

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS	See below	\$80,000,000	See below	
FEDERAL FUNDS				
OTHER FUNDS		(\$80,000,000)		
TOTAL FUNDS	See below	\$0	See below	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 1388 adopts the Excellence in Education Scholarship Act (EESA) and the Community College Promise Act (CCPA). The bill provides matching funds to endow total cost of attendance scholarships at postsecondary institutions in Nebraska for eligible students who score a minimum score on the standard college admissions test and for Nebraska resident students at community colleges if their family income is less than \$65,000 per year as determined by the FAFSA (Free Application for Federal Student Aid).

Sections 1 – 3: Identifies the need for the Excellence in Education Scholarship Act through a Legislative finding, and defines terms used in the Act. Terms defined are: eligible institution, eligible student, standard college admission test, and total cost of attendance.

Section 4: Requires that the postsecondary institution certifies to the budget director of the budget division of the Department of Administrative Services (DAS) that matching funds have been received from private or non-state sources, and provides documentation that an endowed scholarship fund has been established.

Section 5: Provides requirement for the postsecondary institutions receiving matching funds to report on the numbers of eligible students receiving Excellence in Education Scholarships by December 1 each year to the Clerk of the Legislature.

Section 6: Creates the Excellence in Education Scholarship Fund. Defines the total “up to” dollar amounts that may be awarded to eligible students receiving standard college admission scores of 33, 34, 35, or 36 (presumed to be the ACT test based on this scoring range). The combined dollar amounts allowed for all score brackets total \$100,000,000.

Sections 7 – 9: Define the terms of the Community College Scholarship Promise Act. A student shall be entitled to a 100% waiver if they are a Nebraska resident and have a family income of less than \$65,000/year. Attendance and academic requirements are defined.

Section 10: Describes the process for a student to demonstrate eligibility and apply for tuition waiver, and describes the process for the community college to confirm eligibility or communicate ineligibility. If the student is eligible, the community college will waive 100% of the student’s tuition after subtracting federal financial aid grants and state scholarships for the time the student is enrolled.

Section 11: The Coordinating Commission for Postsecondary Education (CCPE) shall develop an appeals procedure for tuition waiver determinations. CCPE may promulgate rules and regulations to carry out the Community College Promise Act.

Section 12: States intent to use General Funds to carry out the Community College Promise Act.

Section 13: Revises §84-612 to transfer \$20,000,000 in FY23-24 and \$80,000,000 in FY24-25 from the Cash Reserve Fund to the Excellence in Education Scholarship Fund (subsections 45 and 46).

As introduced, LB 1388 would reduce the Cash Reserve Fund by \$100,000,000 over the FY23-25 biennium; \$20,000,000 in FY23-24, which is not shown in the table above because it is in the current year; and \$80,000,000 in FY24-25. Based on fiscal notes provided by the University of Nebraska (NU) and Nebraska State College System (NSCS), there could be a material gap between the amount to be transferred from the Cash Reserve Fund (\$100,000,000) and the waivers these institutions would be able to offer. The fiscal note from NSCS indicates \$315,000 per year. The Fiscal Analyst disagrees with the NU fiscal note indicating no fiscal impact and their revised fiscal note is pending.

The General Fund impact is unknown at this time, but would be comprised of Community College tuition waivers and could potentially include CCPE administrative expenses for the Community College Scholarship Promise Act. The Fiscal Office analyst disagrees that only the Metropolitan Community College would receive applications from eligible students, it is reasonable to expect a fiscal impact to all of Nebraska's community colleges.

The Fiscal Office analyst expects there could be difficulty determining eligibility and/or applicability of tuition waivers, due to the many other scholarships available in Nebraska. These include, but are not limited to, Nebraska Career Scholarships, the Nebraska Opportunity Grant, Community College Gap Assistance, Access College Early, Dual Enrollment, and other tuition waiver programs being introduced this session. In the event that a scholarship is applied only after other scholarships have been exhausted, there could be confusion over the order in which scholarships are applied.

Technical notes: Sec. 3 (4) does not state a Nebraska residency requirement for the Excellence in Education Scholarship, though it is implied in the Legislative finding language.

Sec. 4 states a requirement for a new endowment to provide matching funds, instead of using endowments already established. Having to raise funds for a new endowment could delay implementation.

