

**ONE HUNDREDTH LEGISLATURE - SECOND SESSION -  
2008**

**COMMITTEE STATEMENT**

**LB1100**

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**Hearing Date:** February 05, 2008

**Committee On:** Education

**Introducer(s):** (Adams)

**Title:** Adopt the Quality Education Trust Act

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

Placed on General File with Amendments

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**Vote Results:**

7 Yes                      Senators Adams, Ashford, Avery, Burling, Howard,  
Kopplin, Raikes

0 No

0 Absent

1 Present, not voting      Senator Johnson

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**Proponents:**

Senator Greg Adams

Jess Wolf

Larry Scherer

**Representing:**

Introducer

Nebraska State Education Association

Nebraska State Education Association

**Opponents:**

**Representing:**

**Neutral:**  
Marge Harouff

**Representing:**  
Nebraska Department of Education

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

Legislative Bill 1100 would create the Quality Education Trust Act and extend the Attracting Excellence to Teaching Program beyond 2015-16. The new act would create the Nebraska Teacher Trust Fund and the Teacher Compensation Cash Fund to provide funding for the Professional Teacher Compensation Program and matching funds for endowments to advance the teaching profession and student learning. The funds would receive money from the interest on part of the Cash Reserve, appropriations, lottery funds, and sales and use taxes from the Streamlined Sales Tax. In addition, a Professional Teacher Knowledge and Skills Compensation Pilot Program would be established. The pilot would be funded with state appropriations.

**Nebraska Teacher Trust Fund and Teacher Compensation Cash Fund**

The Nebraska Teacher Trust Fund would be created to provide ongoing state funding to supplement the compensation of teachers employed by school districts and educational service units. The fund would be a separate state trust fund consisting of \$200 million of the Cash Reserve Fund administered by the State Treasurer with money available for investment being invested by the state investment officer. Money in the Fund would be dedicated for teacher compensation and could not be used to supplant or offset teacher compensation pursuant to collective bargaining. Interest would accrue to the Teacher Compensation Cash Fund.

The Teacher Compensation Cash Fund would be created in the State Department of Education. Beginning with 2011-12, the Cash Fund would be allocated to the Professional Teacher Compensation Program. The fund would consist of:

- a. Except for endowment matching funds, the interest, earnings, and proceeds from the Nebraska Teacher Trust Fund;
- b. Funds allocated pursuant to § 79-1035 from the temporary school fund;
- c. Funds allocated from the Education Innovation Fund as provided in § 9-812;
- d. Proceeds of the sales and use taxes derived from sellers who register through the electronic central registration system of the Streamlined Sales Tax Governing Board, Inc., as provided in § 77-27,132; and
- e. Any additional funds appropriated by the Legislature.

On or before each July 1, the Commissioner of Education would distribute the balance in the Cash Fund pursuant to the Professional Teachers Compensation Program. Any money in the Cash Fund available for investment would be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Section 84-612 would be amended by deeming \$200 million of the Cash Reserve Fund to constitute the Nebraska Teacher Trust Fund. The Trust funds would remain in the Cash Reserve, except that the interest earned on the \$200 million would accrue to the Teacher Compensation Cash Fund.

Section 84-613 would be amended by making an exception to the general principle that interest on the Cash Reserves accrues to the General Fund so that the interest earned on the Nebraska Teacher Trust Fund would accrue to the Teacher Compensation Cash Fund.

The lottery provisions in § 9-812 would be amended by allocating the first \$1 million of the Education Innovation Fund going to the Attracting Excellence to Teaching Program Cash Fund with the remainder going to the Teacher Compensation Cash Fund beginning in 2016-17. Under the current provisions, the allocation of the Education Innovation fund is simply for education purposes as provided by the Legislature beginning in 2016-17. Prior to 2016-17, the fund is being allocated with the first \$1 million going to the Attracting Excellence to Teaching Program Cash Fund with the remainder going to distance education equipment and incentives. The Attracting Excellence to Teaching Program provides forgivable loans to teacher education students.

