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Marshall A. Hill, Ph.D., Executive Director

*Promoting high quality, ready access, and efficient use of resources  
in Nebraska higher education.*

January 12, 2010

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**STATE BUDGET DIVISION**

The Honorable Lavon Heidemann  
Chairperson, Appropriations Committee  
Nebraska State Legislature  
District 1  
State Capitol  
Lincoln, Nebraska 68509-4604

Dear Senator Heidemann

The Commission has two major state-funded programs that the Legislature cut in the special session. Program 640 is the Commission's general operating fund. Program 690 is the financial aid program administered by the Commission that has funding passed through to students at the colleges.

**Program 640 - General Operating Fund:** (\$39,626 reduction, FY2009-10; \$65,191 reduction, FY2010-2011)

As we stated at the special session hearing on budget cuts, the Commission is a small agency (13 staff) with numerous constitutional and statutory responsibilities. The Commission received no increased funding for the biennium. Consequently we were already having to cut certain cost areas due to beyond-our-control increases in expenses. With the special session cut of 2.5% each year of the biennium plus removal of one half of our carry-forward funds, we find our budget and staff in peril.

Our operating budget consists of personnel and benefits, operating expenses, and travel expenses for Commissioners and staff. Prior to the 2.5% cut for the 2009-10 budget, personnel and benefits accounted for 81.47% of our budget. Because of the nature of the Commission's work, we are heavily dependent on "people resources." When the same percentage cuts are made across all agencies, small personnel-intensive agencies like ours have few options. The Commission does not have vacancy savings and only has one person assigned to each group of constitutional and statutory tasks. Because the constitutional and statutory tasks are so specific and require exceptionally knowledgeable individuals to accomplish the tasks, it is not possible to consolidate tasks more than we have already.

For 2009-10, the Commission has cut operating expenses as much as possible. Those cuts include:

- no salary increases for staff for the next two years

Commissioners

Colleen A. Adam, Chair  
*Hastings*

Dr. Joyce D. Simmons, Vice Chair  
*Valentine*

Clark Anderson  
*Ogallala*

Riko Bishop  
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Dr. Dick C.E. Davis  
*Omaha*

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*West Point*

Eric Seacrest  
*North Platte*

John Winkleblack  
*Tilden*

Carol Zink  
*Lincoln*

- reduced travel for Commissioners and staff to minimum required by law
- holding one less meeting of the Commission per year
- limiting Commission meetings to Lincoln or Omaha to reduce travel expenses
- not replacing outdated equipment and software
- decreasing subscriptions to professional publications
- decreasing memberships in professional organizations to a very select few
- require staff to pay dues to professional organizations they are required to join as part of maintaining their credential (American Institute of Architects, Public Relations Society of America, Society of College and University Planning, and Association of Financial Professionals)
- decrease the frequency of financial aid audits from each year to every other or every third year.

Even with the operational cuts outlined above, it may not be possible to balance the budget for 2009-10 without some use of furloughs. With proposed operational cuts, the salary and benefit portion of our budget would then be 84.2%. It may not be possible to decrease operating expenses as much as proposed. The Commission will monitor its expenses each month and institute furloughs toward the end of the fiscal year, if the situation warrants. The furloughs will cause significant additional difficulties for the Commission due to the fact that there are no backup individuals as a result of the past 10 years of tight budgets and the very technical nature of each person's responsibilities. Furloughs only cause more work for our already over-worked staff.

The prospects for fiscal year 2010-11 are even more dire. With the Commission's limited operating budget and the proposed operating budget reductions already taken in 2009-10, there is no other alternative in 2010-11 except to reduce staff. Because of the additional \$32,847 budget cut for 2010-11, the Commission will need to cut one of the professional staff positions. Cutting an administrative support position will not yield sufficient net funds to offset the imposed budget cut due to the fact the Commission will be required to pay accrued leave time and unemployment for the removed staff person. With unemployment benefits being extended, the cost to decrease a staff position is significant. Consequently, we will need to remove a professional position that is paid a sufficient salary to offset accrued leave, unemployment, and the \$32,847 budget cut.

