

Substitute for HOUSE BILL No. 2872

AN ACT concerning postsecondary education; establishing the workforce development loan program and a tuition waiver program; concerning such loan; creating a workforce development loan fund and a tuition waiver gifts, grants and reimbursements fund; providing for workforce development loan repayment, forgiveness and administration thereof; amending K.S.A. 72-4433, as amended by section 1 of 2002 House Bill No. 2821, and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) This section and sections 2 through 9, and amendments thereto, shall be known and may be cited as the workforce development loan program act.

(b) As used in the workforce development loan act, "postsecondary educational institution" shall have the meaning ascribed thereto by K.S.A. 2001 Supp. 74-3201b, and amendments thereto.

(c) Within the limits of appropriations and private contributions therefor, and in accordance with the provisions of this act, the state board of regents may award such loans to Kansas residents who are enrolled in or admitted to an area vocational technical school, technical college, community college, vocational school coordinated under the state board of regents or associate degree programs at postsecondary educational institutions and who enter into a written agreement with the state board of regents as provided in section 2 and amendments thereto.

(d) The board of regents may accept any private contributions to the program. The chief executive officer of the board of regents shall turn such contributions over to the state treasurer who shall deposit such moneys into the workforce development loan fund.

(e) After consultation with the secretaries of the departments of human resources, social and rehabilitation services and commerce and housing, the board may establish a list of education programs in which an applicant must enroll to be eligible for a loan under this program.

(f) The loans shall be awarded on a priority basis to qualified applicants who have the greatest financial need with the highest priority given to those applicants with the greatest financial need who were in foster care on or before their 18th birthday or were released from foster care prior to their 18th birthday after having graduated from high school or completing the requirements for a general educational development (GED) certificate while in foster care. All loans shall be awarded to resident students attending area vocational technical schools, technical colleges, community colleges, area vocational schools or associate degree programs at postsecondary educational institutions. Special preference shall also be established for residents drawing unemployment compensation or such residents who were laid off from employment within the prior six months. The board may also establish preferences for workers deemed to be eligible for North American free trade agreement transition assistance under United States department of labor standards or the Kansas department of human resources standards.

(g) Loans awarded under this program shall be awarded on an annual basis and shall be in effect for one year unless otherwise terminated before the expiration of such period of time. Such loans shall be awarded for the payment of tuition, fees, books, room and board and any other necessary school related expenses.

New Sec. 2. (a) The applicant for a workforce development loan shall provide to the board of regents on forms provided by such board all information requested by such board.

(b) As a condition to awarding such loan, the state board of regents and the recipient of such loan shall enter into an agreement which shall require the person receiving the loan to:

(1) Complete the required course of instruction and receive the designated degree, certificate or diploma for that course of instruction;

(2) continue to live and work in Kansas, after the recipient's course of instruction is completed, in a field of work for which the recipient was trained using the skills attained under the course of instruction for which a loan was received, until the loan is totally forgiven. Agree that for each year of living and working in Kansas, $\frac{1}{4}$ of the total loan amount's principal and interest that accrued during the prior year shall be forgiven for the first three years and upon completion of the fourth year, the remaining balance of principal and interest of the loan shall be forgiven;

(3) agree that the service commitment for each agreement entered into under this section is in addition to the service commitment contained

in any other agreement which has been or may be entered into under this section for the purpose of obtaining a loan;

(4) maintain records and make annual reports to the chief executive officer of the board of regents or such executive officer's designee as required to document the satisfaction of the agreement terms of the loan; and

(5) repay any amounts required upon the recipient's failure to complete the terms of the agreement.

(c) Such agreement shall establish a repayment schedule requiring the recipient to begin making payments one year after the discontinuance of the recipient's enrollment in a postsecondary educational institution, either by failure to attend, completion of the program or at such other times as the board deems appropriate.

New Sec. 3. (a) Upon completion of the recipient's program of study, the recipient shall be eligible for forgiveness of the loan by living and working in Kansas.

(b) By annually providing to the board of regents the required documentation certifying that the recipient worked and lived in Kansas throughout the prior year. Such documentation shall be provided to the board of regents within 30 days of the annual due date calculated from the completion of the course of study.

(c) If the required documentation certifying that the recipient lived and worked in Kansas is not received in the prescribed time by the board, the remaining loan amount shall be due and payable as prescribed under section 4, and amendments thereto.

