

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 1999-2000		FY 2000-2001	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			See below	

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

LR 23CA proposes a constitutional amendment to be submitted to Nebraska voters in November 2000. The amendment provides that the Board of Regents of the University of Nebraska would consist of between eight and sixteen members either to be elected or appointed. Provisions of the amendment would apparently result in the names of Chadron State College and Wayne State College being changed to the University of Nebraska at Chadron and the University of Nebraska at Wayne and would apparently place governance of the two institutions under the Board of Regents. The Board of Trustees of the Nebraska State Colleges and the Coordinating Commission for Postsecondary Education (both constitutionally designated entities currently) would be eliminated by the constitutional amendment. LB 631 is apparently introduced as a companion to LR 23CA as it changes the names of Chadron State College and Wayne State College as inferred in LR 23CA and provides for their control, management and administration under the Board of Regents of the University of Nebraska beginning July 1, 2002. Additionally, the bill changes the name of Peru State College and converts its role to that of a community college campus under the control of the Southeast Community College Area Board of Governors beginning July 1, 2002. LB631 also provides for termination of the Coordinating Commission for Postsecondary Education as of July 1, 2002 and transfers certain of its current functions and responsibilities to the Board of Regents of the University of Nebraska. The bill also establishes a 13-member transition committee as of August 1, 2000 to direct, supervise and coordinated implementation of LB 631 and to recommend further implementing legislation as necessary. The fiscal impacts of the proposed constitutional amendment as well as LB 631 are contingent upon actions of the voters in considering the proposed constitutional amendment in November 2000. Further, LB 631 directs the transition committee to recommend further legislation necessary to implement the bill to the Education Committee of the Legislature by November 30, 2000. Such additional implementing legislation may represent additional fiscal impacts related to, but not directly attributable to LB 631. Given the foregoing, significant unknowns exist in assessing the fiscal impact of LB 631. Under an assumption that Nebraska voters would indeed enact the proposed constitutional amendment, potential fiscal impacts can be addressed in general terms. Fiscal impacts of the legislation would occur primarily after the 1999-01 biennium.

Under LB 631/LR 23CA, the eight-member (voting) Board of Regents would become a 15 (voting) member board beginning July 1, 2002. The seven-member (voting) Board of Trustees, and the eleven-member Coordinating Commission for Postsecondary Education would be eliminated. A single board consisting of 15 voting members would remain as compared to the current two boards and one commission that currently consist of a total of 26 voting members. Nonvoting student membership of the revised Board of Regents would be comparable to the combined total of student representatives to the current Boards of Regents and Trustees. An overall reduction in the number of board/commission members would result in related overall reductions associated with general support costs for the remaining Board of Regents membership.

The 13 members of the transition committee to be established on August 1, 2000 are to be reimbursed for their actual and necessary expenses through termination of the committee on July 1, 2004. With the exception of one at large member, committee membership is comprised of representatives of the three public postsecondary education sectors and the Department of Administrative Services. It is estimated that committee member expenses, including those of the at large member, can be supported within existing budget resources of the represented public entities. In the event the constitutional amendment was to fail, the committee would terminate and no additional committee expenses would be incurred from that time forward.

Resource requirements for the revised Board of Regents will include additional general board member support costs associated with seven additional board members beginning July 1, 2002. The board's central governance and administrative support structure (i.e. University of Nebraska Central Administration) will be required to accommodate two additional institutions at Chadron and Wayne. While the fiscal impact of such would not necessarily equate to the current budgetary resources of the Board of Trustees' central governance and administrative support structure, the impact of two additional institutions under the Board of Regents will likely require some budgetary adjustment for the University of Nebraska. FY 98-99 General Funds budgeted for the Nebraska State College System Office approximate \$625,000.

