

February 16, 2021

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 151D-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2287 by House Committee on K-12 Education Budget

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2287 is respectfully submitted to your committee.

HB 2287 would create the Kansas Promise Scholarship Act to be administered by the Kansas Board of Regents. The Act would make any Kansas community college; technical college, including Washburn Institute of Technology; or two-year associate degree program or career and technical education program offered by a private postsecondary educational institution accredited by the Higher Learning Commission with its primary location in Kansas, eligible for the scholarship. The Kansas Board of Regents would be required to adopt rules and regulations to implement and administer the program on or before March 21, 2022. The bill would require the rules and regulations to establish:

1. Scholarship application deadlines;
2. Appeal procedures for denial or revocation of a Kansas Promise Scholarship;
3. Guidelines to ensure that if a Kansas Promise Scholarship recipient graduates from a technical education certificate program or associate degree program and subsequently enrolls at a state university or municipal university, that any courses taken by the student transfer to the state university or municipal university and qualify toward the student's baccalaureate degree;
4. Procedures for a student who receives a Kansas Promise Scholarship to record and report proof of community service and community service hours;
5. The terms, conditions and requirements included in each Kansas Promise Scholarship agreement;

6. Procedures for requesting and approving medical, military and personal absences from an eligible postsecondary educational institution while receiving a Kansas Promise Scholarship;
7. Criteria for determining whether any student who received a Kansas Promise Scholarship fulfilled the employment and repayment requirements included in the agreement; and
8. Criteria for determining when a student who received a Kansas Promise Scholarship may be released from the requirements of a Kansas Promise Scholarship.

The Board of Regents would also be required to:

1. Work with community partners, such as community foundations, school districts, postsecondary educational institutions, Kansas business and industry and Kansas economic development organizations to publicize the Program;
2. Allocate Kansas Promise Scholarship funds to the two-year colleges;
3. Request information from the colleges that may be needed for the administration of the Act;
4. Annually collaborate with the Department of Commerce and Kansas business and industry to identify up to ten job fields and pathways that currently have the highest need for skilled employees;
5. Designate scholarship-eligible career and technical programs and transfer education programs that correspond to the ten job fields and pathways;
6. Ensure that any student who received a Kansas Promise Scholarship fulfills the employment or repayment requirements; and
7. Beginning January 2022, annually evaluate the program and prepare and submit a report to the Senate Committee on Education and the House Committee on Education.

An eligible student would have to: (1) be a Kansas resident; (2) be a graduate of a Kansas public or private secondary school or have obtained a high school equivalency certificate, with certain exceptions for any student who is a dependent child of a military servicemember; (3) have completed the scholarship application; (4) have entered into a Kansas Promise Scholarship Program agreement; (5) have completed the Free Application for Federal Student Aid; and (6) have enrolled in an eligible postsecondary educational institution in an scholarship-eligible program with coursework in an identified job field that corresponds to a baccalaureate degree program. The student would also be required to complete 100 hours of community service annually or be verified by the postsecondary educational institution to be employed part-time; maintain a 2.0 cumulative grade point average; and fulfill the terms of the agreement.

The agreement requires scholarship recipients to be full-time students; complete the scholarship-eligible program; and within six months after graduation, commence work in the state for at least two years or enroll full-time in a Kansas postsecondary educational institution. The bill outlines additional requirements of scholarship recipients including the requirement to repay an amount equal to the total amount of money received under the agreement that is financed by the State of Kansas plus accrued interest at a rate equivalent to the interest rate applicable to loans made under the Federal PLUS Program at the time the recipient first entered into an agreement if the student fails to satisfy all requirements.

Scholarship awards for students would be subject to appropriations and would total the aggregate amount of tuition, required fees, and the cost of books and required materials minus the aggregate amount of all other aid awarded per semester. The bill clarifies that aid would include any grant, scholarship or financial assistance awards that do not require repayment. The bill also limits total state appropriations for this Program to \$10.0 million. If a student is enrolled in an eligible postsecondary education program offered by a four-year eligible postsecondary educational institution, the aggregate amount of tuition, mandatory fees and the cost of books and materials for such eligible postsecondary education program shall be the average cost of tuition, mandatory fees and the cost of books and materials for such eligible postsecondary education program when offered by an eligible public postsecondary educational institution that is not a four-year institution. On and after July 1, 2026, no scholarship could be awarded to any student who has not previously been awarded a Kansas Promise Scholarship prior to July 1, 2025.

The Kansas Board of Regents indicates HB 2287 would have a fiscal effect on the Kansas Board of Regents and public community colleges and technical colleges. The Board indicates private not-for-profit postsecondary educational institutions would also be affected, but those institutions are excluded from its estimate. The Board estimates the cost to create rules and regulations, administer the scholarship program, award scholarships to eligible students, track students according to the requirements in the bill, and collect any potential repayments from students who did not fulfill the requirements of the scholarship agreement would increase annual expenditures by \$65,064 which includes \$55,064 for salaries and wages for 1.00 FTE position and \$10,000 for other operating costs.

The Board indicates scholarship awards for students would be subject to appropriations, but could cover tuition, required fees, and the cost of books and required materials. While the actual cost per student would vary depending on the college and program of study, the Board of Regents data system reports the average cost of tuition, fees and books per credit hour for students enrolled at community colleges and technical colleges during the 2020-2021 academic year as listed in the table below:

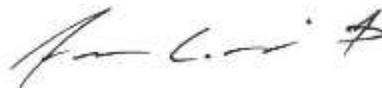
	<u>Tuition</u>	<u>Fees</u>	<u>Books</u>	<u>Total</u>
Community & Technical Colleges	\$84	\$48	\$33	\$165

The Kansas Higher Education Data System reports there were 148,000 resident student credit hours enrolled full-time in Promise Act qualified technical education programs at community colleges and technical colleges during the 2019-2020 academic year. To fully fund all

148,000 potentially eligible student credit hours, it would cost \$24.4 million (148,000 student credit hours x \$165 average per credit hour = \$24,420,000). Since HB 2287 would include a requirement to fund the scholarship program after accounting for amounts received from any grants, scholarships or other financial assistance awards that do not require repayment, the Board would assume 50.0 percent of the cost of tuition, fees and books would qualify for the scholarship at an estimated cost of \$12.2 million (148,000 student credit hours x \$165 average per credit hour x 50.0 percent = \$12,210,000) beginning in FY 2022.

The Board's assumptions included in this estimated are based on data which suggests 50.0 percent of students receive federal grants in the amount of \$5,160 and 40.0 percent of students receive scholarships in the amount of \$2,160 annually to cover the cost of attendance at community and technical colleges. In addition to tuition, fees and books, these financial aid awards also cover the cost of room and board, which averages \$6,150 annually at Kansas colleges. Since any scholarship awards would require additional state appropriations, the Board indicates that if it receives more applications than can be financed with any additional state funding appropriated by the 2021 Legislature, a process would be instituted to award applications to those with the greatest financial need. Any fiscal effect associated with HB 2287 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Kelly Oliver, Board of Regents