Sec. 6 does not identify which agency will administer the Excellence in Education Scholarship Fund. Based upon the use of the fund, it is assumed that the administering agency will be CCPE, who may have administrative costs relative to such administration. It is unclear if the cash fund creation language authorizes use of available funds to pay administrative expenses in addition to the cost of scholarships.

There is also ambiguity around the administration and reimbursement processes for the Community College Promise Act, and which agency is responsible for which part.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	1388	AM:	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY:	Gary Bush	DATE:	2/7/24 PHONE: (402) 471-4161
COMMENTS: Agree that it is likely the University might require an additional attorney.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	1388	AM:	AGENCY/POLT. SUB: Coordinating Commission for Postsecondary Education
REVIEWED BY:	Gary Bush	DATE:	1/23/24 PHONE: (402) 471-4161
COMMENTS: Agree with agency that the provisions of the bill will have no fiscal impact to the agency.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	1338 (Revised)	AM:	AGENCY/POLT. SUB: Metropolitan Community College
REVIEWED BY:	Gary Bush	DATE:	2/5/24 PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimate provide by the agency given the assumption used on the number of eligible students. The community college should have shown the impact as a loss of revenue due to the tuition waiver and an increase in revenue due to the state providing a replacement of those lost revenues.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	1388	AM:	AGENCY/POLT. SUB Nebraska Community College Association
REVIEWED BY:	Gary Bush	DATE:	2/6/24 PHONE: (402) 471-4161
COMMENTS: Agree with the estimate of no fiscal impact to the Nebraska Community College Association.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	1388	AM:	AGENCY/POLT. SUB Nebraska State College System
REVIEWED BY:	Gary Bush	DATE:	2/6/24 PHONE: (402) 471-4161
COMMENTS: Disagree with the assumptions used by the Nebraska State College System to determine the fiscal impact. The use of a single data point to estimate a possible impact is not reasonable. No information was provided on the actual number of students attending a state college with a score of 33 or high was provided. The bill does not limit student eligibility to only students from Nebraska, nor does the bill limit how old the student can be to receive a scholarship. The costs could be much greater than estimated by the Nebraska State College system.			

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

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LB⁽¹⁾ 1388 Revised

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Metropolitan Community College

Prepared by: ⁽³⁾ Brenda Schumacher Date Prepared: ⁽⁴⁾ 2/2/24 Phone: ⁽⁵⁾ (531)622-2406

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>315,000.00</u>	<u> </u>	<u>330,000.00</u>	<u> </u>
CASH FUNDS	<u>0</u>	<u> </u>	<u>0</u>	<u> </u>
FEDERAL FUNDS	<u>0</u>	<u> </u>	<u>0</u>	<u> </u>
OTHER FUNDS	<u>0</u>	<u> </u>	<u>0</u>	<u> </u>
TOTAL FUNDS	<u>315,000.00</u>	<u> </u>	<u>330,000.00</u>	<u> </u>

Explanation of Estimate: It appears that funding for the Community College Promise Scholarships will be allocated from the state to the colleges to cover expenses. This scholarship is awarded after all other federal and state scholarships are applied so that would limit the number of students and amount that would be awarded. In reviewing the past year, there were approximately one hundred students that made less than \$65,000 and did not receive federal or state grants that would cover the cost of their tuition. In order to estimate the expense of the scholarships, I took the 100 students by 45 quarter credit hours for a year for a full-time student which resulted in 4,500 credit hours. Those 4,500 hours were then multiplied by a tuition rate for resident students of \$70. This resulted in a total projected expense of \$315,000. A small increase was added for FY2025-26 for projected enrollment increase.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Travel.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital outlay.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Aid.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital improvements.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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2024

LB⁽¹⁾ 1388

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Community College Association

Prepared by: ⁽³⁾ Courtney Wittstruck Date Prepared: ⁽⁴⁾ Jan. 25, 2024 Phone: ⁽⁵⁾ 402-381-2084

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Explanation of Estimate:
No projected fiscal impact

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25 EXPENDITURES</u>	<u>2025-26 EXPENDITURES</u>
	<u>24-25</u>	<u>25-26</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

