



Legislative Research Commission

A Study of the Kentucky Educational Excellence Scholarship

Research Report No. 386

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Foreword

For more than a decade, Kentucky students have had opportunities to earn Kentucky Educational Excellence Scholarships based on their high school grades and test scores. This study of the program was part of the Office of Education Accountability's annual research agenda, which was approved by the Education Assessment and Accountability Review Subcommittee in December 2010.

Staff would like to acknowledge the staff of Kentucky Higher Education Assistance Authority for providing a considerable amount of data and advice.

Robert Sherman
Director

Legislative Research Commission
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Summary

Overview of the Kentucky Education Excellence Scholarship Program

In 1998, Senate Bill 21 created the Commonwealth merit scholarship, later renamed the Kentucky Educational Excellence Scholarship (KEES). The amount Kentucky high school students may earn toward a postsecondary education is on a sliding scale based on high school grade point averages (GPAs) in each year of high school. Students earning at least one base award may also qualify for a bonus award determined by their highest ACT composite score. A need-based component allows low-income students to earn additional bonuses for qualifying scores on Advanced Placement (AP) or International Baccalaureate (IB) exams.

Senate Bill 21 also dedicated state lottery proceeds to fund KEES and two existing need-based grants—the College Access Program (CAP) and Kentucky Tuition Grant (KTG). After \$3 million is set aside for early childhood literacy programs, 45 percent of the remaining lottery proceeds is dedicated to KEES, and 55 percent is dedicated to CAP and KTG.

Each year, between 87 percent and 88 percent of high school graduates whose schools are certified by the Kentucky Department of Education earn at least some KEES money. The average disbursed KEES award is just over \$1,200 per student per academic year.

The Kentucky Higher Education Assistance Authority (KHEAA) administers KEES as well as other state-funded grant, scholarship, work-study, and college savings programs.

Eligibility

KEES earners and recipients must be Kentucky residents and either United States citizens, nationals, or permanent residents. They cannot be convicted felons. To earn GPA awards, students must be enrolled for at least 140 days per school term in a Kentucky public or private high school certified by the Kentucky Board of Education and attain GPAs of 2.5 or above while meeting curriculum requirements.

To receive KEES, a student must be enrolled part or full time in an eligible program of study leading to a certificate, diploma, associate degree, or bachelor's degree at a participating institution, have remaining semesters of eligibility, and meet KEES renewal requirements.

Students pursuing programs of study not available in Kentucky may use KEES at out-of-state institutions that participate in the Academic Common Market program, a tuition reduction agreement administered by the Southern Regional Education Board.

Award Structure

The KEES amount a high school student may earn for each year of college is the sum of one or more of the following awards:

- Base awards, which may be earned each year of high school and range from \$125 for a 2.5 GPA to \$500 for a 4.0 GPA.
- An ACT supplemental award ranging from \$36 for a score of 15 to \$500 for a score of 28 or more, which may be earned by students who earned at least one base award. (This award can be based on an SAT score by using a table that estimates the ACT score comparable to each SAT score.)
- Advanced Placement and International Baccalaureate bonuses of \$200-\$300 for each qualifying score on an AP and IM exam, which may be earned if the student was eligible for the National School Lunch Program at any time during high school.

Students in certified high schools are eligible for all types of KEES awards. Home school and noncertified high school students, as well as those passing the General Educational Development (GED) exam, are eligible for the ACT award only.

Time Limit To Use Award. Students have up to 5 years or 8 semesters, whichever comes first, to use the KEES money they earned. There are exceptions to the 5-year time limit to use earned KEES awards. Students can appeal to KHEAA for more time if they are unable to enroll because of serious illness or injury; the death or serious illness of a family member; natural disasters; or active service in the military, US Public Health Service Commissioned Corps, Peace Corps, or Americorps.

Retaining the Award While in College. Earned KEES awards are disbursed when students enroll at participating postsecondary institutions, with full-time students receiving the full award and part-time students receiving a prorated award. If a student has at least a 2.5 GPA at the end of the freshman year, the earned KEES award is renewed in full the next year.