LB 631 would provide that certain current functions and responsibilities of the Coordinating Commission for Postsecondary Education would become the functions and responsibilities of the Board of Regents beginning July 1, 2002. These functions and responsibilities include administration of the Nebraska Educational Data System and administration of three student financial aid grant programs. The fiscal impact of these transfers of responsibilities is difficult to assess as the commission currently administers the Nebraska Educational Data System in tandem with its administration of the Integrated Postsecondary Education Data System (Sec. 85-1412 [6]). Presumably, the transition committee would along with other current functions and responsibilities of the Coordinating Commission, address transfer of responsibility for administration of the Integrated Postsecondary Education System. Such functions and responsibilities presumably would be addressed by implementing legislation subsequent to adoption of the constitutional amendment as addressed in Section 24 (6) of the bill. Given the uncertainty of intended responsibility for administration of current Coordinating Commission functions and responsibilities beyond those specifically identified in LB 631, it is difficult to address fiscal impacts as they may relate to elimination of the Coordinating Commission and assumption of current Coordinating Commission functions and responsibilities by the Board of Regents. FY 98-99 General Funds budgeted for Coordinating Commission operations approximate \$961,000. Dependent upon the extent to which the Board of Regents would assume all current Coordinating Commission functions and responsibilities, a transfer of some proportion of related budgetary resources to the board would appear to be warranted. Budget resources required for administration of both the Nebraska Educational Data System and the Integrated Postsecondary Education Data System as well as administration of the three student financial aid programs are estimated not to exceed \$250,000. General Fund amounts appropriated to be distributed as grants under the three student financial aid programs for FY 98-99 totaled just over \$4,509,000.

An effective merger of the Chadron and Wayne State Colleges with the University of Nebraska will presumably have operational and personnel impacts too numerous to individually identify. Among other items, such impacts generally may include consolidation of disparate employee compensation systems; consolidation of aspects of human resource and financial management systems; consolidation of certain operational services possibly including computing, purchasing and procurement of goods and services; consolidation of insurance coverage and revisions to other aspects of risk management; and, consolidation of legal services. While efficiencies may be achieved with respect to the foregoing and other factors, quantifying such potential efficiencies is indeterminate.

Although LB 63/LR 23CA apparently would not require it, consolidation and reorganization of academic programming at the Chadron and Wayne campuses may occur under the Board of Regents. Related fiscal impacts would, however, be dependent upon future actions of the board that cannot be predicted.

LB 631 would effectively convert Peru State College to a community college campus under the control of the Southeast Community College Area Board of Governors. On July 1, 2002, Peru State is to cease all baccalaureate and master's degree programs and beginning with the 2001-02 school year, Peru State is not to accept any new baccalaureate or master's degree students. Impacts upon enrollment at the Peru campus cannot be predicted. For FY 97-98, total full-time equivalent (FTE) enrollment of Peru State is reported as 1,362 FTE students. Of this total, 749 FTE represented enrollment in lower division (freshman/sophomore) courses. The proposed change in the nature of authorized academic programming for the campus as well as a presumed decline in the campus' enrollment will impact required resources to operate the institution. For FY 98-99, budgeted General Funds (\$5,814,016) and Cash Funds (\$2,645,125 [tuition & fees]) to support Peru State operations totaled just over \$8,459,000. Budgetary resource requirements for the campus after it would effectively be merged with the Southeast Community College Area would depend substantially on the nature and extent of educational programming the Southeast Board would elect to make available at the Peru campus and the level of enrollment the institution might achieve in its new role, neither of which can be predicted with accuracy. If LB 631 were enacted and the related constitutional amendment were adopted, a decline in 2001-2002 enrollment could potentially be substantial enough that Cash Fund revenue shortfalls would require replacement with additional General Fund appropriations; however, the extent of such a possible shortfall cannot be predicted.

Statutory budget limitations and property tax levy rate caps for community college areas coupled with statutory provisions governing the distribution of state aid appropriated for community college areas will affect the impact of the proposed merger of the Peru campus with the Southeast Community College Area. If the Southeast Community College Area were to commit substantial budget resources for operation of the Peru campus, operating budget reductions would apparently be required at one or more of its existing campuses in Beatrice, Lincoln and Milford in order to remain within the statutory limit on property tax levy rates for community college areas. A mechanism to provide direct General Fund appropriations to the Southeast Community College Area to accommodate costs of operation of the Peru campus could mitigate or negate the need for budget reductions at one or more of the other Southeast Area campuses; however, no such mechanism is apparently provided in LB 631. Additionally, capital improvement needs on the Peru campus would likely require a significant increase in the Southeast Area's capital improvement levy. Peru campus capital improvements would be restricted to the level possible under the statutory community college area capital improvement levy limit applicable to such outlays for all Southeast Area facilities.