Section 77-27,132 would be amended to require the State Treasurer to credit the Teacher Compensation Cash Fund with all proceeds of the sales and use taxes derived from sellers who register through the electronic central registration system of the Streamlined Sales Tax Governing Board, Inc., except proceeds derived from sellers who are required to register in this state under the provisions of the streamlined sales and use tax agreement.

Section 79-1035 would be amended by transferring the remainder of the temporary school fund, after in lieu of tax money is paid, to the Teacher Compensation Cash Fund for distribution to school districts based on the ratio of teachers employed by each district compared to the total of all teachers employed by all school districts. Currently, the remainder is apportioned to districts according to the pro rata enumeration of children who are 5 to 18 years of age in each district.

### **Nebraska Teacher Trust Fund Board of Trustees**

The Nebraska Teacher Trust Fund Board of Trustees would be created to monitor the progress of the Nebraska Teacher Trust Fund in developing the trust corpus and significantly impacting teacher compensation in the public school system. The board would consist of 10 members, appointed by the Commissioner of Education within 60 days after the effective date of this act, as follows:

- a. 1 teacher from a Class II school district;
- b. 1 teacher from a Class III school district;
- c. 1 teacher from a Class IV school district;
- d. 1 teacher from a Class V school district;
- e. 1 school administrator;

- f. 1 member of a school board;
- g. 2 people representing private foundations significantly involved in school improvement and reform activities; and
- h. 2 persons representing business and industry.

Members of the board would be reimbursed for their actual and necessary expenses and the board would be located in the Department of Education for administrative and budget purposes.

The board would review private endowment agreements to create endowments that advance the teaching profession and student learning in the public schools. If the board approves such endowment agreements, it could direct the State Treasurer to establish a endowment fund and transfer matching funds from the Nebraska Teacher Trust Fund. The Treasurer could accept donations, grants, gifts, and bequests of nonpublic funds to the Nebraska Teacher Trust Fund from individuals, business entities, and private philanthropic foundations for the purpose of establishing the private endowment funds. The endowments would be recognized as state-managed endowments and any money available for investment would be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

All interest, earnings, and proceeds from an endowment would be credited to an endowment cash fund managed by the State Treasurer to be used exclusively to support the purposes for which the endowment was established.

The Board of Trustees would submit a biennial report on the status of the Nebraska Teacher Trust Fund, including recommendations for legislative changes.

### **Professional Teacher Compensation Program**

The Professional Teacher Compensation Program would be established to provide an ongoing appropriation for supplemental teacher salaries to enable Nebraska school districts to become competitive with bordering states and to be successful in recruiting and retaining professional teachers.

A new section would require the Legislature to appropriate \$50 million to the Department of Education for the Compensation Program for 2008-09, with \$30 million from the Teacher Compensation Cash Fund and \$20 million from the General Fund. There would be an intent to appropriate \$100 million for the next biennium, with \$90 million from the Teacher Compensation Cash Fund and \$10 million from the General Fund.

School districts would receive funding pursuant to the program equal to:

$$\text{Funds Appropriated} \times \frac{\text{Teachers Employed by the District}}{\text{Teachers Employed by all Districts}}$$

Teachers would include all persons holding a certificate issued under §§ 79-801 to 79-815 and primarily engaged in the instruction of students in the public school system.

The department would distribute the amounts determined for each district on or before October 15<sup>th</sup> of each year. School districts would use the funds exclusively to provide a flat dollar salary increase to all teachers. The increase would be separate from negotiated compensation, except that districts could use a portion of the funds for the employer share of payroll taxes and retirement contributions. The amounts paid could be included as part of regular payroll checks.

### **Professional Teacher Knowledge and Skills Compensation Pilot Program**

The Professional Teacher Knowledge and Skills Compensation Pilot Program would be created to develop and evaluate alternative teacher compensation models. School districts could apply to the department on or before October 15, 2008 for a performance and skills compensation plan development grant to support planning and research for and development of a compensation plan the rewards teacher performance, knowledge, and skills. The application would include an agreement between the school board and the collective bargaining unit representing teachers in the district. The agreement would set out the goals, criteria, and research design. The application could include all teachers in the district or just at specified buildings. Teacher participation in the grant activities would be voluntary and include a stipend or release time.