The minimum GPA required after the freshman year is in transition.

- Those who started college before academic year 2010 must earn a 3.0 cumulative GPA to continue receiving the full KEES award. A cumulative GPA between 2.5 and 2.99 qualifies a student for half the earned award.
- Those who started in 2009-2010 or later receive the full award with a cumulative GPA between 2.5 and 2.99 if the institutions they attend report that they are on track to graduate. If they are not on track to graduate, students with GPAs between 2.5 and 2.99 qualify for half of the award, provided that they were enrolled full time during the preceding year. If they were enrolled less than full time when earning a cumulative GPA of 2.5 to 2.99, they lose the KEES award.

In either case, a student with a cumulative GPA below 2.5 loses KEES unless and until the student can bring the cumulative GPA back up to the minimum requirements.

KEES Compared to Other State Performance-based Scholarship Programs

Although KEES was loosely modeled on other state performance-based programs, it is unique in the following ways:

- Instead of using the cumulative high school GPA or a single, high-stakes exam, KEES uses a student's annual GPA in each year of high school to determine four separate KEES award

amounts; thus, the student has a clean slate each year to strive for an award even if performance was low in a previous year.

- KEES awards are smaller than those offered by performance-based programs in most states.
- KEES's lower high school GPA requirements offer award opportunities to a broader pool of students, while its sliding scales offer incentives to improve performance. Disadvantaged students make up a sizable proportion of KEES recipients. In 2009, three-fourths of African American high school graduates had earned a KEES award.
- The requirements to continue receiving KEES once enrolled at a postsecondary institution are less stringent than performance-based programs in most states.
- Although most students use KEES awards at in-state institutions, the awards may be used at selected out-of-state institutions if the student is pursuing an academic program not offered by eligible Kentucky institutions, the institution belongs to the Academic Common Market, and the degree program is authorized by the Council on Postsecondary Education (CPE).

The Financial Aid Landscape

KEES is one of many financial aid programs offered by federal, state, and local governments; by private businesses and foundations; and by postsecondary institutions. In Kentucky and the rest of the nation, postsecondary tuition has been rising more rapidly than inflation. Federal, state, and institutional scholarships and grants have not kept pace with these increases, so students are accumulating student loan debt at an accelerating pace.

Impact of KEES and Other Performance-based Programs

National Research Literature

The nationwide research literature finds substantial differences in the effects of state performance-based programs, depending on their design. However, in general, performance-based aid programs sometimes achieve modest improvements in

- effort and achievement in high school and college;
- postsecondary access, enrollment, and degrees conferred; and
- retention of high-achieving students in state.

Unintended consequences sometimes include increases in

- disproportionate distribution of merit aid by race and income;
- grade inflation in some schools;
- avoidance of difficult courses and reductions in credit hours in order to maintain a GPA high enough to keep the scholarship; and
- choosing more expensive institutions.

Data Limitations

It is difficult to analyze the effects of KEES on higher education because the data needed for the analysis are scattered across multiple agencies and institutions. Accessing and integrating data from these disparate entities is hampered by technological, budgetary, and legal constraints.

Kentucky's P-20 Data Collaborative is working to integrate data from disparate sources, and its efforts may provide answers to many questions that have gone unanswered. However, hurdles remain. When the Kentucky Department of Education created the P-20 Data Collaborative, KHEAA was not included because it is in the Finance and Administration Cabinet. Hence, student financial aid information is not being integrated with data from other agencies. Moreover, KHEAA is constrained by state statute, the Family Educational Rights and Privacy Act, and, in some cases, the Gramm-Leach-Bliley Act of 1999, all of which govern the permissible sharing of individuals' financial data.

Another hurdle is that private high schools and independent (private not-for-profit) and proprietary (private for-profit) postsecondary institutions have no legal obligation to report some data that is needed for research purposes. Some private high schools do not report the information needed for calculating their KEES earning rates. Independent and proprietary institutions do not always report enrollment and college readiness data to CPE.