(d) Interest rates on the loan shall be determined by the state treasurer according to the interest rate received on the state idle funds plus 3%.

New Sec. 4. (a) Except as otherwise provided in section 5, and amendments thereto, upon the failure of any person to satisfy an obligation incurred under the loan agreement as provided in section 2, and amendments thereto, such person shall repay to the state treasurer an amount equal to the total of (1) the amount of money received by such person pursuant to such agreement, plus (2) accrued interest, calculated at the interest rate on the state idle funds plus 3%, from the date such money was received.

(b) Each person required to repay any amount under this section shall repay an amount totaling the entire amount to be repaid under all such agreements for which obligations are not satisfied, including all amounts of interest at the rate prescribed in subsection (a). Except as otherwise provided in this section, such repayment shall be made in installment payments determined by the state board of regents as provided in subsection (c) of the section 2, and amendments thereto.

(c) All installment payments under this section shall commence six months after the date of the action or circumstance that causes the failure of the person to satisfy the obligations of such agreements, as determined by the state board of regents based upon the circumstances of each individual case. If an installment payment becomes 91 days overdue, the entire amount outstanding shall become immediately due and payable, including all amounts of interest at the rate prescribed.

(d) The total repayment obligation imposed under all agreements entered into as provided in section 2, and amendments thereto, may be satisfied at any time prior to graduation by making a single lump-sum payment equal to the total of (1) the entire amount to be repaid under all such agreements upon failure to satisfy the obligations under such agreements to practice in Kansas, plus (2) all amounts of interest accrued thereon at the rate prescribed in subsection (a).

(e) The state board of regents is authorized to turn any delinquent repayment account arising under the workforce development loan program to a designated loan servicer or collection agency, the state not being involved other than to receive payments from the loan servicer or collection agency at the interest rate prescribed under this section.

New Sec. 5. (a) There is hereby established in the state treasury the workforce development loan fund. The state board of regents shall remit all moneys received under this act to the state treasurer at least monthly. Upon receipt of each such remittance the state treasurer shall deposit the

entire amount thereof in the state treasury, and such amount shall be credited to the workforce development loan fund.

(b) The state treasurer, upon receipt of moneys from persons making payments under sections 2, 3 and 4, and amendments thereto, shall deposit the entire amount thereof in the state treasury, and such amount shall be credited to the workforce development loan fund. Moneys from the fund may be used to administer the workforce development loan program as authorized by appropriations acts.

(c) All expenditures from the workforce development loan fund shall be made for the purposes of this act and shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the executive officer of the state board of regents or such executive officer's designee.

New Sec. 6. (a) The state treasurer shall be the receiving agent for loan payments and credits received under the provisions of this act. The state treasurer shall keep a record of payments received from each person and credited to such person's account obligation.

(b) The state treasurer shall send all accounts which are three or more months delinquent to the executive officer of the state board of regents.

(c) The state treasurer shall adopt rules and regulations to administer the state treasurer's duties under the provisions of this act.

New Sec. 7. (a) Except as otherwise specified in the agreement, an obligation under any agreement entered into under the workforce development loan program shall be postponed: (1) During any required period of active military service; (2) during any period of temporary medical disability during which the person obligated is unable to work; (3) during any period of time the person is on job-protected leave under the federal family and medical leave act of 1993; or (4) during any period of time the state board of regents determines that the person obligated is unable to work because of special circumstances. Under clause (1), an obligation to work and live in Kansas in accordance with an agreement under section 2, and amendments thereto, shall not be postponed more than five years from the time the person's obligation to work and live in Kansas was to commence under any such agreement. An obligation to work and live in Kansas in accordance with an agreement under section 2, and amendments thereto, shall be postponed under clause (2) during the period of time the medical disability exists. An obligation to work and live in Kansas in accordance with an agreement under section 2, and amendments thereto, shall be postponed under clause (3) during the period of time the person obligated remains on family and medical leave act leave. An obligation to work and live in Kansas in accordance with an agreement under section 2, and amendments thereto, shall be postponed under clause (4) during the period of time the state board of regents determines that the special circumstances exist. The state board of regents shall adopt rules and regulations prescribing criteria or guidelines for determination of the existence of special circumstances causing an inability to work and live in Kansas and shall determine the documentation required to prove the existence of such circumstances.

