

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

**MEASURE**

2016 BR NUMBER **1614**

**HOUSE** BILL NUMBER **401**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE** **An ACT relating to Kentucky educational excellence scholarships.**

**SPONSOR** **Representative Jill York**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT     NO IMPACT     INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:  STATE     LOCAL     FEDERAL

BUDGET UNIT(S) IMPACT: **Kentucky Higher Educational 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
<b>REVENUES</b>				
<b>EXPENDITURES</b>		(\$150,000)	(\$150,000)	(\$350,000)
<b>NET EFFECT</b>		(\$150,000)	(\$150,000)	(\$350,000)

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** House Bill 401 would create an expansion of the Kentucky Educational Excellence Scholarship benefit eligibility specifically to include individuals whom, once having completed a baccalaureate degree at an eligible institution and not having used eight semesters of Kentucky Educational Excellence Scholarship eligibility within five years of high school graduation, might use any and all remaining Kentucky Educational Excellence Scholarship eligibility to defer the cost of graduate education at eligible institutions.

**PROVISIONS/MECHANICS:** Amends KRS 164.7881 to allow a student who receives an undergraduate degree prior to using eight semesters of KEES eligibility to use the remaining semesters of KEES eligibility toward a graduate degree program.

**FISCAL EXPLANATION:** The immediate budgetary impact will be an increase of Kentucky Educational Excellence Scholarship disbursements by a minimum of \$150,000 over current forecasts in the first year of implementation. This increase may be expected to grow over time but is expected not to exceed an additional \$350,000 per academic year unless other changes to eligibility are forthcoming. HB 401 proposes to expand Kentucky Educational Excellence Scholarship eligibility to a new group of students, i.e., individuals who have attained a

baccalaureate degree and who have unexpired Kentucky Educational Excellence Scholarship eligibility. Growth in this “graduate segment” category of Kentucky Educational Excellence Scholarship expenditures will primarily be related to the incentive effect created by the perceived availability of additional funds.

Table 1 quantifies the number of eligible individuals who would have been eligible for the HB 401 provision had it been in force during those years (note: the data for academic year 2014 and academic year 2015 is incomplete and is therefore not directly comparable to that of earlier academic years).

**TABLE 1.**  
**Baccalaureate Graduates in less than 8 semesters**

<b>Academic Year</b>	<b>BA/BS Grads w/ Unused KEES</b>	<b>Out-of-State BA/BS Grads</b>	<b>In-State BA/BS Grads</b>	<b>Median KEES Awards</b>	<b>In-State BA/BS Grads Enrolled in-state</b>
2008-2009	1,238	145	1,093	\$ 1,702	n/a
2009-2010	1,670	178	1,492	\$ 1,704	n/a
2010-2011	1,649	166	1,483	\$ 1,672	24
2011-2012	1,351	100	1,251	\$ 1,806	60
2012-2013	1,236	59	1,177	\$ 1,908	68
2013-2014	1,130	30	1,100	\$ 2,028	96
2014-2015*	860	19	841	\$ 1,988	78

\* part year data; incomplete.

The first data column, “BA/BS Grads w/ Unused KEES,” shows the number of individuals who graduated with a baccalaureate degree in less than eight (8) semesters from any postsecondary institution. The next two columns break this number down between in-state baccalaureate graduates – who would be eligible for the HB 401 benefits – and out-of-state baccalaureate graduates who would be ineligible for not having graduated from an eligible (i.e., in-state) institution. Also listed are the median earned Kentucky Educational Excellence Scholarship awards for each cohort.

The final column further parses the in-state, eligible-institution, baccalaureate graduates with unused Kentucky Educational Excellence Scholarship and presents the actual number (Total = 326) of individuals from academic year 2011-2012 through academic year 2014-2015 who enrolled in a graduate program at a Kentucky university – these individuals almost certainly would have been users of the HB 401 benefit. The fiscal impact of HB 401 must be analyzed from the perspective of an accumulation of expenses over time because these individuals had

between 1 and 6 remaining semesters of Kentucky Educational Excellence Scholarship eligibility at the time of their graduations. This means that it would have been possible for some individuals to have continued to receive Kentucky Educational Excellence Scholarship for up to 3 years following their baccalaureate graduation under the provision of HB 401.