Access to Postsecondary Education

Increases in postsecondary enrollment and degrees conferred accelerated after KEES began. Although KEES helps a broad cross section of students, awards are somewhat larger and more frequent for groups that typically show higher achievement, such as middle- and higher-income students. However, need-based aid often supplements the smaller KEES awards to low-income students.

Encouraging and Rewarding Achievement

Approximately 87 percent of all high school graduates have earned KEES awards. Compared to high school graduates who have not earned KEES awards, KEES earners have higher high school GPAs, ACT scores, college-going rates, and college persistence rates than those who do not earn KEES. However, some recipients find college a challenge. Almost 40 percent lose their KEES award after the first year; some regain it by improving their GPAs, but others drop out completely.

Stanching Brain Drain

Research provides evidence that merit and incentive programs help to keep students in state. Most KEES recipients attend a Kentucky university or college. However, rapid tuition increases have eroded the value of KEES awards. In addition, increasing numbers of institutions in neighboring states are offering to match students' KEES awards to lure them out of state.

Challenges and Opportunities

Clarifying KEES Program Goals and Kentucky's Financial Aid Strategy

The only goal for KEES that is explicitly stated in statute is ensuring student access to postsecondary education (KRS 164.7871). This has led to criticism and confusion because not all

performance-based aid goes to the neediest students. KHEAA publications list two other purposes for KEES—to reward and encourage achievement and to encourage students to choose in-state colleges. However, these purposes are not codified in statute. Some higher education stakeholders argue that Kentucky’s overall student financial aid strategy is not articulated clearly enough.

Recommendation 3.1

If the Kentucky Educational Excellence Scholarship is meant to achieve other goals in addition to ensuring access, the General Assembly should consider adding explicit statements of these goals to the statute.

Funding Shortfalls for CAP and KTG: Implications for KEES

Lottery revenues perennially fall short of fully funding KEES, CAP, and KTG. Historically, the General Assembly has made up deficits for KEES but not for CAP and KTG. Each year, many eligible students do not receive CAP and KTG. The issue has been exacerbated by significant increases in the proportion of students considered financially needy because of the economic downturn and changes in federal policy. CAP grant eligibility depends on a student’s eligibility for a federal Pell grant. In 2009, when the federal government raised the income threshold for what constitutes need for Pell, the number of students determined eligible for CAP increased by 30 percent (Letteer). In the future, the method for determining need may be changed again to no longer include a family’s assets when determining need. If implemented, that change could further increase eligibility for KTG.

When lottery proceeds are insufficient, unclaimed lottery prize money is used to make up the difference for KEES. However, unclaimed prize amounts fluctuate, and some question whether KEES should be fully funded when CAP and KTG are not.

Implications of KEES Program Changes

Lower GPA To Retain KEES If On Track To Graduate. Senate Bill 75 of 2008 reduced the minimum GPA for sophomores and higher-level students to retain their full KEES awards from 3.0 to 2.5, provided that students are on track to graduate. Previously, a sophomore or higher-level student who earned a cumulative GPA between 2.5 and 2.99 was eligible for 50 percent of the earned KEES award. Statute defines on track to graduate as:

the number of cumulative credit hours earned as compared to the number of hours determined by the postsecondary education institution as necessary to complete a bachelor’s degree by the end of eight (8) academic terms or ten (10) academic terms if a student is enrolled in an undergraduate program that requires five (5) years of study (KRS 164.7874(19)).

Implementing this definition is less straightforward than it might seem. Without detailed guidance in statute, and faced with a sizable increase in the need for financial aid, institutions have interpreted the provision in a way most likely to allow students to keep their full KEES awards. For example, Kentucky’s public institutions consider a student on track to graduate if the student has earned an average of 12 credit hours per semester, which mirrors the definition of

full time for KEES and most other financial aid programs (George; Davis). However, to graduate on time, a student must average approximately 15 credit hours per semester. A student earning only 12 hours for several semesters would need to take an almost impossible class load in the final year to catch up. And there is little or no incentive to do this because the student would have already received KEES for the maximum allowable number of semesters.

