

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	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.

LB509 expresses intent that the Legislature appropriate \$50,000,000 for 2007-08 to the Scholarship Trust Fund which is newly created by the bill. The bill does not identify the source of funds to be appropriated. Given that no other source is specified, this fiscal note assumes the \$50,000,000 for the Scholarship Trust Fund is to be drawn from the General Fund.

The bill provides that amounts from interest earned on the invested principal balance of the Scholarship Trust Fund are to be awarded as scholarships for students participating in an educational program of need. The bill defines an area of need as a geographical area that lacks a skilled workforce in a particular educational program of need. The bill defines an educational program of need as an area of instruction that, if pursued by more students, would benefit the State of Nebraska by increasing the skilled workforce in an area of need.

The bill directs the Coordinating Commission for Postsecondary Education, by rule and regulation, to establish criteria and standards for use of the Scholarship Trust Fund. These are to include a requirement that a scholarship recipient work in an area of need for a period of time equivalent to the scholarship award period. The bill does not, however, expressly provide what this requirement is to entail. At one extreme, the requirement for an award could presumably be a condition that a prospective scholarship recipient express intent to work in an area of need for the requisite time period with no consequence for not fulfilling that intent. At another extreme, could be a requirement that a recipient repay scholarship amounts with penalty and interest payments in the event the student ultimately does not work in an area of need for the requisite time period. Such requirements could presumably provide for exhaustive proceedings in order to claim related amounts. Requirements across the spectrum of extremes could be many. Absent express provisions in the bill, and lacking promulgated rules and regulations with respect to the requirement, estimates as to costs associated with administering Scholarship Trust Fund awards and related collection efforts, if any, are indeterminate.

The Coordinating Commission estimates \$500,000 for 2007-08 and \$502,650 for start-up and operation of a program with a relatively high number of individual annual awards of relatively modest amounts from Scholarship Trust Fund interest. A program requiring extensive monitoring of students and graduates as well as extensive collection efforts to reclaim amounts from award recipients that ultimately do not work in an area of need (as defined in the bill) for the requisite time period is apparently assumed. Given timing of accrual of interest from invested Scholarship Trust Fund balances and likelihood that promulgation of rules and regulations for the program will take a number of months to complete, award of amounts to students under such a program in 2007-08 appears unlikely. An estimate of \$500,000 in program costs for 2007-08 under any assumptions of program operation appears high. Program costs in subsequent years would be highly dependent upon rules and regulations ultimately promulgated. Costs will highly depend on the extent of student and graduate monitoring required; the extent of collection efforts, if any, required; and the dollar amount of awards and, therefore, number of annual award recipients. Related specifications are not expressly provided in the bill and without rules and regulations promulgated to govern such a program, 2008-09 program costs are indeterminate. Related administrative costs could be significant if the program ultimately requires substantial tracking and monitoring of student and graduate status as well as extensive collection efforts.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Dave Wagaman	DATE	1/29/07	PHONE	471-2526
COMMENTS					
<p>COORDINATING COMMISSION FOR POSTSECONDARY EDUCATION: Generally concur with agency response. The bill appropriates \$50 million from the State GF to the Scholarship Trust Fund in FY 2007-08. No provision is made in the bill for funding the administrative costs of what is, in essence, a new scholarship program which requires recipients to work in a geographical area of need, which requires the skilled labor of graduates from an educational program of need. Administrative costs of the program would be between \$400,000 and \$500,000 per year, depending on administrative decisions made in setting up and operating the program. The state GF is one potential funding source for the administrative costs.</p>					