KANSAS BOARD OF REGENTS

Senate Committee on Education

Proponent Testimony on HB 2485

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Good afternoon, Chair Erickson, and Members of the Committee. Thank you for the opportunity to provide proponent testimony on HB 2485. This legislation was introduced at our request.

The Board of Regents administers ten service scholarship programs established by state statute, all of which codified in Article 32 of Chapter 74 of the Kansas Statutes Annotated. Under each of the programs, students agree to complete a service obligation as a condition of receiving scholarship funds. The Kansas Promise Scholarship Act, for example, requires students to commit to live and work in Kansas for two consecutive years following completion of their Promise Scholarship funded courses. If a service scholarship recipient fails to complete their service obligation, such as the Promise Act's "live-and-work" requirement, the scholarship must be repaid. See K.S.A. 74-32,276(a)(4); see also K.S.A. 74-3294 (providing recipient of Kansas Nursing Service Scholarship must repay scholarship funds upon failure to engage in full-time practice of nursing for period not less than length of course of instruction for which scholarship was provided).

Board staff requests that the Legislature provide our agency with the authority to settle claims for repayment and that the Legislature prohibit students who are in repayment for one scholarship from receiving new scholarship funds before repayment is complete.

Authority to settle claims would promote efficiency in administering the service scholarship repayment requirements. The service scholarship programs authorize the Board to pursue collection efforts to recover the amounts owed, including turning repayment accounts over to loan servicers and collection agencies. See K.S.A. 74-32,276(b)(3). However, they do not specifically authorize the Board to settle the claims. This omission curtails the Board's ability to work with collections contractors to effectively resolve claims.

Barring students who are under current repayment obligations from receiving new scholarship funds would prevent the finite student aid resources that the state is able to provide from being allocated to individuals who have already received funding but did not complete the required service obligation and have not yet made the state whole. In some cases, these students owe substantial amounts to the state.

HB 2485 could impact the amount successfully collected on delinquent scholarship repayment accounts. However, it is not possible to estimate the net loss or gain from the change. It is anticipated, for example, that claim settlement authority may result in collecting a portion of funds that would otherwise be uncollectible, and that it would permit settlement of small claims for which continued collection efforts are costly.

The prohibition on awarding new funds to delinquent scholarship recipients may slightly narrow the pool of potential scholarship applicants, but it is anticipated that the number of scholarship applicants will outpace available appropriations.

To give context on the growth we are experiencing in our service scholarships and the expenses to administer these programs, particularly with the Promise Act Scholarship, I have noted below the amounts paid to the third-party servicer to assist us with the administration of student accounts for the state service scholarships.

Kansas Board of Regents Vendor Expense for Party Account Servicing
Amounts Paid by Fiscal Year and by Scholarship Program

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Teachers Service Scholarship	209.73	3,214.68	3,282.25	3,102.45	3,347.76	3,035.48	2,183.73
Ethnic Minority Graduate Scholarship (ended FY 1999)	2.49	29.88	29.88	12.45	0.00	0.00	0.00
Nurse Educator Grant	41.20	516.00	526.88	568.52	560.90	544.80	503.29
National Guard Tuition Assistance	1.66	54.41	141.16	231.81	196.62	233.50	366.19
Nursing Service Scholarship	137.23	1,729.34	1,801.86	1,934.55	1,970.98	1,851.34	1,571.04
Osteopathic Service Scholarship	11.66	137.79	149.69	122.26	91.02	94.42	101.52
Optometry Service Scholarship	16.36	228.36	233.73	242.29	235.69	243.76	225.95
Promise Act Scholarship	0.00	0.00	0.00	0.00	1.22	863.68	4,947.31
Paul Douglas Scholarship	0.83	9.96	9.96	4.15	0.00	0.00	0.00
ROTC Service Scholarship	40.72	513.93	590.43	626.13	648.93	731.63	732.42
General Charge*	77.00	1,078.25	1,112.50	1,452.71	1,597.71	1,609.11	3,259.46
Total	**$538.88**	**$7,512.60**	**$7,878.34**	**$8,297.32**	**$8,650.83**	**$9,207.72**	**$13,890.91**

*General Charge encompasses administrative activities performed by vendor, e.g., credit bureau reporting, skip trace services, letters to affected individuals.

Thank you for the opportunity to provide testimony on this legislation. I would be happy to stand for questions.