(b) An obligation to work and live in Kansas in accordance with an agreement under section 2, and amendments thereto, shall be satisfied: (1) If the obligation to work and live in Kansas has been completed in accordance with the agreement; (2) if the person obligated dies; and (3) if, because of permanent physical disability, the person obligated is unable to work and live in Kansas.

New Sec. 8. If a person fails to satisfy an obligation to work and live in Kansas for the required period of time under an agreement entered into as provided in section 2, and amendments thereto, because such person is working in or working and living in a state other than Kansas, and if such person is subject to or currently making repayments under such agreement, and if such person subsequently commences working and living in this state in compliance with the agreement, the balance of the repayment amount, including the interest thereon, from the time of commencement of working and living in Kansas until the obligation of such person is satisfied or until such time as such person again becomes subject to repayments, shall be waived. All repayment amounts due prior to commencement of working and living in this state again, including interest thereon, shall continue to be payable as provided under the

agreement. If subsequent to commencement of working and living in this state, the person fails to satisfy the obligation to work and live in this state for the period of time specified in the agreement, the person again shall be subject to repayments, including interest thereon, as provided in the agreement.

New Sec. 9. The state board of regents shall adopt rules and regulations for administration of the workforce development loan program and shall establish terms, conditions and obligations which shall be incorporated into the provisions of any agreement under this act.

New Sec. 10. Financing of the workforce development loan program act shall be from moneys made available from the Kansas department of human resources received from the United States department of labor and the Kansas department of social and rehabilitation services received from the United States department of health and human services in accordance with the provisions of this section and in accordance with and subject to the provisions of Kansas appropriation acts.

The Kansas department of human resources shall provide funding for the purpose of this act which shall be limited to the use of federal department of labor workforce investment act funds which are returned to the state as unspent local WIA program year adult, youth and dislocated worker funds. Such unspent funds shall be converted to and identified as state-level set-aside funds for use in carrying out activities as provided under this act. The annual amount of such funds shall not exceed \$500,000. The WIA set-aside funds shall be made available subject to the written approval from the United States department of labor authorizing the use of such for the purpose of this act and appropriated by the United States congress. Funding for this act by the Kansas department of human resources shall be contingent on the availability of WIA funding and shall terminate on or before the final WIA authorization date of June 30, 2005. Due to restrictions placed on the transfer of unspent federal funds to the state treasury and the need for timely disbursement of federal funds for WIA expenditures, the Kansas department of human resources shall develop in cooperation with the Kansas board of regents, a system for the reimbursement of actual expenses incurred pursuant to this act. Such reimbursement procedures shall be in compliance with acceptable federal department of labor and office of management and budget procedures established for the draw down and disbursement of federal WIA funds.

The secretary of the department of social and rehabilitation services shall cooperate in the administration of the workforce development loan program act which may be funded with the \$500,000 which is to be contributed annually by the Kansas department of social and rehabilitation services in accordance with and subject to the provisions of appropriation acts. When there is a candidate that appears to meet the eligibility guidelines for federal funding administered by the Kansas department of social and rehabilitation services, the Kansas board of regents shall notify the Kansas department of social and rehabilitation services. Upon the Kansas department of social and rehabilitation service's approval of the candidate's eligibility, the director of accounts and reports shall transfer funding from the appropriate federal source as identified by the Kansas department of social and rehabilitation services to the Kansas state treasurer. All receipts and interest collected from repayments of federal funds transferred under the authority of this section shall be returned to the director of accounts and reports for deposit to the originating federal funding source.

Sec. 11. K.S.A. 72-4433, as amended by section 1 of 2002 House Bill No. 2821, is hereby amended to read as follows: 72-4433. *Different rates per hour of tuition, fees and charges shall be fixed by each local board for the different postsecondary programs administered by such board.* The rate per hour of tuition for postsecondary students ~~shall be fixed by each local board~~ shall be subject to approval of the state board of regents by the commencement of each school year.

New Sec. 12. (a) As used in this section:

(1) "Kansas educational institution" means and includes area vocational schools, area vocational-technical schools, community colleges, state educational institutions and technical colleges.

(2) "State board" means the state board of regents.

