

Revised on 4/20/15 based on amendments adopted through 4/9/15.

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2015-16</b>		<b>FY 2016-17</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS			\$16,258,300	See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$16,258,300	

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

LB 519 allocates the Nebraska Education Improvement Fund (lottery funds) in FY2016-17 through FY2020-21. The fund consists of 44.5% of lottery proceeds, after the payment of prizes and operating expenses and a transfer to the Compulsive Gambler's Assistance Fund. The Nebraska Education Improvement Fund is to be used for educational purposes. The current allocation of lottery funds for educational purposes terminates on June 30, 2016.

Allocation of Nebraska Education Improvement Fund, beginning in FY2016-17:

Nebraska Opportunity Grant Program: The bill provides for 62% of the funds in the Nebraska Education Improvement Fund (NEIF) to be allocated to the Coordinating Commission for Postsecondary Education (CCPE) for the Nebraska Opportunity Grant Program. This is a continuation of the current amount of lottery funds provided in FY2015-16 for opportunity grants which is need-based student financial aid. The bill also repeals provisions providing for the balance of the Nebraska Opportunity Grant Fund to be transferred to the NEIF on June 30, 2016 and extends the transfer date to June 30, 2021. The repeal allows the fund balance to be maintained for cash flow purposes in the Opportunity Grant Fund.

Community College Gap Assistance Program: LB 519 allocates 9% of the NEIF for the Community College Gap Assistance Program which is created by the bill. The bill creates a Community College Gap Assistance Program Fund which is to be administered by the CCPE under the direction of a committee established in the bill. The fund is used to provide aid or grants to community colleges to provide assistance to students in eligible gap programs as defined by the bill. Assistance is provided to resident students who have a family income at or below 250% of poverty. Costs eligible for reimbursement include tuition, direct training, books, equipment and fees. The total amount of assistance awarded from the fund is capped at \$1.5 million during any fiscal year.

The committee is required to develop a common applicant tracking system for the program and coordinate statewide oversight, evaluation and reporting. Money in the fund may also be used by the committee to establish application and funding procedures and assist community colleges in defraying the costs of direct staff support services, including, marketing, outreach, applications, interviews and assessments as follows: Up to 20% is allocated for such purposes to the two smallest community colleges; up to 10% to the two largest; and up to 15% to the two remaining community colleges.

Department of Education Innovative Grant Fund: The bill provides for 20% of the funds in the NEIF to be allocated to a Department of Education Innovative Grant Fund to be administered by the State Department of Education (NDE) and used for competitive innovation grants. Grantees for funds from NDE shall be school districts, educational service units (ESU's) or a combination of entities including at least one school district or ESU. Based on evaluations of grants received on or before July 1, 2019, the State Board of Education shall recommend the grant projects as: representing a best practice; a model for a state-supported program; or, a local issue for further study.

Best Practices Allowance in the TEEOSA Formula: The bill provides that grant projects which are recommended as best practices by the State Board of Education are included in a best practices allowance in the state aid formula. The amount of the allowance shall be the lesser of: the best practices cost certified to the district; or, the product of the cost of the best practice for a school district multiplied by the ratio of \$1 million dollars divided by the total best practices cost for all schools districts qualifying for the allowance in any school year. School districts also receive 50% of the best practices allowance as best practices aid for the school year. The aid is included as a resource for state aid purposes.

Allowances in the TEEOSA formula attribute expenditures for a specific purpose to school districts incurring the expenditures. This reduces the amount of basic funding available in the formula which impacts districts in the same comparison group. Generally, the inclusion of an allowance does not significantly affect the amount of overall aid distributed. However, the provision allowing school

districts to receive best practices aid will increase TEEOSA aid by up to \$500,000 each fiscal year depending upon the projects approved for the allowance. The best practice allowance and direct aid for projects approved by the State Board of Education will become effective beginning in FY2021-22.

**Excellence in Teaching Act:** Eight percent of the NEIF is allocated to NDE for the Excellence in Teaching Act. This is a continuation of the current amount of lottery funds provided in FY2015-16 for loans to teachers through the Excellence in Teaching Act. LB 519 repeals the currently required transfer of the balance of the Excellence in Teaching Cash Fund to the NEIF on August 1, 2016 and provides for the transfer to occur on August 1, 2021. The change has minimal fiscal impact on the funds involved.