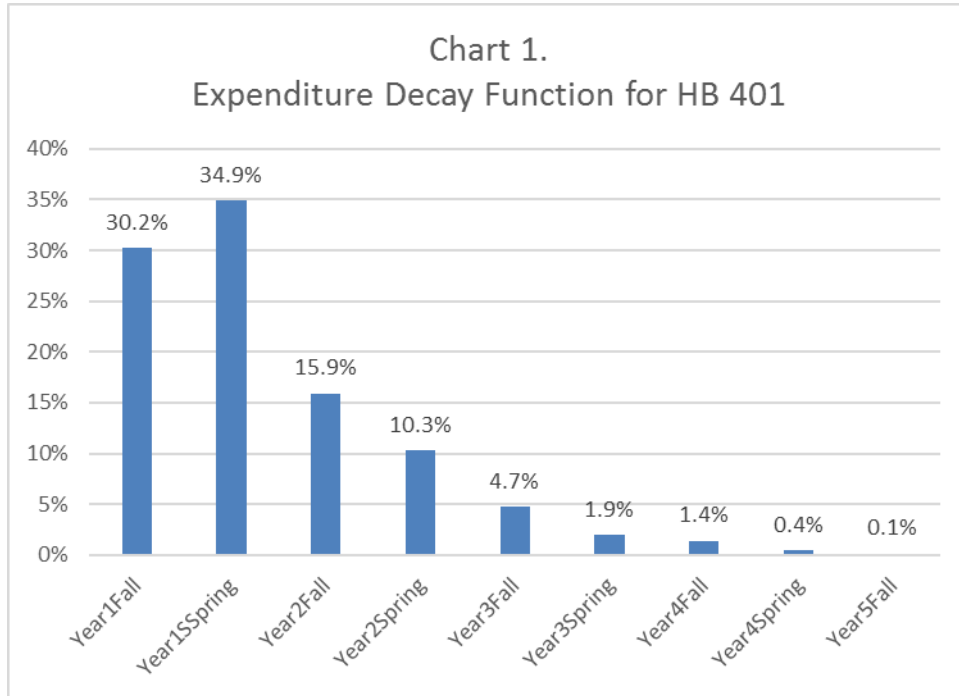
HB 401, however, does not propose any change to the existing provision in KRS 164.7881 limiting Kentucky Educational Excellence Scholarship eligibility to five (5) calendar years after high school graduation. Thus, were HB 401 in effect beginning in academic year 2008-2009, Table 2 shows the projected direct accumulating expense to Kentucky Educational Excellence Scholarship for graduate students up until they were time limited for receipt of Kentucky Educational Excellence Scholarship.

**Table 2.**  
**Historical Model of**  
**Additional Annual KEES**  
**Disbursements Given HB 401**

Academic Year	Hypothetical KEES Liability
2008-2009	\$ 863
2009-2010	\$ 9,815
2010-2011	\$ 67,301
2011-2012	\$ 113,633
2012-2013	\$ 147,816
2013-2014	\$ 152,223
2014-2015 *	\$ 122,974
2015-2016	\$ 31,922
2016-2017	\$ 6,244
2017-2018	\$ 1,307

\* part year data; incomplete.

The academic year 2015-2016 through academic year 2017-2018 Kentucky Educational Excellence Scholarship liability calculations are based on actual unused Kentucky Educational Excellence Scholarship for early baccalaureate graduates through academic year 2013-2014 and part of academic year 2014-2015. If passed as currently written, HB 401 would take effect without a phase in period, thus these amounts would be holdover costs due early college graduates from prior years. Generally, the cost function for each academic year may be expected to follow the trend in Chart 1.



Expenditure Decay Function for HB 401

Approximately two thirds of the additional costs due to HB 401 for each early baccalaureate degree cohort may be expected to be incurred within the first year after degree attainment. The median number of unused Kentucky Educational Excellence Scholarship semesters for early graduates in the last three years is 2 with the averages between 2.1 and 1.3. Nonetheless, the range of unused semesters runs from 1 to 6. Table 3 details the exact counts for all early graduates from academic year 2008-2009 through academic year 2014-2015 (part).

**Table 3.**  
**Post Baccalaureate Unused**  
**KEES Semesters**

Semesters	Number of Graduates
1	118
2	124
3	22
4	39
5	8
6	15

**DATA SOURCE(S):** Kentucky Higher Educational Assistance Authority

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