The State Board of Education would award a maximum of 10 grants on or before October 15, 2008. At least half would be awarded to districts with high levels of students in poverty and students with English language learning deficits. At least one grant would be awarded to a school participating in a learning community, and at least one grant would be awarded to a school district in the sparse or very sparse cost grouping.

A school district could receive only one grant, which would be at least \$25,000 and not more than \$75,000, based on the scope of the proposed plan development program. Grant period would be at least 6 months and not more than 2 years.

At the end of the grant period, the district would submit its performance and skills compensation plan for evaluation. The school district could then apply for a pilot implementation grant. Eligible districts would be required to demonstrate the following minimum requirements:

- a. Teacher salaries are competitive with school districts of similar size within a geographically proximate area;
- b. The school district's expenditures for teacher salaries make up at least 50% of the district's general fund expenditures;
- c. The school board and the collective bargaining unit have signed an agreement to implement a pilot performance and skills compensation plan for at least 3 and not more than 5 school years; and
- d. Letters of support from community and business leaders.

The State Board of Education would award a maximum of 10 grants to provide state funding for supplemental performance and skill compensation for participating teachers. Each grant shall be at least \$75,000 and not more than \$1 million for each year of the grant period, based upon the scope of the program and the expected number of participating teachers. Grants could include all teachers in the district or just at specified buildings. Participation would be voluntary. At least half of the grants would be awarded to districts with identified high levels of student in poverty and students with English language learning deficits. At least one grant would be awarded to a low-income school district or to a school participating in a learning community, and at least one grant shall be awarded to a school district assigned to the sparse or very sparse cost grouping.

Grant funds would be used exclusively for supplemental salaries for eligible teachers, and would not be used to supplant or replace local funding for teacher salaries. A portion of the funding could be used to pay employer payroll tax and retirement contributions. Teacher participation would be voluntary.

Grant funds for the Professional Teacher Knowledge and Skills Compensation Pilot Program would be considered as special receipts for calculating state aid.

On or before October 15, 2011 and October 15, 2013, the department would be required to report to the Legislature on the impact of the program, including, but not be limited to, the following considerations:

- a. Impact on student achievement gaps;
- b. Impact on teacher recruitment and retention;
- c. Impact on collective bargaining relationships;
- d. Impact on teachers' skills and knowledge; and
- e. Impact on teacher compensation.

The report would include recommendations to the Legislature relating to:

- a. Continuation of the grant program;
- b. Expansion of the grant program;
- c. Discontinuation of the grant program; or
- d. Implementation of a statewide program, including plans for transition of an ongoing program into the Tax Equity and Educational Opportunities Support Act as an adjustment factor and an allowance.

Section 79-1003 would be amended by adding Professional Teacher Knowledge and Skills Compensation Pilot Program grants to the special receipts allowance definition.

Section 79-1018.01 would be amended by including Professional Teacher Knowledge and Skills Compensation Pilot Program grants in actual receipts for the purpose of calculating state aid.

Section 79-1028 would be amended by allow school districts to exceed their applicable allowable growth rate by the amount of Professional Teacher Knowledge and Skills Compensation Pilot Program grants.

**Explanation of amendments, if any:**

The committee amendments would limit the proposal to the Professional Teacher Knowledge and Skills Compensation Pilot Program to be funded using the interest from a new Nebraska Teacher Trust Fund.

**Nebraska Teacher Trust Fund and Professional Teacher Knowledge and Skills Compensation Cash Fund**

The Nebraska Teacher Trust Fund would be created to provide funding for the Professional Teacher Knowledge and Skills Compensation Pilot Program. The fund would be a separate state trust fund consisting of \$200 million of the Cash Reserve Fund administered by the State Treasurer with money available for investment being invested by the state investment officer. Interest would accrue to the Professional Teacher Knowledge and Skills Compensation Cash Fund. The cash fund would be created in the State Department of Education and money in the fund would be distributed by the State Board of Education in the form of grants awarded pursuant to the Professional Teacher Knowledge and Skills Compensation Pilot Program. Any money in either fund available for investment would be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Section 84-612 would be amended by deeming \$200 million of the Cash Reserve Fund to constitute the Nebraska Teacher Trust Fund. The Trust funds would remain in the Cash Reserve, except that the interest earned on the \$200 million would accrue to the Professional Teacher Knowledge and Skills Compensation Cash Fund.