(b) Subject to appropriations therefor and except as otherwise pro-

vided by this section, every Kansas educational institution shall provide for enrollment without charge of tuition, undergraduate fees, including registration, matriculation and laboratory fees for any eligible applicant. No Kansas educational institution shall be required by this section to provide for the enrollment of more than three new applicants in any academic year. An applicant who was in the custody of social and rehabilitation services on the date such applicant reached 18 years of age and who is accepted to a Kansas educational institution within two years following the date such applicant graduated from a high school or fulfilled the requirements for a general educational development (GED) certificate shall be eligible for enrollment at a Kansas educational institution without charge of tuition or such fees not to exceed eight semesters of undergraduate instruction, or the equivalent thereof, at all such institutions.

(c) Subject to appropriations therefor, any Kansas educational institution which at the time of enrollment did not charge tuition or fees as prescribed by subsection (b), and amendments thereto, of the eligible applicant may file a claim with the state board for reimbursement of the amount of such tuition and fees. The state board shall be responsible for payment of reimbursements to Kansas educational institutions upon certification by each such institution of the amount of reimbursement to which the educational institution is entitled. Such payments to Kansas educational institutions shall be made upon vouchers approved by the state board and upon warrants of the director of accounts and reports. Payments may be made by issuance of a single warrant to each Kansas educational institution at which one or more eligible applicants are enrolled for the total amount of tuition and fees not charged eligible applicants for enrollment at that institution. The director of accounts and reports shall cause such warrant to be delivered to the Kansas educational institution at which such eligible applicant or applicants are enrolled. If an eligible applicant discontinues attendance before the end of any semester, after the Kansas educational institution has received payment under this subsection, the institution shall pay to the state the entire amount which such eligible applicant would otherwise qualify to have refunded, not to exceed the amount of the payment made by the state on behalf of such applicant for the semester. All amounts paid to the state by Kansas educational institutions under this subsection shall be deposited in the state treasury and credited to the tuition waiver gifts, grants and reimbursements fund.

(d) The chief executive officer of the state board shall submit a report to the house and senate committees on education during the 2004 and 2006 regular session of the legislature on the results, outcomes and effectiveness of the tuition waiver program authorized by this section.

(e) The state board is authorized to receive any grants, gifts, contributions or bequests made for the purpose of supporting the tuition waiver program authorized by this section and to expend the same.

(f) There is hereby established in the state treasury the tuition waiver gifts, grants and reimbursements fund. Expenditures from the fund may be made for the purpose of payment of claims of Kansas educational institutions pursuant to this section and for such purposes as may be specified with regard to any grant, gift, contribution or bequest. All such expenditures shall be authorized by the chief executive officer of the state board, or such officer's designee and made upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chief executive officer of the state board, or such officer's designee.

(g) During each year, the chief executive officer of the state board shall make one or more certifications of the amount or amounts required to pay claims received from Kansas educational institutions for tuition and fees under this section to the director of accounts and reports and the secretary of social and rehabilitation services. Upon receipt of each such certification, the director of accounts shall transfer the amount certified from moneys received under the federal Chafee foster care independence grant and credited to the foster care assistance federal fund of the department of social and rehabilitation services to the tuition waiver gifts, grants and reimbursements fund of the state board.

(h) On or before the 10th of each month, the director of accounts and reports shall transfer from the state general fund to the tuition waiver gifts and grants fund interest earnings based on:

(1) The average daily balance of moneys in the tuition waiver gifts and grants fund for the preceding month; and

(2) the net earnings rate for the pooled money investment portfolio for the preceding month.

(i) Applicants eligible for the benefits under this section shall be exempt from the provisions of K.S.A. 76-717, and amendments thereto.

(j) The state board shall adopt rules and regulations requiring eligible applicants to be enrolled as a full-time undergraduate student in good academic standing and to maintain part-time employment to remain eligible and other rules and regulations, as appropriate, for administration of the applicable provisions of this section and shall determine the eligibility of applicants for the benefits provided under this section.

(k) The provisions of this section shall expire on June 30, 2006, except that any eligible applicant who received a tuition waiver before June 30, 2006, and is deemed by the state board to be eligible pursuant to this section shall be allowed to remain eligible until such applicant completes such applicant's course of study or becomes ineligible pursuant to the provisions of this section.

Sec. 13. K.S.A. 72-4433, as amended by section 1 of 2002 House Bill No. 2821, is hereby repealed.

Sec. 14. This act shall take effect and be in force from and after its publication in the statute book.

I hereby certify that the above BILL originated in the HOUSE, and passed that body

HOUSE adopted
Conference Committee Report _____

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE
as amended _____

SENATE adopted
Conference Committee Report _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.