Removing a professional staff position is problematic for the Commission and the state. Depending on the position removed, the Commission may be required to modify our approaches to statutory duties until funding improves. As mentioned before, each professional position is assigned specific tasks that require a specific set of competencies and there are few tasks that can be assigned to someone else on staff. Although some might suggest that one could remove a highly paid staff member and replace the staff member with a less highly paid person, this is not feasible for the Commission. Each staff member is paid the prevailing wage for his or her competencies. The Commission's professional positions are highly technical and require considerable expertise in specified educational areas.

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The Commission is still evaluating its dilemma for 2010-11. It is never easy to reduce staff, but for the Commission it is compounded due to its size and significant statutory and constitutional responsibilities.

**Program 690 - Nebraska Scholarship Program (NSG):** (\$83,964 reduction, FY2009-10; \$167,926 reduction, FY2010-2011)

The scholarship program is a pass-through program where students apply for state funding for the academic year. The NSG funds go to the state's most needy students.

The Commission notified the colleges of the decrease in funding. See the attached table for reductions by institutions.

The cuts for financial aid will be mid-year cuts. The students are already in school and counting on NSG funds they were promised. We will not know how many students will be affected until later in the semester. Colleges have the option to decrease all students' second semester funding or target some students for the majority of funding cuts. The colleges will inform us of the cuts they made later in the year.

Sincerely,



Marshall A. Hill  
Executive Director

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attachment

c: Members of the Legislative Appropriations Committee  
Phil Hovis  
William Scheideler

# Nebraska State Grant Allocations

	2009-10 Allocations pre Budget Reduction	2009-10 Allocations after Budget Reduction
<b>UNIVERSITY OF NEBRASKA:</b>		
UNK	\$928,127	\$923,761
UNL	\$2,374,792	\$2,363,622
UNMC	\$141,835	\$141,168
UNO	\$1,854,462	\$1,845,739
NCTA-Curtis	\$36,654	\$36,482
 <b>STATE COLLEGES:</b>		
Chadron	\$315,212	\$313,729
Peru	\$228,434	\$227,360
Wayne	\$512,033	\$509,625
 <b>COMMUNITY COLLEGES:</b>		
Central	\$365,006	\$363,289
Metropolitan	\$713,469	\$710,113
Mid-Plains	\$144,124	\$143,446
Northeast	\$290,801	\$289,433
Southeast	\$752,431	\$748,892
Western Nebraska	\$163,564	\$162,794
 <b>PRIVATE CAREER COLLEGES:</b>		
Capitol Schools of Hairstyling	\$38,364	\$38,183
College of Hair Design	\$127,486	\$126,886
Creative Center	\$34,417	\$34,255
ITT Educational Services, Inc.	\$389,540	\$387,708
Joseph's Colleges of Beauty	\$219,042	\$218,012
Kaplan University - Lincoln	\$479,154	\$476,900
Kaplan University - Omaha	\$715,829	\$712,462
La'James College	\$34,527	\$34,365
Myotherapy Institute	\$7,083	\$7,049
Omaha School of Massage Therapy	\$58,899	\$58,622
Vatterott College	\$426,871	\$424,863
Xenon International School of Hair	\$103,582	\$103,095
 <b>INDEPENDENT COLLEGES:</b>		
Bellevue University	\$519,424	\$516,980
Bryan School of Nursing	\$78,203	\$77,835
Clarkson College	\$100,410	\$99,938
College of Saint Mary	\$242,725	\$241,583
Concordia University	\$101,332	\$100,855
Creighton University	\$293,852	\$292,470
Dana College	\$77,576	\$77,211
Doane College	\$295,807	\$294,416
Grace University	\$68,501	\$68,179
Hastings College	\$187,761	\$186,878
Little Priest Tribal College	\$11,126	\$11,075
Midland Lutheran College	\$188,683	\$187,796
Nebraska Christian College	\$34,989	\$34,824
Nebraska Methodist College	\$110,886	\$110,365
Nebraska Wesleyan University	\$316,870	\$315,380
Union College	\$82,482	\$82,094
York College	\$45,963	\$45,748