The bill also changes the amounts allocated to each of the programs in the Excellence in Teaching Act beginning in FY2015-16. Current law is unchanged in requiring the initial \$400,000 to be allocated to the Attracting Excellence to Teaching Program. However, instead of allocating the remaining funds to the Enhancing Excellence to Teaching Program the bill requires the next \$800,000 to be allocated for this purpose. The remainder of the funds are then evenly distributed between the two programs. The change will result in a small increase in the amount of funds being used for loans in the Attracting Excellence to Teaching Program.

LB 519 changes a couple of provisions of the current Excellence in Teaching Act in terms of the forgiveness of loans beginning in FY2016-17. Current law is changed to provide that loans are forgiven in the amount of \$1,500 per year, rather than \$3,000 per year, after the first two years of teaching. Loans to individuals which qualify for accelerated forgiveness are changed so that loans are forgiven in the amount of \$1,500 for the first year of loan forgiveness and \$3,000 for each year thereafter rather than the current forgiveness rate of \$6,000 per year.

**Expanded Learning Opportunity Grant Program:** LB 519 also allocates 1% of the NEIF to an Expanded Learning Opportunity Grant Fund to be administered by NDE for a newly established Expanded Learning Opportunity Grant Program. The program provides grants to community-based organizations working with schools in high-need school districts to provide expanded learning opportunity programs. Programs and support activities and services are provided to elementary and secondary students and their families after school and on weekends, holidays and other hours when school is not in session.

LB 519 provides for the NEIF fund to be allocated as described for FY2016-17 through FY2020-21. Ten percent of the available balance for any fiscal year is to be retained in the fund and 90% is to be allocated each year. Up to 5% of funds allocated to each activity may be retained for administration by NDE and CCPE, except no funds may be retained for administration of the Nebraska Opportunity Grant Fund. The table below shows the projected allocation of the NEIF in FY17 and FY18.

	FY2016-17 Estimated	FY2017-18 Estimated
<b>Beginning Balance - Current Law</b>	\$12,000,000	\$1,668,700
<b>Revenue:</b>		
Lottery Revenue	16,687,000	16,687,000
Interest Income	<u>240,000</u>	<u>240,000</u>
Total Revenue + Begin. Balance	28,927,000	18,595,700
LESS: Repeal of Required Opportunity Grant Transfer	-11,000,000	0
LESS: 10% Balance to Remain in the Fund	<u>-1,668,700</u>	<u>-1,668,700</u>
Available for Allocation	16,258,300	16,927,000
<b>Expenditures:*</b>		
Competitive Innovation Grants - NDE (20%)	3,251,660	3,385,400
Expanded Learning Opportunity Grant Program Act (1%)	162,583	169,270
Excellence in Teaching Cash Fund (8%)	<u>1,300,664</u>	<u>1,354,160</u>
Total State Department of Education	4,714,907	4,908,830
Nebraska Opportunity Grant Act (62%)	10,080,146	10,494,740
Community College Gap Assistance Program Fund (9%)	<u>1,463,247</u>	<u>1,523,430</u>
Total Coordinating Council for Postsecondary Education	11,543,393	12,018,170
Total Expenditures	\$16,258,300	\$16,927,000
<b>Ending Balance</b>	\$1,668,700	\$1,668,700

\*Up to 5% of each allocation may be used for administration, except for the allocation to the Nebraska Opportunity Grant Act

Administration of Lottery Aid Programs: NDE projects the need for an additional 2.0 FTE (Program Specialist, Administrative Assistant) to administer the innovative competitive grant program. This fiscal note assumes the addition of one Program Specialist and a .5 FTE Administrative Assistant at an estimated cost of \$128,860 of cash funds for personal services and operating expenses. The agency also needs to continue the position currently funded with lottery funds in the Excellence in Teaching Act at an annual cost of \$65,030 of cash funds for salaries, benefits and operating expenses. It is assumed the Expanded Learning Opportunity Grant Program can be administered with existing staff. An additional \$3,130 of lottery funds is included each year for operating expenses in the Expanded Learning Opportunity Grant Program. The bill limits the amount for administration of each activity to 5% of the funds allocated, so the aid allocations will be reduced by the amount spent to administer the grants.

CCPE projects a need for an additional Educational Specialist to administer the Gap Assistance Program Fund at a cost of \$85,050 for salaries, benefits and operating expenses. Administrative expenses are capped at 5%, so it is assumed the CCPE will have about \$73,162 for administration in FY17. The bill limits the amount for administration of each activity to 5% of the funds allocated, so the aid allocations will be reduced by the amount spent to administer the grants. It is assumed that expenditures by community colleges as allowed by the bill also will reduce the amount of aid allocated to students.

