comparison would be between 2000-01 and 2002-03. Unless otherwise requested, if the salary schedule has not been finalized prior to October 1<sup>st</sup>, the salary increase qualifications would be deemed to have been met for purposes of certifying state aid. If the finalized salary schedules do not meet the qualifications, the local system would not be eligible for the teacher salary enhancement allowance in the respin.

If a local system is not eligible for the teacher salary enhancement allowance, an amount equal to the allowance for the prior year would be subtracted from the system's state aid, up to the amount of equalization aid that the local system received in the prior year. If the department determines within 3 years that a local system was incorrectly determined to be eligible, aid shall be withheld in the same manner as it is for local systems that are not eligible. The department may require data, other information, or affidavits to carry out these provisions. The department may also require audits of the information on a regular basis, a random basis, or upon notice from any source that the information is not accurate.

Section 79-1003 is amended by defining teacher by the definition in § 79-101. Section 79-101 states, "Teacher means any certified employee who is regularly employed for the instruction of pupils in the public schools." First-year teachers would be defined in § 79-1003 as teachers who are within their first year of full-time teaching in any elementary or secondary educational setting. Salaries for first-year teachers would be defined as the lowest salary a first-year teacher with a standard contract would receive, whether or not the school district actually has any first-year teachers.

Section 79-1007.02 would be amended by adding an amount equal to the teacher salary enhancement allowances for each cost grouping to the estimated general fund operating expenditures for 2002-03 and 2003-04. This would have the effect of increasing the overall level of formula needs for the first two years of the allowance. In the following years, the general fund operating expenditures used to calculate aid would reflect expenditures based on the allowance. Section 79-1007.02 would also be amended by adding the teacher salary enhancement allowance to the calculation of local system formula needs.

### Performance Evaluation Pilot Program

The Performance Evaluation Pilot Program would develop an evaluation model with criteria defining levels of teaching excellence which could be used as a basis for performance pay. The State Board would contract with an E.S.U. to develop and administer the program with assistance from the department. Up to 5 districts would be able to participate. Those districts would be distributed across the state and would represent different sizes of districts to the extent possible.

A performance evaluation advisory team would be established by the department to assist in the selection of the contracting E.S.U., the selection of the pilot school districts, the development of the teacher evaluation model, the parameters of the pilot programs, and the development of program evaluation. The team would have balanced representation from the business community, teachers, school administrators, school boards, teacher education institutions, and E.S.U.'s. The contract with the E.S.U. would specify the ongoing role of the team.

The State Board would inform E.S.U.'s about the opportunity, distribute applications, and establish an application deadline. The board would make the selection after receiving a recommendation from the team.

The timeline would be as follows:

1. 2001-02: The contract would be established, the evaluation model would be developed, and pilot school districts would be selected;
2. 2002-03: Evaluators for the pilots districts would be trained according to the evaluation model and the evaluation of teaching performance would begin;
3. 2003-04: The evaluation model would be evaluated and adjustments to the model would be completed;
4. 2004-05: The pilot program would continue with the adjustments from 2003-04;
5. 2005-06: The pilot program would continue without further adjustment; and
6. January 2006: If the pilot program is successful according to the program evaluation, legislation would be introduced by the Education Committee to expand the program to pilot a performance pay model.

### Growth for the Expenditures Underlying the Allowances

Currently, the transportation and special receipts allowances are subtracted from the general fund operating expenditures before the cost growth factor is applied. The cost growth factor grows the general fund operating expenditures for use in the state aid formula to reflect the fact that the expenditures will be two years old when the aid is paid. This measure would keep the transportation and special receipts allowances in the general fund operating expenditures until after the cost growth factor has been applied. This change would allow the expenditures underlying the allowances to grow. The teacher salary enhancement allowance would also be subtracted after the application of the cost growth factor.

Section 79-1003 would be amended by modifying the definition of adjusted general fund operating expenditures to allow the general fund operating expenditures to be increased by the cost growth factor before the allowances are subtracted to determine the average cost per student for the cost groupings. Section 79-1007.02 is amended by basing the average formula cost per

student in each cost grouping on the revised definition of adjusted general fund operating expenditures. The section is also amended by removing obsolete language and by other harmonizing changes.

Community Colleges

Section 85-1536.01 is amended by increasing the growth rate in the community college aid formula from 2% to 3%. The formula also reflect any growth in full-time equivalent students.

Sales Tax Increase

Section 77-2701.02 would be amended to increase the sales tax by 0.25% to 5.25% as of October 1, 2001. To accommodate the cash flow needs of this measure, § 84-612 would be amended by requiring transfers between the General Fund and Cash Reserve Fund as follows:

1. Between June 15 and June 30, 2002: Transfer \$24 million from the General Fund to the Cash Reserve Fund;
2. Between June 15 and June 30, 2003: Transfer \$10 million from the General Fund to the Cash Reserve Fund;
3. Between June 15 and June 30, 2004: Transfer \$9 million from the Cash Reserve Fund to the General Fund;
4. Between June 15 and June 30, 2005: Transfer \$13 million from the Cash Reserve Fund to the General Fund; and
5. Between June 15 and June 30, 2006: Transfer \$12 million from the Cash Reserve Fund to the General Fund.

Emergency Clause and Other Technical Changes

This measure contains an emergency clause.

Section 79-1007.01 is amended by updating and clarifying references and by deleting obsolete language.

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**Senator Ron Raikes, Chairperson**