

1 AN ACT relating to the Public Service Student Loan Forgiveness Program, making
2 an appropriation therefor, and declaring an emergency.

3 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

4 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO
5 READ AS FOLLOWS:

6 *(1) The General Assembly hereby establishes the Kentucky Public Service Student*
7 *Loan Forgiveness Program to encourage and assist individuals in pursuing or*
8 *remaining in public service professions.*

9 *(2) As used in this section:*

10 *(a) "Authority" means the Kentucky Higher Education Assistance Authority;*

11 *(b) "Eligible student loan" means a federally guaranteed student loan under*
12 *the Federal Family Education Loan Program or Federal Direct Loan*
13 *Program;*

14 *(c) "Public service" means employment with the Commonwealth of Kentucky,*
15 *any county, city, political subdivision, or department, board, agency,*
16 *commission or authority thereof, a public school district, public university,*
17 *or any qualifying nonprofit organization that is exempt from taxation under*
18 *26 U. S. C. sec. 501(c)(3) providing direct public services; and*

19 *(d) "Program agreement" means a contract entered into between the authority*
20 *and an eligible applicant for purposes of this section.*

21 *(3) (a) There is hereby established a Kentucky Public Service Student Loan*
22 *Forgiveness Program fund in the State Treasury for the purpose of*
23 *providing assistance in the repayment of eligible student loans to*
24 *individuals employed in a public service profession serving the citizens of*
25 *Kentucky.*

26 *(b) The fund shall be administered by the authority and shall consist of state*
27 *appropriations, gifts and grants from public and private sources, and*

1 federal funds.

2 (c) Any unallotted or unencumbered balances in the fund shall be invested as
3 provided in KRS 42.500. Income earned from the investments shall be
4 credited to the fund.

5 (d) Notwithstanding KRS 45.229, any fund balance at the close of the fiscal
6 year shall not lapse but shall be carried forward to the next fiscal year.

7 (4) To be considered eligible for the program, an individual shall:

8 (a) Reside in the Commonwealth of Kentucky;

9 (b) Maintain full-time employment in a position of public service located in the
10 Commonwealth of Kentucky, excluding an office filled by election;

11 (c) Not be in default on any program under the Title IV of the Higher
12 Education Act of 1965, 20 U.S.C. sec. 1001 et seq., as amended, or any
13 obligation to the authority under any program administered by the
14 authority; and

15 (d) Submit an annual application that requires verification of public service
16 employment and the student loan.

17 (5) (a) Subject to the availability of funds, the authority shall award loan
18 repayment benefits to eligible applicants who are selected and who enter
19 into a program agreement. Recipients shall fulfill the requirements of the
20 agreement and comply with each of the following requirements while the
21 program agreement is in force:

22 1. Complete a minimum service commitment of two (2) years of full-time
23 eligible public service employment; and

24 2. Satisfy employment verification requirements.

25 (b) Failure to complete the service commitment may result in repayment
26 obligations or loss of remaining years of eligibility.

27 (6) (a) The authority shall administer the Kentucky Public Service Student Loan

1 Forgiveness Program and develop award criteria to include but not be
2 limited to methods to address critical shortage occupations, rural or
3 distressed counties, underserved regions, length of service commitment, and
4 income thresholds.

5 (b) Subject to the availability of funds, the authority shall disburse loan
6 repayment benefits between five thousand dollars (\$5,000) and seven
7 thousand five hundred dollars (\$7,500) to a selected program participant
8 after the completion of each twelve (12) month period of verified public
9 service employment, not to exceed a period of five (5) consecutive years; and

10 (c) The lifetime loan repayment benefit disbursed to the program participant
11 shall not exceed a total of forty thousand dollars (\$40,000), or the amount
12 of the outstanding eligible student loan balance, whichever is less.

13 (7) The authority may establish criteria for an enhanced award to include but not be
14 limited to:

15 (a) Loan repayment benefit up to ten thousand dollars (\$10,000) to a program
16 participant after completion of each twelve (12) month period of eligible
17 public service employment not to exceed a period of five (5) consecutive
18 years;

19 (b) The total loan repayment benefit disbursed to an enhanced award program
20 participant not to exceed forty thousand dollars (\$40,000), or the total loan
21 balances, whichever is less; and

22 (c) Develop selection criteria to address critical shortage of public service
23 professions, service to rural areas, designated distressed counties, health
24 professional shortage areas, and high-need school districts.

25 (8) The authority shall administer the Kentucky Public Service Student Loan
26 Forgiveness Program and shall promulgate administrative regulations in
27 accordance with KRS Chapter 13A for the administration of the program.

- 1 (9) (a) By November 1 of each year in which the Kentucky Public Service Student
- 2 Loan Forgiveness Program fund has a balance, the authority shall report to
- 3 the Legislative Research Commission for referral to the Interim Joint
- 4 Committee on Appropriations and Revenue:
- 5 1. The total number of eligible participants and loan repayment benefit
- 6 participants;
- 7 2. The total number and type of occupations participating in the
- 8 program;
- 9 3. The geographic distribution of loan repayment benefit recipients;
- 10 4. Retention rates; and
- 11 5. Total funds disbursed.
- 12 (b) The annual report shall provide an analysis and evaluation of the program
- 13 as it relates to workforce retention, regional equity, the cost per retained
- 14 public servant, and the return on investment relative to workforce vacancy
- 15 rates.

16 ➔Section 2. There is hereby appropriated General Fund moneys in the amount of
 17 \$30,000,000 in fiscal year 2026-2027 from the budget reserve trust fund account
 18 established by KRS 48.705 to the Kentucky Public Service Student Loan Forgiveness
 19 Program fund to provide assistance in the repayment of eligible student loans for public
 20 service employees of the Commonwealth.

21 ➔Section 3. There is hereby appropriated general fund moneys in the amount of
 22 \$30,000,000 in fiscal year 2027-2028 to the Kentucky Public Service Student Loan
 23 Forgiveness Program fund to provide assistance in the repayment of eligible student loans
 24 for public service employees of the Commonwealth.

25 ➔Section 4. Whereas public service employees provide vital roles in the delivery
 26 of critical and essential services in the Commonwealth, an emergency is declared to exist,
 27 and this Act takes effect July 1, 2026.