

UPDATED
SESSION OF 2023

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2400

As Amended by House Committee on
Commerce, Labor and Economic Development

Brief*

HB 2400, as amended, would create the Kansas Adult Learner Grant Act (Act) and a workforce retention incentive tax credit (tax credit) and would establish the Kansas Adult Learner Grant Program Fund (Fund). The Act would provide grants to eligible students enrolled in eligible programs at eligible postsecondary educational institutions. The Act would also provide a tax credit to individuals who received a grant and meet certain conditions.

Definitions (Section 1)

Adult Learner Grant Eligible Program

The bill would define “adult learner grant eligible program” to mean any baccalaureate degree offered by an eligible postsecondary education institution that is identified as an “adult learner grant eligible program” by the State Board of Regents (Board) or designated as an “adult learner grant eligible program” by an eligible postsecondary educational institution.

Eligible Postsecondary Educational Institution

The bill would define “eligible postsecondary educational institution” as one of the following:

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- A state educational institution under the control and supervision of the Board;
- A municipal university;
- Any not-for-profit institution of postsecondary education with its main campus or principal place of operation in Kansas that offers an eligible grant program, is operated independently and not controlled or administered by any state agency or subdivision of the State, maintains open enrollment, and is accredited by a nationally recognized accrediting agency for higher education in the United States; or
- A not-for-profit independent institution of higher education that is accredited by an institutional accrediting agency recognized by the U.S. Department of Education, is operated independently and not controlled or administered by the State or any agency or subdivision of the state, maintains open enrollment, offers online education, and offers exclusively competency-based education programs.

Part-time Student

The bill would define “part-time student” to mean a student who is enrolled for six credit hours or more in a semester, or the equivalent, and is not enrolled as a full-time student.

Kansas Adult Learner Grant Program

The bill would create the Kansas Adult Learner Grant Program (program) to be administered by the Board.

Administration (Section 2)

Rules and Regulations. The bill would require the Board to adopt rules and regulations implementing the program on or before March 1, 2024. The rules and regulations would establish:

- Grant application and renewal forms and deadlines;
- Appeal procedures for denial or revocation of a Kansas Adult Learner Grant (grant);
- The terms, conditions, and requirements for the grant consistent with the provisions of the Act; and
- Procedures for requesting and approving medical, military, and personal absences from an eligible postsecondary educational institution while a grant recipient is receiving such grant.

Grant-eligible Programs. The Board would be required to identify adult learner grant-eligible programs (grant-eligible programs) offered by each eligible postsecondary educational institution that are in any of the following fields of study:

- Information technology and security;
- Health care and nursing;
- Science, engineering, aerospace, and advanced manufacturing;
- Education, early childhood education and development;
- Business, accounting, and data analytics; or
- A field designated by the eligible postsecondary institution pursuant to the Act.

The bill would allow an eligible postsecondary educational institution to designate one additional grant-eligible program if the additional program is a baccalaureate degree program that corresponds to a high wage, high demand, or critical need occupation. To designate an additional grant-eligible program, such institution would be required to have and maintain an existing grant-eligible program in the above fields of study and maintain the additional grant-eligible program designation for at least four consecutive years. After maintaining such program for at least four years, the institution would be able to designate a new grant-eligible program that corresponds with a high wage, high demand or critical need occupation.

Publicity. The bill would require the Board to work with community partners to publicize grants, including, but not limited to, publicizing eligible postsecondary educational institutions, approved scholarship-eligible educational programs, application procedures, and application deadlines.

Annual Evaluation and Report. Beginning January 1, 2025, the Board would be required to annually evaluate the program and prepare and submit a report to the Senate Committee on Education, Senate Committee on Commerce, House Committee on Education, and House Committee on Commerce, Labor and Economic Development.

Grant Specifications (Section 4)

Grant Amount. The bill would require grant amounts to be \$3,000 per semester for students that are enrolled full-time. The grant amount would be prorated using a sliding scale for students that are not enrolled full-time. The bill would specify full-time enrollment is 12 credit hours per semester and would qualify for a 100 percent grant, and 6 credit hours would qualify for a 50 percent grant.

Duration. The bill would allow students to receive a grant for up to 48 months after the date that the grant was

first awarded or upon graduation from the program, whichever comes first.

Income Limitation. The bill would limit grants to eligible students whose family household income is less than or equal to the following amounts:

- \$100,000 for a family of two;
- \$150,000 for a family of three; and
- \$150,000 plus \$4,800 per additional family member beyond three.

Appropriations Made for Program (Section 4)

The bill would limit appropriations made for fiscal years 2024 and 2025 for the program to \$1.0 million per fiscal year. For FY 2026 and each fiscal year thereafter, the bill would limit the appropriation made to not exceed 150.0 percent of the amount disbursed in grants for the immediately preceding fiscal year.