Recommendation 3.2

If the “on track to graduate” provision in KRS 164.7874(19) is meant to require students to complete a 2-year degree in 2 years, a 4-year degree in 4 years, and a 5-year degree in 5 years, additional definition or guidance may be required to ensure that postsecondary institutions are reporting appropriate determinations to the Kentucky Higher Education Assistance Authority.

Postsecondary institutions are missing key information needed for accurately determining whether transfer students are on track to graduate. When a student transfers from one institution to another, student data sent to the receiving institution includes course grades and credit hours earned at the previous institution but not the number of terms completed. Therefore, the receiving institution’s automated process for determining whether students are on track to graduate cannot distinguish new transfer students from first-time freshmen. Credits completed at prior institutions are considered in determining whether the transfer student is on track to graduate. This mismatch of data tends to make most transfer students appear to be on track to graduate whether they are or not.

Another issue is that most public institutions do not include grades earned at other institutions in the cumulative GPA. Thus, a student who has low grades could get a clean start for retaining KEES just by transferring, while students who do not transfer would have no such opportunity.

Recommendation 3.3

Transfer students’ records, including grades earned and number of terms completed at prior institutions, should be collected by postsecondary institutions and used in making Kentucky Educational Excellence Scholarship eligibility determinations.

KHEAA initially projected that the on track to graduate provision could increase annual KEES disbursements by as much as \$8 million per year when fully implemented in academic year 2014. At the time of this report, KHEAA had not yet determined the actual fiscal impact of on track to graduate because disbursements under the new provision were just beginning.

Uncertainty About the Number of AP and IB Bonuses To Be Paid. It is difficult to project the amount of funds that will be needed for AP and IB bonuses. There is no limit on the number of these bonuses that a student can earn, which has allowed some students to double their earned KEES awards. In addition, students who were not eligible for free or reduced-price lunch, and therefore not eligible for KEES bonuses, at the time they passed AP or IB exams can earn bonuses for those exams retroactively if they later become eligible for free or reduced-price lunch. Exams passed by ineligible students in 2009 and 2010 represent the potential for up to \$4.4 million in retroactive bonuses. In addition, several factors may increase the number of AP and IB bonuses earned in the near future, necessitating more funds for KEES.

High School Grading Policies

An OEA staff review in 2011 found no improvements in the grading uniformity problems reported in 2003 by the Legislative Research Commission. For example, earning 92 percent in a course is considered an A in some districts but a B in others. This affects students' GPAs, prompting some parents in districts with more stringent standards to complain that their children earn smaller KEES awards. However, some superintendents argue that these students benefit more in the long run; the more stringent standards lead to better preparation for college, allowing more students to meet the requirements for retaining KEES. In any case, KHEAA estimates that differences in grading scales have a small impact on the size of KEES awards.

Requiring districts to assign letter grades in the same way to class percentages for KEES reporting purposes would level the playing field somewhat but would not eliminate other sources of variation, such as differences in grading practices from classroom to classroom.

High School Grade Data and GPA Calculations for KEES Reporting

OEA was unable to determine the accuracy of GPA calculations in a sample of public school districts because standardization and documentation are insufficient for class grade data in the student information system. These problems arose from a manual process districts use to ensure that student transcripts report both the letter grade and the percentage earned in each course. Each district sets up its own grading scales manually in the system. The result is a profusion of scales that are understandable only to those who created them and data that cannot be analyzed for research purposes. A statewide set of standardized grading data would facilitate routine checks for errors in the data sent to KHEAA and would serve other uses, such as identifying students at risk of dropping out, researching teacher effectiveness, and evaluating interventions.

Recommendation 3.4

The Kentucky Department of Education should develop more measures for ensuring accurate and comparable course grade and grade point average data. These measures should include minimizing manual input.

KHEAA provides ongoing training to districts regarding the calculation of GPAs for KEES reporting purposes but does not receive detailed data to verify that the calculations are correct. There is no ongoing, systematic process for ensuring the accuracy of GPAs reported for KEES.

