



KANSAS BOARD OF REGENTS

Proponent Testimony on SB 50 For the Senate Education Committee

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Good afternoon, Chair Erickson, and Members of the Committee. Thank you for the opportunity to appear today to testify in favor of SB 50.

This legislation was proposed by the Board of Regents to streamline the administration of seven of the Legislature's scholarship programs administered by the Board of Regents that carry a service requirement and an interest rate when a student goes into repayment:

- ROTC Service Scholarship
- Osteopathic Medical Service Scholarship
- Optometry Service Scholarship
- Nursing Service Scholarship
- Teacher Service Scholarship
- Nurse Educator Service Scholarship
- Promise Scholarship

The authorizing statutes for each of these programs specify that upon failing to meet scholarship conditions, such as living and working in Kansas after graduation, the scholarship must be repaid with interest.

SB 50 would standardize the interest rate on those repayments to a flat 5%. This would provide predictability to students and eliminate the variable rates contained in existing laws that fluctuate annually. This would permit students to know the consequences of default with greater certainty when they enter into their initial service agreement and greatly reduce the potential financial impact to students if they do end up in repayment. For many of the programs, the current rate in statute is the federal PLUS Rate plus five percentage points, which for this year is 14.08%. A table is attached that displays five years of the interest rates for the programs.

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To identify a standard percentage rate, we contacted other states that administer financial aid and heard from several that charge 5%, such as West Virginia and Maine; and others that charge 0%, such as Vermont and New York. To us, the 5% rate seemed sufficiently impactful to encourage service completion, while not creating an undue burden on students.

The bill would also standardize the date at which interest begins to accrue across the programs as the date when the repayment obligation commences. The program statutes vary as to when interest rates must be applied, sometimes as early as when the first course financed with the scholarship is taken.

The bill would also establish uniform rules regarding collection costs and fees. The Board of Regents is tasked with collecting repayments when a student defaults on their scholarship obligations. SB 50 would expressly authorize the Board to recover reasonable collection costs from defaulting students. It would also make permanent a perennial appropriations proviso that permits the Board President and CEO to establish fees related to administration of the service scholarship programs.

Finally, the bill would amend the Adult Learner Grant Act, which was enacted in the 2023 Legislative Session to align the Act's requirement surrounding students' grant agreements with the Promise Scholarship Act. The bill would require students to enter into the agreements with the Board of Regents—which is tasked with administering the program and enforcing the agreements—rather than with the students' respective educational institutions.

In addition to the amendments in the introduced bill, we would like to propose repealing two programs that are no longer utilized: the Ethnic Minority Fellowship Program and the Workforce Development Loan Program. To accomplish this, we propose the following amendments to the bill:

- strike Section 11, page 9 lines 14-28;
- strike Section 12, page 9 lines 29-43 and page 10 lines 1-26; and
- add to the list of repealed statutes in Section 16: K.S.A. 74-32,112; K.S.A. 74-32,113; K.S.A. 74-32,114; K.S.A. 74-32,115; K.S.A. 74-32,116; K.S.A. 74-32,117; K.S.A. 74-32,118; K.S.A. 74-32,119; K.S.A. 74-32,151; K.S.A. 74-32,152; K.S.A. 74-32,153; K.S.A. 74-32,154; K.S.A. 74-32,155; K.S.A. 74-32,156; K.S.A. 74-32,157; K.S.A. 74-32,158; K.S.A. 74-32,159; K.S.A. 74-32,160; and K.S.A. 74-32,161.

Thank you for the opportunity to offer proponent testimony on this legislation.

Program	Statutory Language for Interest Accrual	When does interest begin to accrue?	2024-2025 Interest Rate	2023-2024 Interest Rate	2022-2023 Interest Rate	2021-2022 Interest Rate	2020-2021 Interest Rate
ROTC Service Scholarship	...such person shall pay to the state of Kansas an amount equal to the total amount of payments received by such person plus accrued interest from the date such payments were received at a rate which is equivalent to the interest rate applicable to loans made under the federal PLUS program at the time such person first entered into an agreement plus five percentage points.	Date of disbursement to student	14.08%	13.05%	12.54%	11.28%	10.30%
Osteopathic Service Scholarship	...such person shall repay to the state board of regents an amount equal to the total of (1) the amount of money received by such person pursuant to such agreement plus (2) accrued interest from the date such money was received at a rate which is equivalent to the interest rate applicable to loans made under the federal PLUS program at the time such person first entered into an agreement plus five percentage points.	Date of disbursement to student	14.08%	13.05%	12.54%	11.28%	10.30%
Optometry Service Scholarship	...such person shall repay to the state board of regents an amount equal to the total of (1) the amount of money paid by the state board of regents for guaranteed admission and continued enrollment of such person in an accredited school or college of optometry pursuant to a contract entered into therefor under K.S.A. 76-721a, and amendments thereto, plus (2) accrued interest from the date such money was paid pursuant to such contract at a rate which is equivalent to the interest rate applicable to loans made under the federal PLUS program at the time such person first entered into an agreement plus five percentage points.	Date of disbursement to student	14.08%	13.05%	12.54%	11.28%	10.30%
Nursing Service Scholarship*	...such person shall pay to the executive officer an amount equal to the total amount of money received by such person pursuant to such agreement which was financed by the state of Kansas plus accrued interest at a rate of 5% per annum. Interest shall begin to accrue on the date of the action or circumstances that cause such person to fail to satisfy the obligations of such agreement, as determined by the executive officer based upon the circumstances of each individual case.	KBOR has used the date when the student is determined out of compliance.	5.00%	13.05%	12.54%	11.28%	10.30%
Teacher Service Scholarship	...such person shall pay to the executive officer an amount equal to the total amount of money received by such person pursuant to such agreement plus accrued interest at a rate which is equivalent to the interest rate applicable to loans made under the federal PLUS program at the time such person first entered into an agreement plus five percentage points.	KBOR has used the date when the student is determined out of compliance.	14.08%	13.05%	12.54%	11.28%	10.30%
Advanced Practice Registered Nurse Scholarship	...such person shall pay to the executive officer an amount equal to the total amount of money received by such person pursuant to such agreement which is financed by the state of Kansas plus accrued interest at a rate which is equivalent to the interest rate applicable to loans made under the federal PLUS program at the time such person first entered into an agreement plus five percentage points.	Date of disbursement to student	14.08%	13.05%	12.54%	11.28%	10.30%
Nurse Educator Service Scholarship	...such person shall pay to the executive officer an amount equal to the total amount of money received by such person pursuant to such agreement plus accrued interest at a rate which is equivalent to the interest rate applicable to loans made under the federal PLUS program at the time such person first entered into an agreement plus five percentage points.	KBOR has used the date when the student is determined out of compliance.	14.08%	13.05%	12.54%	11.28%	10.30%
Promise Act Scholarship	...such student shall pay an amount equal to the total amount of money received by such student pursuant to such 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 such student's first course funded by a Kansas promise scholarship award began. Interest shall begin accruing on the date the student is determined to be out of compliance with the Kansas promise scholarship agreement.	Date student is determined out of compliance.	9.08%	8.05%	7.54%	6.28%	N/A

*2024 SB 438 amended the program in a manner similar to the Board of Regents' proposal.