Eligible Student (Section 5)

To be eligible for a grant, the bill would require a student to:

- Be a Kansas resident;
- Be 25 years of age or older at the time the student's first course that is funded by a grant begins;
- Complete the free application for federal student aid for the academic year in which the student applies to receive a grant; and
- Enroll as a full-time student or part-time student at an eligible postsecondary educational institution in an adult learner grant-eligible program.

A student would continue to receive a grant if the student maintains satisfactory academic progress toward completion of the grant-eligible program, completes a grant renewal application on such forms in such manner as established by the Board, and completes the free application for federal student aid for the academic year for which the student applies to renew the grant.

***Kansas Workforce Retention Incentive Tax Credit
(Section 6)***

The bill would establish a tax credit of \$1,500 for individuals who received a grant if they demonstrate satisfactorily to the Secretary of Revenue (Secretary) that they:

- Successfully completed their grant-eligible program with the awarding of their degree;
- Currently reside in Kansas and have resided in Kansas for at least two consecutive years following the completion of their program or commenced service as a military servicemember; and
- Are currently employed in the state of Kansas, have enrolled as a full-time student or part-time student in an eligible postsecondary educational institution or have commenced service as a military servicemember.

To claim the tax credit, the bill would require an individual to submit such information and documentation to the Secretary in a form and manner as required by the Secretary.

The bill would require individuals to claim the tax credit not later than the 5th taxable year after the taxable year in which the individual successfully completed the grant-eligible program with an award of their degree.

Any amount of the tax credit that exceeds the individual's tax liability would be carried forward once to the next succeeding taxable year as a credit against the individual's income tax liability for such year. Any amount of the tax credit remaining after being carried forward once would be forfeited.

The bill would require the Secretary to adopt rules and regulations implementing and administering the tax credit on or before March 1, 2024. The rules and regulations would include criteria to determine whether a student who has received a grant has fulfilled the residency and employment requirements to qualify for the tax credit.

Kansas Adult Learner Grant Program Fund (Section 7)

The bill would create the Fund to be administered by the Board. All expenditures from the Fund would be for grants awarded pursuant to the program and in accordance with appropriation acts.

Background

The bill was introduced by the House Committee on Commerce, Labor and Economic Development at the request of a representative of Western Governor's University.

House Committee on Commerce, Labor and Economic Development

In the House Committee hearing, **proponent** testimony was provided by a representative of Western Governor's University, stating the bill would provide financial support for low- and middle-income individuals over the age of 25 seeking a bachelor's degree in a high-need field and incentivize grant recipients to stay in Kansas following graduation. The conferee also stated the bill would complement the Kansas Promise Scholarship.

Written-only proponent testimony was provided by a representative of the Kansas Hospital Association.

Written-only neutral testimony was provided by representatives of the Board and Kansas Independent College Association. The neutral conferees generally stated the programs targeted in the bill would align with the Kansas Promise Scholarship Act and suggested amendments to the bill.

The House Committee amended the bill on February 21, 2023, to:

- Change the workforce retention incentive payment of \$3,000 to a nonrefundable and nontransferable income tax credit of \$1,500 to be administered by the Secretary;
- Limit the receipt of grants to 48 months instead of 60 months;
- Add a sliding scale for determining the grant amount;
- Specify the age requirement applies at the time of student's first course that is funded by the grant begins, rather than the time of enrollment;
- Add requirements for students to continue receiving a grant;
- Include provisions regarding the administration of the tax credit by the Secretary; and
- Make conforming and technical changes.

On February 23, 2023, the bill, as amended by the House Committee, was withdrawn from the House Calendar and referred to the House Committee on Appropriations. On March 1, 2023, the bill was withdrawn from the House Committee on Appropriations and rereferred to the House Committee on Commerce, Labor and Economic

Development. On March 6, 2023, the House Committee reported the bill be passed with the amendments previously recommended.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Board indicates that a State General Fund (SGF) appropriation of \$1.0 million would allow it to award the maximum \$3,000 scholarship to approximately 166 students in both FY 2024 and FY 2025. The Board estimates it would be allowed to award the maximum \$3,000 scholarship to approximately 111 students in each subsequent year when the appropriation would be limited to 150.0 percent of the amount dispersed for the immediately preceding fiscal year.

The Board indicates the enactment of the bill would increase its annual administrative expenditures by \$187,427 SGF beginning in FY 2024, which includes \$130,000 for salaries, \$41,427 for benefits, and \$16,000 for other operating expenditures for 2.0 FTE positions that would be required to administer the program. The additional duties required to administer the program would include creating rules and regulations, awarding scholarships to eligible students, tracking scholarship recipients, and collecting any potential repayments from students who did not fulfill the requirements of the scholarship agreement.

A revised fiscal note on the amended bill was not immediately available. Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor's Budget Report*.

Kansas Adult Learner Grant Act; postsecondary education; workforce development; tax credit; State Board of Regents; Kansas Department of Revenue