The bill requires the CCPE to establish a tracking system for the grant program. The agency estimates the cost to develop the system will be about \$30,000 and on-going maintenance and hosting costs will be \$5,000 per year. Since there is a 5% cap on the use of funds for administration, it is assumed the hiring of the Education Specialist and implementation of the program will be delayed in order to have sufficient funds to develop the tracking system in FY17.

Education Committee Responsibilities: LB 519 requires the Education Committee of the Legislature to conduct a study of postsecondary education affordability in Nebraska and alternatives for supporting students and families in the cost of education. The study shall be completed by December 31, 2015. The Education Committee is also required to determine how lottery funds shall be allocated for the five-year period beginning with FY2021-22. The recommendations are to be developed by December 31, 2019. It is assumed the Education Committee can complete the study and formulate alternatives for the future usage of lottery funds using existing staff and resources of the Legislature.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB:519	AM:1044	AGENCY/POLT. Nebraska Community College Association	
REVIEWED BY: James Van Bruggen		DATE: 4/7/2015	PHONE: 471-4179
COMMENTS: The Nebraska Community College Association assessment appears reasonable.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB:519	AM:1044	AGENCY/POLT. Dept of Education	
REVIEWED BY: James Van Bruggen		DATE: 4/10/2015	PHONE: 471-4179
COMMENTS: The amount of aid and operating costs for each allocation is based on a percentage of funding transferred into the Nebraska Education Improvement Fund. The TEEOSA formula will be affected by adding a best practice allowance.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB:519	AM:	AGENCY/POLT. Coordinating Commission for Postsecondary Education	
REVIEWED BY: James Van Bruggen		DATE: 4/16/2015	PHONE: 471-4179
COMMENTS: There is concern with agency's need for 1.0 FTE in implementing the Community College Gap Assistance Program. There is concern the agency's estimated costs of the 1.0 FTE would be higher than the 5% allowed for administration of the program. There is concern with the agency's request to hire the 1.0 FTE using General Funds in 2015-16 before Cash Funds become available in 2016-17. Concur with the agency's comments on the Nebraska Opportunity Grant.			

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

**2015**

**LB<sup>(1)</sup> 519 AM1044**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska Community College Association

Prepared by: <sup>(3)</sup> Dennis G. Baack

Date Prepared: <sup>(4)</sup> April 1, 2015

Phone: <sup>(5)</sup> 402-471-4685

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

**Explanation of Estimate:**

This amendment proposes to continue funding the Nebraska Opportunity Grants with lottery funds and will not change the fiscal impact for community colleges. The provision for funding of tuition gap assistance for community college part-time students may bring some additional students. However, there is not any way to predict how many students may take advantage of this program so the fiscal impact is not known.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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**2015**

**LB<sup>(1)</sup> 519 AM 1044**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Dept of Education

Prepared by: <sup>(3)</sup> Bryce Wilson

Date Prepared: <sup>(4)</sup> 4/10/2015

Phone: <sup>(5)</sup> 402-471-4320

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	\$4,714,600	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	=====	=====	<b>\$4,714,600</b>	=====

**Explanation of Estimate:**

LB 519 with AM 1044 results in \$162,583 or 1% being allocated to the Expanded learning Opportunity Grant. NDE will operate the ELO grant with existing staff.

\$3,251,660 or 20% is allocated to the Competitive Innovation Grant program. The new grant requires the Board of Education to establish this program for school districts, ESU's or a combination of entities that include at least one school district or ESU. This program will require a new full time program specialist II position and an administrative assistant to create the rules and guidelines, implement the program, review the applications and prepare the payments. This bill may also affect TEEOSA in future years as it allows a best practice allowance to be added to the TEEOSA formula based on the State Boards direction.

\$1,300,664 or 8% is allocated for the excellence in teaching cash fund. As this is a continuation of the excellence in teaching fund it will be operated with staff that is currently funded with administrative funds from the Education Innovation Fund. Under the new amendments the staff will be funded as part of this allocation.