Recommendation 3.5

In keeping with KRS 164.7885(1), the Kentucky Higher Education Assistance Authority should develop a process for verifying that grade point averages are calculated correctly for Kentucky Educational Excellence Scholarship reporting purposes, in consultation with public and private districts and high schools and the Kentucky Department of Education.

Chapter 1

Background

Created in 1998, the Kentucky Educational Excellence Scholarship program splits lottery proceeds with need-based grants after \$3 million is set aside for literacy programs. KEES awards are determined by sliding scales based on annual grade point averages (GPAs) and ACT scores in high school. In addition, low-income students earn a bonus for each qualifying score on an Advanced Placement (AP) or International Baccalaureate (IB) exam.

In 1998, Senate Bill 21 created the Commonwealth merit scholarship, later renamed the Kentucky Educational Excellence Scholarship (KEES). The base amount a Kentucky certified public or private high school student may earn toward postsecondary education expenses is determined by a sliding scale based on the student's grade point average (GPA) in each year of high school. A student who earns at least one base award may also earn a supplemental award determined by the student's highest qualifying ACT composite score. A need-based component added to the program in 2008-2009 provides a low-income student the opportunity to earn additional bonuses for passing Advanced Placement (AP) or International Baccalaureate (IB) exams (Commonwealth. Kentucky Higher. Grant).

Senate Bill 21 also dedicated state lottery proceeds, less \$3 million for state literacy initiatives, to the new KEES scholarship program and two existing need-based grants: the College Access Program (CAP) and Kentucky Tuition Grant (KTG).¹ While CAP and KTG require students to fill out applications and demonstrate financial need, KEES requires no application.

KEES is administered by the Kentucky Higher Education Assistance Authority (KHEAA).

KEES is administered by the Kentucky Higher Education Assistance Authority (KHEAA), the state government agency within the Finance and Administration Cabinet that administers other state-funded grants, scholarships, work-study, and college savings programs, and provides outreach and information about higher education opportunities. Appendix A provides a list of statutes and regulations relating to KEES. Appendix B provides a chronology of legislative changes to the program.

As Figure 1.A shows, the program grew rapidly during the initial implementation phase, from 20,000 students in 2000 to 60,000 students in 2004, as each successive high school graduating class had more years to earn KEES in high school and use it in college.²

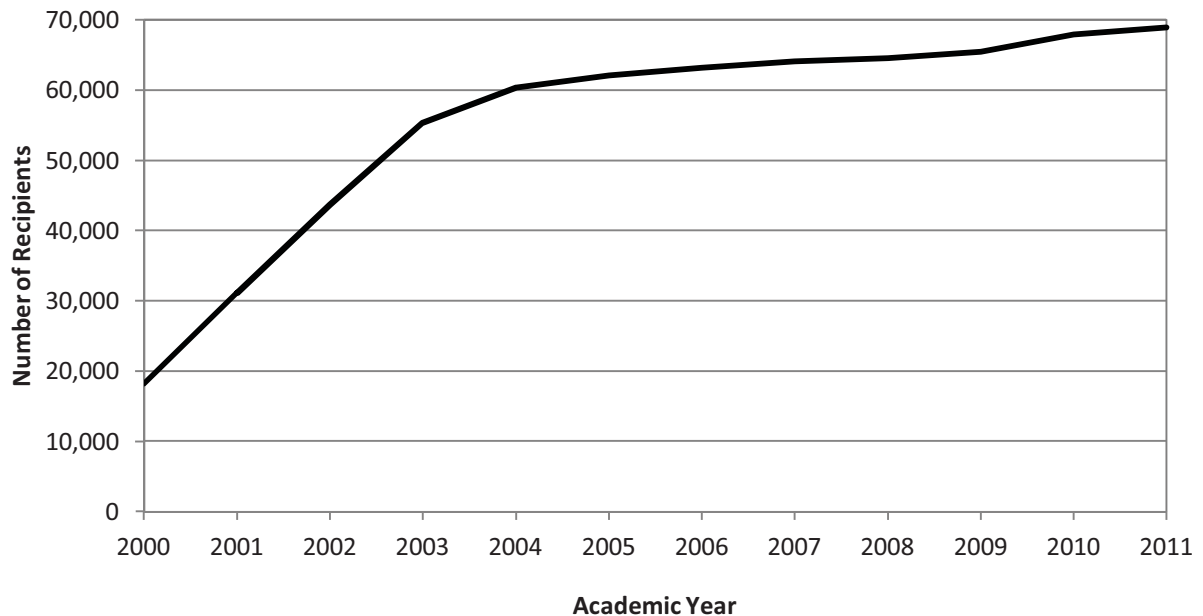
¹The Kentucky Tuition Grant (KTG) is a tuition equalization grant that provides supplemental funds to students attending independent (private nonprofit) institutions, which charge higher tuition than publicly funded institutions. Students can also use KTG at one for-profit institution—Sullivan University.

