

Revised on 4/25/13 to reflect amendments adopted through 4/24/13.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$802,980		\$792,290	
CASH FUNDS	\$85,550			
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$888,530		\$792,290	

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

LB 366 is the Diploma of High School Equivalency Assistance Act. The bill provides intent language that \$750,000 of general funds be appropriated as state aid in FY2013-14 and FY2014-15 to provide assistance to institutions which offer high school equivalency programs in order to defray the costs borne by participants in the programs. Institutions are defined as a state agency, school district or a community college. Institutions offering high school equivalency programs shall receive aid from the State Department of Education (NDE) for: (1) each participant enrolled in a high school equivalency program in the most recently completed fiscal year; (2) each enrolled student who took an initial examination in the most recently completed fiscal year; and, (3) each student not enrolled in the program who takes the examination in the most recently completed fiscal year.

The bill also provides a one-time payment of \$85,550 of cash funds from the Education Innovation Fund (lottery funds) in FY2013-14 for institutions providing a high school equivalency program to acquire and upgrade equipment and software necessary to administer examinations for diplomas of high school equivalency. The upgrades are necessary to comply with national standards which take effect in 2014.

NDE is to adopt rules and regulations and to carry out the act. Programs receiving reimbursement pursuant to the act are to report prescribed information annually to the State Department of Education (NDE).

State Aid: The bill increases state aid as follows:

Aid to Upgrade High School Equivalency Centers: NDE indicates there are 29 high school equivalency testing centers in the state. The department estimates a cost of \$2,950 for each of the centers to update equipment and software to be in compliance with national standards. The estimated one-time fiscal impact to provide the entire cost of the upgrades for the centers is \$85,550 in FY2013-14. The aid will go to school districts, community colleges and the Department of Corrections.

Aid for GED Participants: LB 366 provides \$750,000 of general funds in FY2013-14 and \$750,000 of general funds in FY2014-15 to provide aid to each institution for each student enrolled in a high school equivalency program and for each student who took an examination for a diploma in the preceding fiscal year.

NDE estimates about 50% of the individuals taking adult basic education programs are working towards their high school equivalency diploma. This would equate to about 4,864 students enrolled in a high school equivalency program each year. The department also indicates about 4,000 people annually take the high school equivalency examination. It is assumed aid payments will be prorated to institutions based upon the total amount appropriated.

NDE Expenditures: NDE will have administrative expenses to implement the bill. The estimated cost to add a .5 Program Specialist is \$52,980 in FY14 and \$42,290 in FY15.

LB⁽¹⁾ 366 FISCAL NOTE AM785

State Agency OR Political Subdivision Name: (2) Department of Education

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ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-2014</u>		<u>FY 2014-2015</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$750,000+ \$52,979 = \$802,979*		\$750,000 + \$47,291 = \$797,291	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	\$85,550 (Innovation Funds)			
TOTAL FUNDS	<u>888,529</u>		<u>797,291</u>	

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

Explanation of Estimate: * **\$750,000 for the Diploma of High School Equivalency Assistance Act and \$52,979 for the .5 NDE program specialist for NDE in 2013-2014 and \$47,291 for 2014-2015. (see below)**

AM 785 to LB 366 sets forth a new funding stream for Adult Education Programs and GED testing centers and it is presumed that the mandatory requirements of Sections 79-730 through 79-733 and 79-11,133 still apply. Following are comments concerning the language in AM 785 to LB 366:

1. Since Section 79-730 requires that a person seeking a GED must be a resident of Nebraska as specified, it is presumed that any funding provided under AM 785 will be limited to Nebraska residents enrolled in Adult Education (AE) programs and GED testing.
2. Section 2. "The purpose of the Diploma of High School Equivalency Assistance Act is to provide assistance to institutions which offer high school equivalency **programs in order to defray the costs borne by participants in such programs.**" **NOTE:** Currently, the examinee pays for the GED exam, not the institution. No language exists in AM 785 as to whether funding provided under the bill will ultimately be provided to an examinee, or whether any "institution" is required to first pay for the testing instead of the examinee. As currently written in Section 4 b & c, funding would benefit the institution, not the examinees that currently pay for the testing.
3. Section 3. "Institution shall mean a state agency, a school district as defined in section 79-101, or a community college area as defined in section 85-1503." Currently, community based organizations (CBO) that are a federally funded Adult Education program provide many of the same services and apparently would not be eligible for any funding under this bill. If the bill is intended to help defray the costs for Adult Education and GED services participants, it will be of no help to those participants that attend community based organizations.
4. Section 4. The instructional Adult Education (AE) program – referred to in the legislation as the "high school equivalency program" is a separate entity from the GED Testing program. In order to fulfill the requirements in Section 4 (a), (b), (c), it will be necessary to award separate grants to the AE program for parts (a) and (b), and to the GED testing centers separately for part (c). NDE proposes to do this by:

Part (a) of Section 4 reimbursement would be accomplished by use of a grant award to AE programs, based on the previous year's program activity. However, "reimbursement based on enrollment numbers"

may have an unintended consequence of institutions just enrolling participants with no intent on improving student achievement and improvement in their academic studies. Currently, for most adults, attendance in Adult Education classes is strictly voluntary and a number drop out before achieving any academic success.

There are a number of factors that would indicate student academic improvement and success in Adult Education such as USDOE performance measures. However, the language in AM 785 does not indicate any quality factors to insure that reimbursements will help reach the intent of the legislation (to raise skill levels for a high school diploma, continuing education, and the workforce).

Determination of grant amounts would include the current CBO Adult Education program, unless otherwise specified in LB 366.

For parts (b) and (c), looking at last year’s GED grads will not fulfill the intent of the legislation: “The purpose of the Diploma of High School Equivalency Assistance Act is to provide assistance to institutions which offer high school equivalency **programs in order to defray the costs borne by participants in such programs.**” Reimbursement for GED testing on last year’s performance is of no benefit to the current year’s examinee, the person who currently pays for testing. Therefore it is proposed that regulations of NDE will award a grant to the GED testing centers, to be based on the previous year’s activity and proposed outlook for the current year. Testing centers wanting reimbursement under the bill need to purchase vouchers to utilize for student testing fees; and will, at the end of each month, quarter, or any other period of time agreeable to the testing center and NDE, submit a claim for reimbursement of the vouchers issued to examinees for that particular period of time.

5. Other comments/questions pertaining to the legislation:

The term “high school equivalency program” is not defined. The Adult Education program serves individuals from non-readers to the 12.9 grade level. Should one of the criteria be based on the total number of Adult Education students?

What is meant by “initial exam”? All four parts of the complete exam (\$120) or just the first assessment taken (\$30)? NDE presumes this means a complete exam, but further clarification may be needed. Although Section 7 does provide that NDE can set the rules for Section 4, some of the terms would be better defined in the bill before the legislation is passed instead of NDE trying to define these terms in rule. A number of items that need further clarification/definition prior to passing would be definitions, performance standards, GED payment options, etc.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2013-2014	2014-2015
	13-14	14-15	EXPENDITURES	EXPENDITURES
Program Specialist II	.5FTE	.5FTE	24,152	24,695
Benefits.....			15,762	16,478
Operating.....			5,700	5,000
Travel.....			1,085	1,118
Capital outlay.....			6,280	
Aid.....			835,550	750,000
Capital improvements.....				
TOTAL.....			888,529	797,291

