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PREPARED BY:
DATE PREPARED:
PHONE:

Phil Hovis
January 31, 2012
471-0057

LB 1034

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

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

LB1034 would adopt the College Choice Grant Program Act to be administered by the Coordinating Commission for Postsecondary Education. Under the act, financial aid awards are to be made to eligible students as defined in the act. Administration of financial aid awards is to be undertaken by the Commission in conjunction with eligible postsecondary educational institutions. Under provisions of the bill, eligible postsecondary institutions are defined as nonprofit institutions not controlled or administered by any state agency or political subdivision which are located in Nebraska and are accredited by a regional accrediting organization recognized by the U.S. Department of Education. Eligible students are defined to include full or part-time students who are Nebraska residents eligible to receive U.S. Department of Education Title IV student financial assistance. The bill provides a methodology to determine allocation amounts for participating eligible institutions which, in turn, would distribute financial aid awards to eligible students. Insofar that no alternative funding source is identified in the bill, it is presumed that General Fund appropriations would be required to support financial aid awards under provisions of the College Choice Grant Program. The level of such appropriations would apparently be at the discretion of the Legislature.

The Coordinating Commission anticipates that additional costs would be incurred in administering the College Choice Grant Program in the event LB1034 is enacted. The Commission estimates one-time costs associated with promulgating rules and regulations related to the program as well costs to program an aid distribution formula, pilot test the program and create a database relating to aid distributions. The Commission estimates ongoing costs to be incurred with respect to semi-annual payment processing for distribution of financial aid award amounts as well as costs associated with annual auditing of compliance with provisions of the College Choice Grant Program Act and related rules and regulations. In total, the Commission estimates costs to administer the new financial aid program would amount to \$4,928 for 2012-13 and \$3,903 for 2013-14. The estimates appear reasonable. It should be noted that ongoing costs to administer the aid program would apparently only be incurred if some level of funding were to be appropriated for distribution as student financial aid. Such funding, as indicated above, would apparently be at the discretion of the Legislature.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	William Scheideler	2/3/12	PHONE 471-2526
COMMENTS			
COORDINATING COMM. FOR POSTSECONDARY EDUC. – Agency analysis of cost impact appears reasonable.			

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Please complete ALL (5) blanks in the first three lines.

LB⁽¹⁾ 1034 FISCAL NOTE

LEGISLATIVE FISCAL

State Agency OR Political Subdivision Name: ⁽²⁾

Coord. Com. - Postsecondary Educ.

Prepared by: ⁽³⁾ Carna Pfeil

Date Prepared: ⁽⁴⁾ 1/18/2012

Phone: ⁽⁵⁾ 471-0029

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	4,927.78	0	3,902.78	0
CASH FUNDS	0	0	0	0
FEDERAL FUNDS	0	0	0	0
OTHER FUNDS	0	0	0	0
TOTAL FUNDS	4,927.78	0	3,902.78	0

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

This is a new financial aid program restricted to nonprofit, nonpublic educational institutions located in Nebraska. Since this is a new program and different from the current financial aid program, the Commission needs to write rules and regulations for operation of the program. Costs for rules and regulations - \$450 for notice of hearing in the OWH, \$152.75 for travel for two Commissioners to hold hearings, and \$68.75 for copies, faxes, and staff travel.

The Commission would need to write a new distribution formula, test the formula, run a pilot of the new formula and create a new database to monitor distributions. The cost of writing and testing a new a new formula plus monitoring database would be \$1,025 (involves programmer and financial aid coordinator time).

The twice a year distribution of dollars to institutions for the new program would need to be a separate distribution, not part of the current NOG financial aid program distribution. This process would have the following annual costs: personnel time (financial aid coordinator, administrative assistant, bookkeeper) - \$1,138; NIS creation of payments and issuing payments - \$68.78; and maintenance of database plus once a year securing names of awarded eligible students - \$152.50.

The Commission must audit the institutions for compliance with the new program rules and regulations plus adherence to the College Choice Grant Program Act. This would be a separate audit and not part of the NOG audit, but could be combined with the NOG audit to save on travel and travel related expenses. For the new financial aid program, the financial aid coordinator would need to secure the names of awarded students from the institutions prior to beginning the audit, run a random selection program on those students, and request the institutions pull the files on the random sample of students. This audit process would take additional staff time - \$1,872.

The Commission believes there may be a constitutional issue with the way the bill is written. The current NOG financial aid program has the eligible institutions submitting names of students to be awarded and the Commission approves that list of students. We believe this is necessary because private for-profit and private non-profit institutions are allowed to participate in the program and the Constitution states (Art. VII, Sec. 11) . . . appropriation of public funds shall not be made to any school or institution of learning not owned or exclusively controlled by the state or a political subdivision thereof, . . . The way the bill is written the Commission would provide funds to the private nonprofit institutions. Those institutions would then provide the funds to eligible students. The claim that the funds go directly to eligible students is not true. The Commission would have NO knowledge of which students received the state financial aid funds, only the knowledge of the amount of state funds provided to each nonprofit institution.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2012-2013</u>	<u>2013-2014</u>
	<u>12-13</u>	<u>13-14</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
			0	0
			0	0
Benefits			0	0
Operating			4,488.03	3,654.28
Travel			439.75	248.50
Capital outlay			0	0
Aid			0	0
Capital improvements			0	0
TOTAL			4,927.78	3,902.78