²Unless otherwise noted, years in this report means academic years, and the notation uses the ending year. For example, 2000 is the academic year 1999-2000.

After rapid growth in the implementation phase, the program has grown at a slow and steady pace since 2004.

Since 2004, the fully implemented program has continued to grow at a slow and steady pace, with slightly less than 90 percent of certified high school graduates earning at least one KEES award.

Figure 1.A
Students Receiving KEES Scholarship Disbursements
From Program Inception to Academic Year 2011



Source: Commonwealth. Kentucky Higher. *HEWG* and *KEES Summary*.

If a student enrolls in college and maintains the minimum required GPA, KEES is disbursed for up to eight semesters, 5 years, or until the first bachelor's degree is completed. Part-time students receive a prorated award amount, while full-time students receive their full earned award.

A student's KEES award is the total of up to four annual high school GPA awards, an ACT award, and bonuses for qualifying scores on Advanced Placement or International Baccalaureate exams. As long as the student enrolls in college at least part time and maintains the minimum required GPA, KEES awards are disbursed each fall and spring semester for up to eight semesters, 5 years, or until the first bachelor's degree is completed, whichever comes first. Part-time students receive a prorated award amount, while full-time students receive their full earned award (11 KAR 15:040).

Goals of KEES Program

When creating KEES and dedicating lottery funds to higher education, the General Assembly emphasized student access to higher education, declaring that:

the best interest of the Commonwealth mandates that financial assistance be provided to ensure access of Kentucky citizens to public and private postsecondary

education at the postsecondary educational institutions of the Commonwealth (KRS 164.7871(1)).

The only goal in statute for KEES is ensuring access to postsecondary education. Two goals not in statute are providing incentives and rewards for achievement and keeping students in state for college and careers.

Ensuring access is the only goal stated in KRS 164.7871.

At least two additional goals are often mentioned but are not codified in statute:

- Providing incentives and rewards for achievement; and
- Keeping students in state for college and careers (Commonwealth. Kentucky Higher. Grant; Commonwealth. Cradle to College).

KEES eligibility requirements are lower than those for other states' performance-based programs in order to promote first generation college-going.

The Cradle to College Commission in 2006 reported to the General Assembly that KEES was loosely modeled on Georgia's HOPE scholarship, with some distinct differences:

Like HOPE, KEES was geared toward keeping Kentucky's best and brightest students in state. However, there was also a focus on inducing more first generation college-goers....KEES is a merit scholarship but eligibility requirements were designed a little lower than most and remain somewhat controversial. They are lower because of a great concern about access. There was also a desire with the implementation of KEES to inspire students to do better in high school (15).

Chapter 2 addresses other benefits and unintended side effects of KEES and other performance-based financial aid.

Eligibility Requirements

To receive an earned KEES award, a student must be a US citizen or permanent resident, Kentucky resident, nonfelon, and high school graduate or GED recipient. The student must also be enrolled part or full time in an eligible postsecondary institution, maintain the minimum GPA, and have no past-due financial obligations on student loans or other aid.