Total Personnel Service Limit of \$133,151 will be required from Lottery Funds for estimated new and existing staff paid under this LB.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16 EXPENDITURES</u>	<u>2016-17 EXPENDITURES</u>
	<u>15-16</u>	<u>16-17</u>		
_____	_____	3.1	_____	\$133,151
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	\$69,696
Operating.....	_____	_____	_____	\$32,898
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	\$4,479,162
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	_____	_____	_____	<b>\$4,714,907</b>

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

2015

LB<sup>(1)</sup> 519

FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Coordinating Commission for Postsecondary Education

Prepared by: <sup>(3)</sup> Gary Timm

Date Prepared: <sup>(4)</sup> 4/15/15

Phone: <sup>(5)</sup> 471-0020

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$74,500</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
CASH FUNDS	<u>                    </u>	<u>                    </u>	<u>\$11,500,000</u>	<u>\$11,500,000</u>
FEDERAL FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OTHER FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL FUNDS	<u>\$74,500</u>	<u>                    </u>	<u>\$11,500,000</u>	<u>\$11,500,000</u>

Explanation of Estimate:

**Nebraska Opportunity Grant Program**

The Nebraska Opportunity Grant (NOG) program is the statewide aid program for low-income students attending a Nebraska postsecondary institution. The NOG program is funded from approximately \$6.7 million in General fund money and \$10 million in State Lottery Operation Trust (Lottery) Fund money. As of June 30, 2016, current statute will remove the Lottery fund money from this program and transfer the balance in the NOG Fund to the Nebraska Education Improvement Fund. Section 1(5)(e) of this bill would allocate 62% from the Nebraska Education Improvement Fund, which represents the approximate amount the NOG program currently receives from the Lottery fund. Section 37 amends the June 30, 2016 termination date of the NOG fund to June 30, 2021. There is no fiscal impact to the Commission related to administration of these sections of the bill. However, this section will continue to provide **\$10 million** to the NOG program that would have terminated on June, 30, 2016 and is reflected in the aid payments for 2016-17 as well as the expenditure and revenue columns for 2016-17.

**Community College Gap Assistance Program Act**

As outlined in Section 1(5)(c) and Sections 26 through 36, the Community College Gap Assistance Program Act would receive 9%, or approximately **\$1.5 million**, from the Nebraska Education Improvement Fund.

Sec. 35(1) requires the Nebraska Community College Student Performance and Occupational Education Grant Committee (committee) created in Neb. Rev. Stat. §85-1539 to develop a common applicant tracking system that will be implemented by each participating community college. Programming and hosting costs for a web-based application are estimated at \$30,000 for the first year based on the Commission’s experience with development of the ACE on-line application. Ongoing maintenance and hosting costs are estimated at \$5,000 for the second and subsequent years.

Sec. 35(2) and (3) requires the committee to coordinate oversight, evaluation, and reporting efforts for the program. As chair of the committee and administrator of the program, these duties would most likely fall to the Commission, which would provide the results to the committee. These additional responsibilities would include reviewing applicant files after the award process; monitoring use of funds; monitoring the web-based application data; tracking and reviewing of program offerings; and performance measurement analysis. The Commission estimates a 1.0 FTE position will be required to perform the oversight, evaluation, and reporting efforts for the program and would require purchasing computer and telephone equipment (\$1,000 equipment and \$100 monthly connection charges).

This program would necessitate the Commission to write rules and regulations for the operation of the program. One-time costs for rules and regulations - \$500 for notice of hearing in the Omaha World-Herald, \$200 for travel for two Commissioners to hold the public hearing, and \$100 for copies and staff travel.

**Timing of Funding Transfers from the Education Improvement Fund**

The Commission assumes that the timing of fund transfers for the Gap Assistance Program will be similar to the NOG program – quarterly transfers from the Education Improvement Fund beginning September 30, 2016. If this is the case, the earliest funding could be available to the applicants and for administrative costs would be for 2016-17, specifically, October 1, 2016. Revenue projections are based on the estimated transfers from the Education Improvement Fund identified above.

Funding transfers to the Gap Assistance Program fund do not begin until 2016-17 and to have the program operational by July 1, 2016, the Commission has requested General fund appropriations for 2015-16 in order to begin work on the rules and regulations as well as the applicant tracking system. The Commission believes a 1.0 FTE hired during the latter part of 2015-16 (shown below as a .5 FTE for 15-16) would allow planning and development work to be done and the program to be operational by July 1, 2016.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16 EXPENDITURES</u>	<u>2016-17 EXPENDITURES</u>
	<u>15-16</u>	<u>16-17</u>		
<u>Education Specialist</u>	<u>.5</u>	<u>1.0</u>	<u>\$30,000</u>	<u>\$61,350</u>
<u>Benefits.....</u>			<u>\$10,500</u>	<u>\$21,500</u>
<u>Operating.....</u>			<u>\$33,000</u>	<u>\$6,200</u>
<u>Travel.....</u>				
<u>Capital outlay.....</u>			<u>\$1,000</u>	
<u>Aid.....</u>				<u>\$11,410,950</u>
<u>Capital improvements.....</u>				
<u>TOTAL.....</u>			<u>\$74,500</u>	<u>\$11,500,000</u>