

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2009-10</b>		<b>FY 2010-11</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB399 amends provisions of the Nebraska Scholarship Act which is administered by the Coordinating Commission for Postsecondary Education. Changes affecting allocation of amounts appropriated for student financial aid under the Nebraska Scholarship Program (NSP) proposed by the bill include:

- Under existing provisions of the Act, students eligible to receive financial aid awards under (NSP) are required to be residents domiciled in Nebraska as provided by Sec. 85-502. LB399 would provide that students attending nonprofit nonpublic postsecondary educational institutions are to be deemed a resident of Nebraska if they demonstrate an intention to remain in the state after completion of their programs of study. The bill directs the Coordinating Commission to prescribe a form to be used to demonstrate such intent.
- Current law provides that in order to be eligible for an award under NSP, a student must be eligible to receive a Federal Pell Grant. LB399 would modify this requirement so as to eliminate the Pell Grant eligibility criterion and in its place provide that in order to be eligible to receive a Nebraska Scholarship Program award, a student must be eligible to receive U.S. Department of Education Title IV student financial assistance.
- The bill would modify the definition of postsecondary education institutions eligible to receive allocations under the Nebraska Scholarship Program for award of financial aid to individual eligible students. In order to maintain eligibility under the program, a postsecondary institution would be required to demonstrate that it provided institutional aid, either by funded or unfunded discounts from posted tuition, in an amount equal to or greater than the amount of NSP grants received by eligible students attending the institution in the most recently completed fiscal year.
- The bill would amend the definition of tuition and mandatory fees for purposes of determining allocation of amounts appropriated for NSP. Current law defines tuition and mandatory fees to be the lesser of the student costs for tuition and mandatory fees for a full-time, resident, undergraduate student for the last completed financial aid award year or the student costs for tuition and mandatory fees for a full-time, resident, undergraduate student for the last completed award year at the University of Nebraska – Lincoln. Under LB399, this definition would effectively remain unchanged for public postsecondary institutions. For students attending a nonpublic postsecondary institution, the definition of tuition and mandatory fees would be changed to the lesser of student costs for tuition and mandatory fees for a full-time, resident, undergraduate student for the last completed award year or the student federal Pell Grant cost of attendance for dependent students. This amount would be limited not to exceed student costs for tuition and mandatory fees for a full-time, resident, undergraduate student at the University of Nebraska – Lincoln plus the amount of the lowest “average taxpayer subsidy” for an undergraduate student at a four-year public college or university in Nebraska, as calculated annually by the commission based on the last completed fiscal year.

The foregoing changes will affect allocation of General, lottery (cash) and federal funds appropriated for NSP to eligible institutions for distribution to individual students eligible to receive awards under NSP. Incorporating only estimates of the impact of the proposed definitional change for tuition and mandatory fees, the Coordinating Commission estimates distribution of 2008-09 NSP appropriations as follows assuming that the definitional change had been in effect for 2008-09:

See following page.

	LB399 - NSP Est. Allocations Assuming Tuition & Fee Definition Change		Current Law NSP Allocation of 2008-09 Funds		Estimated Difference LB399 vs. Current Law
		% of Total		% of Total	
<u>Postsecondary Sector</u>					
University of Nebraska	3,940,000	31.0%	4,933,679	38.8%	- 993,679
Nebraska State Colleges	762,000	6.0%	950,136	7.5%	- 188,136
Community Colleges	<u>1,652,000</u>	<u>13.0%</u>	<u>2,044,908</u>	<u>16.1%</u>	<u>- 392,908</u>
SUBTOTAL Public Sector	6,354,000	50.0%	7,928,723	62.4%	- 1,574,723
Independent Colleges/Universities	3,305,000	26.0%	2,588,115	20.4%	+ 716,885
Private Career Schools	<u>3,050,000</u>	<u>24.0%</u>	<u>2,193,087</u>	<u>17.3%</u>	<u>+ 856,913</u>
TOTAL	12,709,000	100.0%	12,709,925	100.0%	- 925
Reconcile to Actual	<u>925</u>	--	--	--	<u>+ 925</u>
	12,709,925	100.0%	12,709,925	100.0%	0

The estimates provided by the Coordinating Commission in the table above are reflective only of the LB399 proposed change with respect to the definition of tuition and mandatory fees. This change includes identification of the lowest "average taxpayer subsidy" for an undergraduate student at a four-year public college or university in Nebraska. While the Commission's estimates above implicitly assume the meaning of the term "average taxpayer subsidy," the term is not statutorily defined and would therefore presumably require definition by rules and regulations to be adopted by the Commission. As such, the impact of this definitional change is indeterminate given the uncertainty of the meaning of the term. Additionally, provisions of LB399 would require NSP eligible institutions to demonstrate that they have provided institutional aid, either by funded or unfunded discounts from posted tuition, in an amount equal to or greater than the amount of NSP grants received by NSP eligible students attending the institution in the most recently completed fiscal year. The extent to which institutions will be able to demonstrate compliance with this eligibility criterion is uncertain and may significantly affect allocation of NSP appropriations. As such, estimates with respect to the impact of this eligibility provision on the distribution of NSP appropriations are similarly uncertain.

The Coordinating Commission estimates additional staff time will be required in response to the change in the definition of residency for students attending nonprofit nonpublic postsecondary institutions (i.e. statements of intent to remain in the state after completion of programs of study). Additional staff time is estimated to be required in response to the change in the student eligibility criterion from Pell Grant eligibility to U.S. Department of Education Title IV eligibility (significantly more students). The Commission also estimates that additional staff time will be required to assess whether postsecondary institutions comply with the proposed requirement that institutions demonstrate that they have provided institutional aid, either by funded or unfunded discounts from posted tuition, in an amount equal to or greater than the amount of NSP grants received by NSP eligible students attending the institution in the most recently completed fiscal year. The Commission estimates that related staff time impacts would not necessitate additional permanent full or part-time staff. However, the agency estimates additional costs, primarily in the form of overtime payments, associated with the impacts of the bill. These estimates, which amount to \$4,662 for 2009-10 and \$4,774 for 2010-11, appear reasonable. The Commission also notes that nominal costs would be incurred in revising rules relating to administration of NSP in the event LB399 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: Concur. Agency response is reasonable.					
COORDINATING COMMISSION FOR POSTSECONDARY EDUCATION: Concur. Agency analysis appears to be reasonable.					
NEBRASKA STATE COLLEGE SYSTEM: Agency response is reasonable.					
UNIVERSITY OF NEBRASKA: Agency response seems reasonable.					