To receive a disbursement of an earned KEES award, a student must

- be a US citizen, national, or permanent resident;
- be a Kentucky resident;
- not be a convicted felon;
- have graduated from a Kentucky public or private high school certified by the Kentucky Board of Education;³
- be enrolled part or full time in a program of study of at least 2 years' duration leading to a diploma, certificate, or associate or bachelor's degree at an eligible public or private postsecondary institution within 5 years after graduating or passing the GED. The institution must be in Kentucky, unless

³Graduates of home schools and noncertified schools as well as GED recipients are eligible for the KEES ACT award but not the GPA base awards or AP/IB bonuses.

the institution offers a Council on Postsecondary Education-certified academic program that is not offered in Kentucky and the institution participates in the Southern Regional Education Board's Academic Common Market (ACM);⁴

- have received fewer than eight previous KEES disbursements within 5 years of high school graduation;
- have earned a 2.5 GPA as a postsecondary freshman and then maintained a minimum 3.0 cumulative GPA (or 2.5 if on track to graduate); and
- have no defaults or past-due financial obligations on Kentucky or federal Title IV financial aid programs (Commonwealth. Kentucky Higher. Grant, KEES Eligibility, and KEES Frequently).

Award Structure

GPA Base Award

A base award is the sum of up to four annual GPA awards, ranging from \$125 for an annual high school GPA of 2.5 to \$500 for a GPA of 4.0.

A high school student at a state-certified public or private high school may earn one base award for each year of high school. As Table 1.1 shows, if the student's GPA for the year's courses is 2.50-2.59, the student earns a base award of \$125. The award increases by \$25 for each tenth of a percentage point, reaching a maximum of \$500 for a GPA of 4.0.

Table 1.1
KEES Base Award That May Be Earned Each Year if Enrolled in a
State-certified Public or Private High School
Fiscal Year 2011

GPA	Amount	GPA	Amount	GPA	Amount	GPA	Amount	GPA	Amount
< 2.5	\$0	2.75	\$187	3.1	\$275	3.4	\$350	3.75	\$437
2.5	125	2.8	200	3.2	300	3.5	375	3.8	450
2.6	150	2.9	225	3.25	312	3.6	400	3.9	475
2.7	175	3.0	250	3.3	325	3.7	425	4.0	500

Source: KRS 164.7879.

Course letter grades A, B, C, D, or F are assigned 4, 3, 2, 1, or 0 quality points, respectively. Students earn one extra quality point for each AP or IB course. The GPA is the sum of the quality points divided by the number of courses.

To calculate a base award, the letter grades A, B, C, D, or F earned for each high school course are assigned 4, 3, 2, 1, or 0 quality points, respectively. Students earn one extra quality point for each

⁴The Academic Common Market is a tuition-reduction agreement among most Southern Regional Education Board states that allows out-of-state students to pay the lower in-state tuition. The states participating in the Academic Common Market for undergraduates are Alabama, Arkansas, Delaware, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Oklahoma, South Carolina, Tennessee, Virginia, and West Virginia.

AP or IB course.⁵ The GPA is the sum of the quality points divided by the number of courses (Commonwealth, Kentucky Higher, KEES Frequently, and 9th Grade).

ACT Supplemental Award

The ACT supplemental award ranges from \$36 for an ACT composite score of 15 to \$500 for a score of 28 or higher.

As Table 1.2 shows, a 15 composite score on the ACT college admissions exam earns a modest \$36 supplemental award.⁶ An additional \$36 is earned for each additional point on the ACT, up to a maximum of \$500 for a score of 28 or higher. If a student takes the ACT more than once, the award is based on the highest score obtained prior to high school graduation. The ACT supplemental award is the only KEES component available to graduates of noncertified schools, home-schooled students, and GED recipients.

Table 1.2
ACT Supplemental Award That May Be Earned by
High School Graduates and GED Recipients
Fiscal Year 2011

Score	Amount	Score	Amount	Score	Amount	Score	Amount
< 15	\$0	18	\$143	22	\$286	26	\$428
15	36	19	179	23	321	27	464
16	71	20	214	24	357	28-36	500
17	107	21	250	25	393		

Note: Score is on the composite ACT exam. A certified high school student must have earned at least one base award to be eligible for an ACT award.