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LB⁽¹⁾ 1388

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State College System

Prepared by: ⁽³⁾ Monte Kramer Date Prepared: ⁽⁴⁾ 1/26/2024 Phone: ⁽⁵⁾ 402-471-2507

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$330,870		\$681,592	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	\$330,870		\$681,592	
TOTAL FUNDS	<u>\$661,739</u>		<u>\$1,363,183</u>	

Explanation of Estimate:

The total number of Nebraska students that get higher than a 33 score on the ACT each year is 407. We estimate that we will get 9% of that population based on our first-time freshman percentage for all Nebraska higher education institutions. In determining the annual fiscal impact, it is assumed that one-half of the cost would come from the matching funds established in the legislation and one-half from endowed scholarships. The cost of this program will grow exponentially as you add another class of students over four years. The estimated total cost per year for the students within the NSCS system is as follows:

- FY25 – \$661,739
- FY26 – \$1,363,183
- FY27 - \$2,106,118
- FY28 - \$2,892,402

The bill calls for each school to certify that they are in receipt of matching funds from private or nonstate funds to create an endowed scholarship fund, in order to qualify for the state matching funds. Much of the scholarship money at the colleges is already committed to other types of student support and much of it is restricted and could not be redirected to this scholarship program, That means the colleges would need to raise an additional \$28,924,020 to create an endowed scholarship to cover one-half of the cost of the scholarship when it is fully ramped up (4th year), assuming 5% interest earnings on the endowment each year (\$28,924,020 * .05 = \$1,446,201). The total assets of the three NSCS Foundations today is only \$93M, so they would need to grow by over 30%, for just this one program.

The calculations for the fiscal impact of the program are provided below:

Calculation of Impact for LB 1388			
Adopt the Excellence in Education Scholarships Act and the Community College Promise Act and Provide the transfers from the Cash Reserve Fund			
Annual # of Students with ACT of 33 or Higher	407		
Percentage of First-Time Freshman that Attend NSCS (1)	9.00%		
Potential # of Students to Attend NSCS	37		
Cost Per Year	\$17,884.85		
Total Cost for FY25	\$661,739		
Annual Cost Inflated by 3% for FY26	\$18,421.40		
Total Cost for FY26 - 2 Cohorts	\$1,363,183		
Annual Cost Inflated by 3% for FY26	\$18,974.04		
Total Cost for FY27 - 3 Cohorts	\$2,106,118		
Annual Cost Inflated by 3% for FY26	\$19,543.26		
Total Cost for FY28 - 4 Cohorts	\$2,892,402		
Cost of Attendance			
Average Books and Supplies	\$1,249		
FY24 Undergraduate Tuition Rate	\$192.00		
3% increase for FY25	\$198.00		
FY25 Tuition Cost for 30 Hours	\$5,940.00		
Average FY24 Fees	\$2,330.00		
3% Increase for FY25	\$2,399.90		
FY25 Fee Cost	\$2,399.90		
Average Room	\$4,062.00		
Average Food	\$3,992.00		
Total Room and Board Cost	\$8,054.00		
3% Increase for FY25	\$8,295.62		
Total Annual Cost for FY25	\$17,884.85		
(6) % of college enrollments at NSCS	9%		
https://ccpe.nebraska.gov/sites/ccpe.nebraska.gov/files/FS_2021_Prelim_Enroll.pdf			

Personal Services:

<u>POSITION TITLE</u>	NUMBER OF POSITIONS		2024-25	2025-26
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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

2024

LB ⁽¹⁾ 1388 Adopt the Excellence in Education Scholarship Act and the Community College Promise Act and provide for transfers from the Cash Reserve Fund **FISCAL NOTE**

State Agency OR Political Subdivision Name:⁽²⁾ University of Nebraska System

Prepared by:⁽³⁾ Chris Kabourek Date Prepared:⁽⁴⁾ 01/31/2024 Phone:⁽⁵⁾ (402) 472-7102

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2024 - 25		FY 2025 - 26	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
CASH FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
FEDERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
OTHER FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Explanation of Estimate:

No Fiscal Impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024 - 25 EXPENDITURES</u>	<u>2025 - 26 EXPENDITURES</u>
	<u>24 - 25</u>	<u>25 - 26</u>		
	<u>0</u>	<u>0</u>		
	<u>0</u>	<u>0</u>		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				