

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **0294**

HOUSE BILL NUMBER **247**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to student scholarships and declaring an emergency.**

SPONSOR **Representative Tipton**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

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

FISCAL SUMMARY

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				
EXPENDITURES				
NET EFFECT				

() indicates a decrease/negative

MEASURE'S PURPOSE: This measure expands Kentucky Educational Excellence Scholarship (KEES) awards to all progressing high school students that are participating in dual credit instruction, advanced placement, International Baccalaureate, or Cambridge Advanced International, and incurring placement exam costs. The Dual Credit Scholarship (DCS) program is abolished as of June 30, 2022, since the new KEES award program will be fully implemented to include dual credit concepts. This measure also expands use of KEES to eligible students enrolled in qualified workforce training programs.

PROVISIONS/MECHANICS: Section 1 creates a new section of KRS 164.7871 to 164.7885 to allow KEES awards to be applied to dual credit course tuition, course fees and "Advanced Placement, International Baccalaureate, or Cambridge Advanced International exams". establishes award amount caps for dual credit courses/award maximums at time of enrollment; reduces KEES award maximum for postsecondary education across all years of scholarship eligibility for amounts used under this new section; and requires the Kentucky Higher Education Assistance Authority to promulgate administrative regulations.

Section 2 amends KRS 164.7874 to further define "eligible high school student" based upon annual satisfactory academic progress; requires annual completion of the Free Application for Federal Student Aid (FAFSA) for eligible postsecondary students; defines "Satisfactory academic progress" as high school grade level or graduation advancement; and allows convicted felons to be eligible for KEES as high school and postsecondary students.

Section 3 amends KRS 164.7879 to add a new KEES base scholarship annual, inflation-adjusted earnings chart, based upon the individual student high school Grade Point Average (GPA) multiplied by progressive base scholarship amounts for high school enrollment during the 2018-2019 academic year, and establishes annual CPI adjustments beginning July 1, 2020 for award amounts.

Section 4 amends KRS 164.7884 to define "Qualified workforce training program"; expands eligibility of KEES students to enroll in a qualified workforce training program; defines the maximum KEES total award reimbursement amount for a qualified workforce training program as the lesser of four times of the award maximum or the total program tuition and fees cost; deletes and replaces the term "GED" with "High School Equivalency Diploma"; and incorporates successful completion of qualified workforce training into eligibility for KEES termination.

Section 5 amends KRS 164.7885 to modify current high school and participating institutional reporting requirements, so eligible postsecondary students will receive KEES and supplemental awards after deducting federal and state grants and scholarships from total academic term costs, which includes tuition, mandatory fees, and books; and provides that the remaining student KEES balance in any term shall be added to the student maximum award amount for the next academic term funds are disbursed.

Section 6 amends KRS 164.786 to add "summer" to the definition of "Academic term" and abolishes the Dual Credit Scholarship Program on June 30, 2022.

Section 7 establishes an emergency clause.

FISCAL EXPLANATION: This measure has no projected fiscal impact upon the KEES program during the 2018-2020 biennium. Considering a net General Fund savings of \$3.6 million in FY 2019 and net cost increase \$45,193 in FY 2020, due to the replacement and integration of the current KEES and Dual Credit program functions, all KEES participant maximum growth is offset by a declining population in the current Dual Credit program.

Fiscal Year (1)	2018-2020 Agency Budget Request - KEES General Fund/ Restricted Funds (2)	2018-2020 Agency Budget Request - DCS General Fund DCS Budget Projected (3)	KEES/DCS Combined Available (4)	KEES Projected HB 247 High School (5)	Dual Credit Projected Existing Program (6)	Total Existing/New Program Costs Combined (7)	Net KEES/DCS Continuing Program Appropriations Projected (8)
2019	118,886,921	10,000,000	128,886,921	118,886,921	6,408,719	125,295,640	3,591,281
2020	121,139,807	10,000,000	131,139,807	124,753,032	6,431,968	131,185,000	(45,193)

The available General Fund support of \$128.9 million in FY 2019 and \$131.1 in FY 2020 consists of projected KEES Forecasting Group appropriation increases combined with the current projected Dual Credit appropriations of \$10 million in each fiscal year of the biennium. As the current Dual Credit program is replaced, participation costs will decrease; conversely, new high school KEES participation and costs will increase as both Dual Credit coursework, apprenticeship certification, and placement exam costs are funded.

The KEES Budget Projected (Column 2) amounts of \$118,886,921 in FY 2019 and \$121,139,807 in FY 2020 are based upon the 2018-2020 Agency Budget Request, total KEES General Fund and Restricted Funds (Baseline Budget + Additional Budget Request) requested, considering an average annual scholarship rate of \$1,654 for 71,878 eligible students in FY 2019 and 73,241 eligible students in FY 2020. The Dual Credit Scholarship budget is projected based upon the historically appropriated amount of \$10,000,00 in each fiscal year (Column 3). Total combined KEES and DCS appropriations of \$128,886,921 in FY 2019 and \$131,139,807 in FY 2020 (Column 4) are available for both the existing and future program expenditure requirements.

The proposed HB 247 - KEES expansion effect (Column 5) increase to \$124,753,032 begins in FY 2020, incorporating all new participants, such as previously excluded felons; the existing DCS program expires in FY 2022 (Column 6). Total KEES and DCS program costs are combined (Column 7) and the Net Costs Projected (Column 8) reflects the net continuing appropriation remaining balance of \$3,591,281 in FY 2019 and (\$45,193) in FY 2020. The measure requires all KEES unused annual award balances to carryforward to the next year, added to the student maximum award amount for the next academic term that funds are disbursed. Designated as "last dollar", awards may only be applied to tuition, mandatory fees, and books with no annual cash balance refunds to students.

DATA SOURCE(S): Kentucky Higher Education Assistance Authority

PREPARER: Joe L. Lancaster, Jr. NOTE NUMBER: 126 REVIEW: JAB DATE: 3/5/2018