

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2009-10		FY 2010-11	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS	See below	See below	See below	See below
FEDERAL FUNDS	See below		See below	
OTHER FUNDS				
TOTAL FUNDS	See below	See below	See below	See below

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

Effective July 1, 2010, LB397 would outright repeal statutory provisions that comprise the Nebraska Scholarship Act which is administered by the Coordinating Commission for Postsecondary Education. The bill also would adopt the State Scholarship Award Program (SSAP) Act and the Scholarship Assistance Program (SAP) Act to be administered by the Commission. Statutory provisions comparable to the two proposed acts were previously in force prior to enactment of the Nebraska Scholarship Act. These provisions were repealed by LB574 [2003] which, among its provisions, adopted the Nebraska Scholarship Act.

LB397 creates the State Scholarship Award Program (SSAP) Fund and the Scholarship Assistance Program (SAP) Fund to consist of amounts appropriated by the Legislature to carry out the respective acts. The bill provides intent that the Legislature appropriate state General Funds to the two created (cash) funds in substantially equal amounts. (As a technical note, General Funds could simply be appropriated directly to the Coordinating Commission for the respective programs in substantially equal amounts, thus avoiding the intermediary step of appropriating General Funds to the respective scholarship funds and then having to appropriate the amounts from the two scholarship funds.) General Funds to be appropriated for the respective scholarship programs would apparently be at the discretion of the Legislature as is currently the case with the Nebraska Scholarship Program which is to be repealed by LB397. For 2008-09, General Funds in the amount of \$6,717,065 are appropriated for the Nebraska Scholarship Program. In addition to the bill's provisions relating to General Funds to be appropriated for the two scholarship programs, LB397 includes provisions relating to state lottery proceeds to be credited to the respective scholarship funds created by the bill. Under current law, 24.75% of lottery receipts (net of prizes, lottery operating expenses, and an amount credited to the Gamblers Assistance Fund) are credited to the Nebraska Scholarship (Cash) Fund. For the last completed fiscal year (2007-08), lottery receipts amounting to \$7,550,800 were credited to the Nebraska Scholarship Fund. LB397 provides that beginning with 2010-11, 12.375% of net lottery receipts is to be credited to the SSAP Fund and 12.375% of the receipts is to be credited to the SAP Fund. Distributions to the Nebraska Scholarship Fund would discontinue and 50% of the amount existing in this fund on July 1, 2010 would be credited to the SSAP Fund while the remaining 50% of the balance would be transferred to the SAP Fund.

LB397 provides for need-based student financial aid awards under provisions of the State Scholarship Award Program (SSAP) and the Scholarship Assistance Program (SAP) to be made directly to eligible students (defined in the bill) attending eligible postsecondary educational institutions (also defined in the bill) in Nebraska. The Coordinating Commission is to administer the related student financial aid awards in conjunction with participating postsecondary institutions. The bill provides for computation of amounts to be allocated to each eligible institution from amounts appropriated for the respective financial aid programs. Institutional allocations under SAP are to be based on the percentage that the total combined amount of federal Pell Grants awarded to students at the eligible institution represents of the total combined amounts of Pell Grants awarded to students at all eligible institutions. Institutional allocations under SSAP are to take into account enrollment levels of certain Pell Grant recipients as well as a certain Pell Grant cost of attendance measure. Generally, the allocation provisions for SSAP would tend to result in greater allocation of funds to institutions with higher costs of attendance than would be the case with institutional allocations under provisions of SAP. Institutional allocations under SSAP as well as SAP would ultimately be awarded to individual eligible students at the respective eligible Nebraska postsecondary institutions.

For 2008-09, institutional allocations of need-based student financial aid funds (General, lottery, and federal funds) appropriated for the existing Nebraska Scholarship Program (NSP) are summarized in the following table by postsecondary educational sector. Also summarized is an estimate of such allocations that would have been the case had provisions of LB397 been in effect for 2008-09. This estimated distribution, as compiled by the Coordinating Commission, is based on institutional allocations in the same proportions as were the case for the last year that SSAP and SAP were in effect (2002-03) prior to repeal of the programs. In the event LB397 were to be enacted, proportional shares of financial aid allocations will vary from this estimate with changes in enrollment and Pell Grant eligibility levels across participating postsecondary institutions over time.

<u>Postsecondary Sector</u>	LB397 Estimated Allocations Assuming 2002-03 SSAP/SAP Proportions Applied to 2008-09 Funds		Current Law (NSP) Allocation of 2008-09 Funds		Estimated Difference LB397 vs. Current Law (NSP)
	% of Total	% of Total	% of Total	% of Total	
University of Nebraska	3,558,779	28.0%	4,933,679	38.8%	- 1,374,900
Nebraska State Colleges	1,131,183	8.9%	950,136	7.5%	+ 181,047
Community Colleges	<u>2,796,184</u>	<u>22.0%</u>	<u>2,044,908</u>	<u>16.1%</u>	<u>+ 751,276</u>
SUBTOTAL Public Sector	7,486,146	58.9%	7,928,723	62.4%	- 442,577
Independent Colleges/Universities	3,495,229	27.5%	2,588,115	20.4%	+ 907,114
Private Career Schools	<u>1,728,550</u>	<u>13.6%</u>	<u>2,193,087</u>	<u>17.2%</u>	<u>- 464,537</u>
TOTAL	<u>12,709,925</u>	<u>100.0%</u>	<u>12,709,925</u>	<u>100.0%</u>	<u>0</u>

As indicated previously, the Coordinating Commission is currently assigned responsibility to administer the Nebraska Scholarship Program (NSP). Under LB397, responsibility for administration of the State Scholarship Award Program (SSAP) and the Scholarship Assistance Program (SAP) are to be assigned to the Commission. The Commission indicates that administration of two programs (SSAP & SAP) instead of one (NSP) will require more personnel time. Data gathering requirements associated with two differing financial aid allocation formulas will increase. Administration of two programs will require more time to evaluate and approve individual financial aid recipients. Auditing requirements relating to financial aid records will increase with two programs versus one. The Commission indicates that related additional workload would not warrant employment of additional full or part-time permanent staff; however, the agency indicates that administration of two programs instead of one will necessitate employment of temporary personnel services and a nominal level of overtime payments during cycles of approval of potential aid award recipients and cycles of distribution of aid awards. The Commission estimates such costs at \$8,300. Related costs should not exceed this estimated level and would be applicable to 2010-11 given the July 1, 2010 effective date for implementation of SSAP and SAP and elimination of NSP. The Commission also notes that nominal costs would be incurred in revising rules relating to administration of SSAP and SAP in the event LB397 were to be enacted. Current funding resources of the agency can accommodate normal operating costs such as those associated with adoption of rules modifications.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS					
NEBRASKA COMMUNITY COLLEGE ASSOCIATION: Agency response appears reasonable. COORDINATING COMMISSION FOR POSTSECONDARY EDUCATION: Concur with agency analysis. NEBRASKA STATE COLLEGE SYSTEM: Agency response appears to be reasonable. UNIVERSITY OF NEBRASKA: Agency response appears reasonable.					