



HB500/HCS1 Funding of Student Financial Assistance Programs

Budget Review Subcommittee on Postsecondary Education
February 26, 2026



State Student Aid Funding Overview

Statutory language directs \$3.0 million in net Lottery revenue to literacy and reading initiatives; remainder is split between CAP/KTG (55%) and KEES (45%)

Historically, seven (7) programs have been funded through net Lottery revenue

- College Access Program (CAP) grant
- KY Tuition Grant
- KEES
- Dual Credit Scholarship
- Work Ready KY Scholarship
- Teacher Scholarship
- KY National Guard Tuition Award

Remaining KHEAA programs funded with other General & Restricted Fund sources

Consensus Lottery forecast: \$365 million in FY 27 and FY 28

HB 500 provides \$358.4 million of \$362 net Lottery revenue to KHEAA programs

Kentucky Educational Excellence Scholarship (KEES)

KEES consensus forecast is proven method to accurately estimate future KEES expenditures

- FY 2027 - \$117,474,500
- FY 2028 - \$118,819,600
- 45% of net lottery revenues = \$162.9 million each year

HB 500 funding levels would force KHEAA to reduce KEES awards for current college students by 12% in FY 2027 and 13% in FY 2028

Funding includes \$12.3m per year in Restricted Funds from the KEES Reserve account.

	FY 2027		FY 2028	
	General Fund	Restricted Fund	General Fund	Restricted Fund
KHEAA's Request	\$ 105,174,500	\$ 12,300,000	\$ 106,519,600	\$ 12,300,000
HB 500	\$ 90,556,600	\$ 12,300,000	\$ 90,556,600	\$ 12,300,000
Difference	(\$ 14,617,900)	(\$ 0)	(\$ 15,963,000)	(\$ 0)

Dual Credit Scholarship (DCS)

Per HB 193 from the 2025 legislative session, all scholarship coverage for dual credit coursework falls under the DCS program

- General Education dual credit for grades 11 and 12
- Career and Technical Education (CTE) dual credit for grades 9-12 (a.k.a. Work Ready Dual Credit)

HB 500 contains the same notwithstanding language that has expanded eligibility and scholarship cost since FY 2023

- Increased tuition rate ceiling to 50% of KCTCS in-state per credit hour tuition rate; equates to \$97 per hour for 2025-26 year
- Expands scholarship to cover four general education dual credit courses in addition to two CTE dual credit per year, for a maximum of 12 approved dual credit courses

The timing of scholarship processes is problematic for awarding funds on a first-come, first-served basis

- Results in funding denial after starting coursework, leaving students with unexpected tuition bills

Dual Credit Scholarship

Dual credit has grown consistently the last several years with continued growth expected in the next biennium

- FY 2024 - \$ 23,696,100
- FY 2025 - \$ 26,474,000
- FY 2026 (allotted) - \$29,242,000

KHEAA requests an additional \$5m in FY 2027 and \$8.1m in FY 2028 to fund all eligible students

Funding includes \$6.3m per year in Restricted Funds from the excess Lottery reserve

	FY 2027		FY 2028	
	General Fund	Restricted Fund	General Fund	Restricted Fund
KHEAA's Request	\$ 26,094,000	\$ 6,340,100	\$ 29,194,000	\$ 6,340,100
HB 500	\$ 21,149,500	\$ 6,340,100	\$ 21,149,500	\$ 6,340,100
Difference	(\$ 4,944,500)	(\$ 0)	(\$ 8,044,500)	(\$ 0)

Optometry Scholarship

Provides assistance for Kentucky residents to pursue a Doctor of Optometry degree at an eligible school of optometry

- Four participating institutions including the KY College of Optometry
- Award amount is \$15,000 per year
- Students in good academic standing remain in program for up to four years of scholarship receipt

Scholarship application and award determination process results in offers being extended to students by January preceding the school year

- Offers for the 2026-27 year have already been extended

HB 500 includes cuts to the program's baseline in both years and is not sufficient to fund all new and returning students

	FY 2027	FY 2028
	General Fund	General Fund
KHEAA's base request	\$ 848,400	\$ 848,400
HB 500	\$ 814,500	\$ 789,000
Difference	(\$ 33,900)	(\$ 59,400)

Early Childhood Development Scholarship

Workforce development program for childcare and preschool workers who are studying to become teachers at the pre-K level

Amount is up to full tuition and fees at participating institution, not to exceed UK's tuition rate

- \$6,430 per term for the 2025-2026 year

During the 2024-2025 year, \$2.4 million was disbursed on behalf of 570 early childcare workers

HB 500 does not provide funds for the ECDS program

KHEAA requests ECDS funding be restored for program continuation

	FY 2027		FY 2028	
	General Fund	Restricted Fund	General Fund	Restricted Fund
KHEAA's Request	\$ 500,000	\$ 2,500,000	\$ 1,000,000	\$ 2,500,000
HB 500	\$ 0	\$ 0	\$ 0	\$ 0
Difference	(\$ 3,000,000)		(\$ 3,500,000)	