Section 84-613 would be amended by making an exception to the general principle that interest on the Cash Reserves accrues to the General Fund so that the interest earned on the Nebraska Teacher Trust Fund would accrue to the Teacher Compensation Cash Fund.

**Professional Teacher Knowledge and Skills Compensation Pilot Program**

The Professional Teacher Knowledge and Skills Compensation Pilot Program would be created to develop and evaluate alternative teacher compensation models. School districts could apply to the department on or before October 15, 2008 for a performance and skills compensation plan development grant to support planning and research for and development of a compensation plan the rewards teacher performance, knowledge, and skills. The application would include an agreement between the school board and the collective bargaining unit representing teachers in the district. The agreement would set out the goals, criteria, and research design. The application could include all teachers in the district or just at specified buildings. Teacher participation in the grant activities would be voluntary and include a stipend or release time.

The State Board of Education would award a maximum of 10 grants on or before October 15, 2008. At least half would be awarded to districts with high levels of students in poverty and students with English language learning deficits. At least one grant would be awarded to a school participating in a learning community, and at least one grant would be awarded to a school district designated as sparse or very sparse pursuant to § 79-1003.

A school district could receive only one grant, which would be at least \$25,000 and not more than \$75,000, based on the scope of the proposed plan development program. Grant period would be at least 6 months and not more than 2 years.

At the end of the grant period, the district would submit its performance and skills compensation plan for evaluation. The school district could then apply for a pilot implementation grant. Eligible districts would be required to demonstrate the following minimum requirements:

- a. Teacher salaries are competitive with school districts of similar size within a geographically proximate area;
- b. The school district's expenditures for teacher salaries make up at least 50% of the district's general fund expenditures;
- c. The school board and the collective bargaining unit have signed an agreement to implement a pilot performance and skills compensation plan for at least 3 and not more than 5 school years; and
- d. Letters of support from community and business leaders.

The State Board of Education would award a maximum of 10 grants to provide state funding for supplemental performance and skill compensation for participating teachers. Each grant shall be at least \$75,000 and not more than \$1 million for each year of the grant period, based upon the scope of the program and the expected number of participating teachers. Grants could include all teachers in the district or just at specified buildings. Participation would be voluntary. At least half of the grants would be awarded to districts with identified high levels of student in poverty and students with English language learning deficits. At least one grant would be awarded to a low-income school district or to a school participating in a learning community, and at least one grant shall be awarded to a school district assigned to the sparse or very sparse cost grouping.

Grant funds would be used exclusively for supplemental salaries for eligible teachers, and would not be used to supplant or replace local funding for teacher salaries. A portion of the funding could be used to pay employer payroll tax and retirement contributions. Teacher participation would be voluntary.

On or before October 15, 2011 and October 15, 2013, the department would be required to report to the Legislature on the impact of the program, including, but not be limited to, the following considerations:

- a. Impact on student achievement gaps;
- b. Impact on teacher recruitment and retention;
- c. Impact on collective bargaining relationships;



- d. Impact on teachers' skills and knowledge; and
- e. Impact on teacher compensation.

The report would include recommendations to the Legislature relating to:

- a. Continuation of the grant program;
- b. Expansion of the grant program;
- c. Discontinuation of the grant program; or
- d. Implementation of a statewide program, including plans for transition of an ongoing program into the Tax Equity and Educational Opportunities Support Act as an adjustment factor and an allowance.

Professional Teacher Knowledge and Skills Compensation Pilot Program grants would be added to the special receipts allowance. Legislative Bill 988 moved the description of the allowance from § 79-1003 to a new section, which would be amended to include the grants in the allowance.

Section 79-1018.01 would be amended by including Professional Teacher Knowledge and Skills Compensation Pilot Program grants in actual receipts for the purpose of calculating state aid.

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Senator Ron Raikes, Chairperson