

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER 1286

HOUSE BILL NUMBER 323

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE An ACT relating to dual credit scholarships and making an appropriation therefor.

SPONSOR Representative Russ Meyer

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: Kentucky Higher Education Assistance Authority

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				
EXPENDITURES				
NET EFFECT				

() indicates a decrease/negative

MEASURE'S PURPOSE: HB 323 establishes the Dual Credit Scholarship Program Trust Fund to help high school students take dual credit courses at postsecondary institutions.

PROVISIONS/MECHANICS: HB 323 adds a new section of KRS 164.740 to 164.7891 to establish a Dual Credit Scholarship Program Trust Fund, directing the Kentucky Higher Education Assistance Authority (KHEAA) to administer the program, define eligibility for the program, and establish a trust fund for moneys appropriated for the program.

FISCAL EXPLANATION: According to KHEAA, the cost to fully fund the program will be \$600,000 which would provide scholarships for 1,130 students to pay for dual credit courses at an average of \$532 dollars per student. A similar program, the Mary Jo Young Scholarship program in FY 2016 offered funds to 1,265. Only 908 of the students used their award. Based on the rate of growth over the past several years, the KHEAA would expect approximately 1,130 students to use their award. The Mary Jo Young Scholarship provides assistance for students to take up to two dual credit courses per semester (or four courses per year). This proposed dual credit scholarship would be the replacement funding mechanism for dual credit students as the

funding is declining for the Mary Jo Young Scholarship. Demand for this program could be expected to be similar; however, the actual impact to the general fund would depend on the total amount appropriated by the General Assembly.

The Mary Jo Young Scholarship program is funded through the Kentucky Higher Education Student Loan Corporation from student loan revenue, which is a part of the Federal Family Education Loan Program portfolio, which is declining. In 2010, President Barack Obama ended all third party relationships so they are not able to originate new federal loans. The legacy portfolio, which funds administrative services for the KHEAA, had a 10 year standard payment plan. The portfolio is either paying off, consolidating off, transferring loans or defaulting loans (which are then sent to collections). While the KHEAA earns revenue for managing the defaults, the revenue does not replace what is being lost from the legacy portfolio.

KHEAA is a stand-alone agency and reports up through the Finance Cabinet. No general fund money is used to administer the KHEAA program. The KHEAA is the guarantor for the Federal Family Education Loan Program. There is a governing board appointed by the governor. The KHEAA puts \$450,000 into this scholarship every year, but can no longer guarantee that there will be revenue to sustain it in the future. The KHEAA and the Kentucky Higher Education Student Loan Corporation plan to provide \$450,000 in FY 2017 and \$450,000 in FY 2018. The KHEAA cannot give an exact date that this scholarship would have to be transferred to a general fund appropriation and/or other fund sources, if funding of the scholarship is to continue.

DATA SOURCE(S): Kentucky Higher Education Assistance Authority

PREPARER: Jennifer Krieger NOTE NUMBER: 56 REVIEW: JRS DATE: 2/8/2016