College Access Program (CAP) Grant

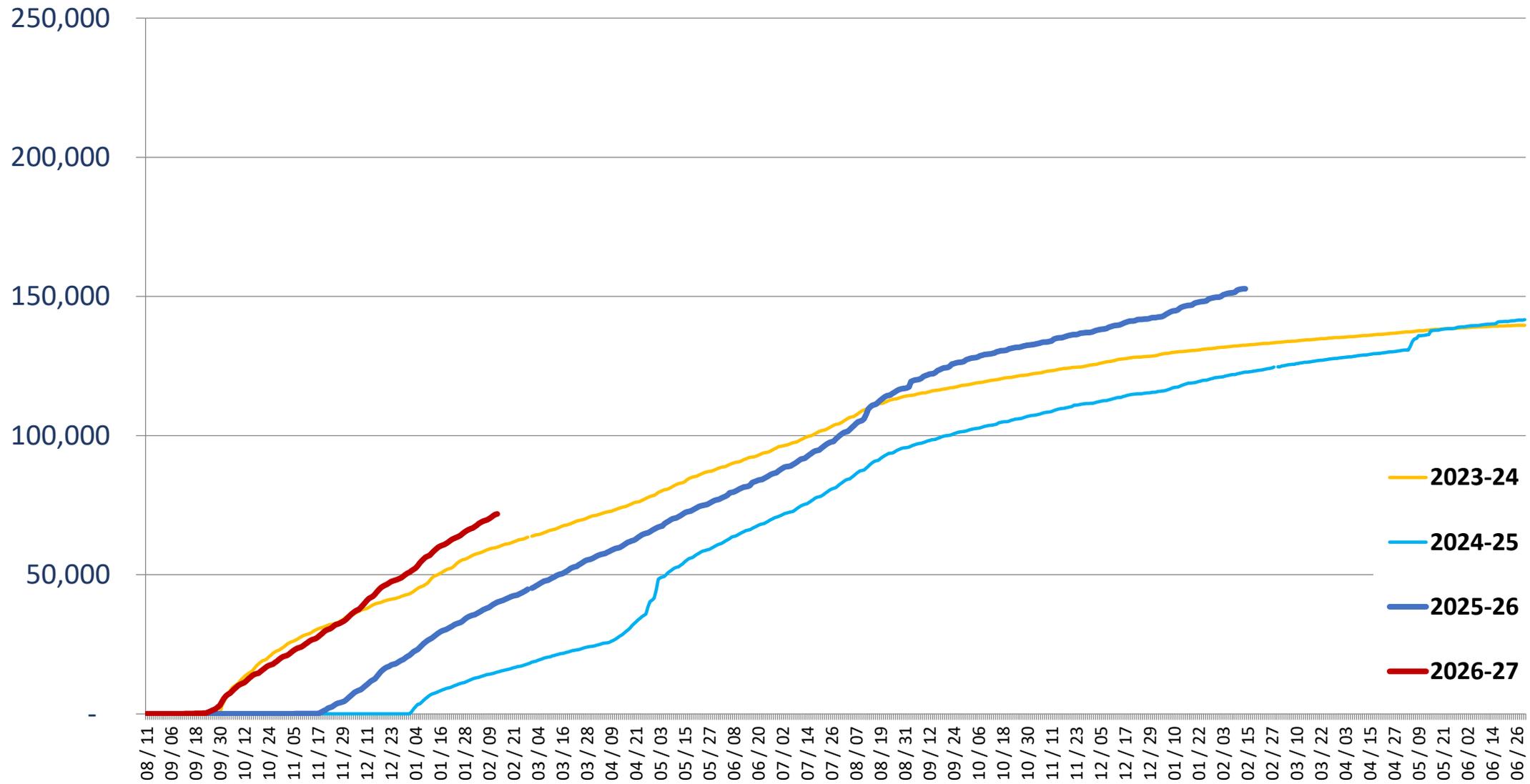
CAP received a total of \$214 million above the baseline over FY 25 and FY 26 to support the increase in eligible students due to revisions in the federal methodology for need-based aid

KHEAA realizes current level of funding support is not sustainable for upcoming biennium

HB500 HCS1 Restricted Fund appropriation contains \$22.6 million more in excess Lottery funds than anticipated

	FY 2027		FY 2028	
	General Fund	Restricted Fund	General Fund	Restricted Fund
KHEAA's Base Request	\$ 179,344,800	\$ 12,269,100	\$ 179,344,800	\$ 12,269,100
KHEAA's Growth Request	\$ 72,120,400		\$ 94,535,900	
HB 500	\$ 187,438,200	\$ 24,134,100	\$ 187,438,200	\$ 24,134,100
Difference	(\$ 64,027,000)	\$ 11,865,000	(\$ 86,442,500)	\$ 11,865,000

Cumulative Pell-Eligible Kentucky Resident Undergraduate FAFSAs by Application Date





Kentucky Higher Education Assistance Authority