Source: KRS 164.7879.

AP and IB Exam Bonus Awards

A low-income student can earn a bonus for each qualifying score on an AP or IB exam; each bonus ranges from \$200 to \$300, depending on the exam score.

A low-income student (defined as eligible for free or reduced-price lunch through the National School Lunch Program at any time during high school) may earn a bonus for each passing score on an AP or IB exam. As shown in Table 1.3, each bonus ranges from \$200-\$300, depending on the exam score.

⁵All students earn an extra point for AP and IB classes even though only low-income students earn bonuses for passing AP and IB exams.

⁶SAT exam scores are also eligible for KEES supplemental awards and are converted to ACT-equivalent scores.

Table 1.3
Bonus That May Be Earned for Each Qualifying Score on an Exam if Eligible for Free or Reduced-price Lunch in a State-certified High School, Fiscal Year 2011

AP Score	Amount	IB Score	Amount
1-2	\$0	1-4	\$0
3	200	5	200
4	250	6	250
5	300	7	300

Source: KRS 164.7879.

Example

The hypothetical example on this page illustrates the makeup of a KEES award.

Shown in Table 1.4 is a hypothetical example to illustrate how the KEES award is calculated. High schools and postsecondary institutions are responsible for determining students' initial and ongoing eligibility and electronically reporting this information to KHEAA. KEES awards are electronically disbursed to the postsecondary institution in which the student is enrolled (Commonwealth. Kentucky Higher. KEES Eligibility).

Table 1.4
KEES Award for a Hypothetical High School Student

Type of Award	Amount Earned
Base Award	
High School Freshman Year GPA of 2.84	\$ 200
High School Sophomore Year GPA of 2.47	0
High School Junior Year GPA of 3.58	375
High School Senior Year GPA of 3.08	250
Subtotal: Base Award	825
ACT Supplemental Award	
Score of 26	428
AP/IB Bonus Award	
Score of 4 on English Language AP Exam	250
Score of 7 on Geography IB Exam	300
Score of 2 on Microeconomics AP Exam	0
Subtotal: AP/IB Bonus Award	550
Total for Annual KEES Award	\$1,803

Source: Staff adaptation of example from Commonwealth. Kentucky Higher. KEES Frequently, and 9th Grade.

In 2011, graduates of state-certified public and private high schools, who make up the vast majority of KEES earners, had earned an average of \$1,225.

In 2011, graduates of state-certified public and private high schools—who represent 99.5 percent of those who earned KEES—had earned \$1,225, on average.⁷ The 0.4 percent of earners who graduated from home schools and other noncertified schools, who were eligible only for the ACT supplemental award, earned an average of \$342. GED holders, also eligible for only the supplemental award, earned an average of \$241 (Commonwealth. Kentucky Higher. *KEES Summary*).

Senator Jeff Green Scholars

A student who had a 4.0 GPA in all 4 years of high school and scored 28 or higher on the ACT is designated a Senator Jeff Green Scholar. The designation confers no additional monetary award, but Scholars' names are announced in newspapers.

A student who earns the maximum \$2,500 KEES base and supplemental awards, by achieving a 28 or higher on the ACT and a 4.0 or higher GPA in all 4 years of high school, is designated a Senator Jeff Green Scholar, in honor of the late Senator Green from Mayfield. The title confers no additional monetary award, but Jeff Green Scholars' names are announced in press releases to Kentucky newspapers.

Time Limit To Use Award

KEES eligibility ends as soon as one of the following conditions is met: 5 years have passed since the student's high school graduation; the student has used KEES for 8 semesters (or the equivalent in quarters), or 10 semesters if enrolled in an approved 5-year undergraduate program; or the student receives a bachelor's degree.

There are exceptions to the 5-year time limit to use earned KEES awards. Students can appeal to KHEAA for more time if unable to enroll because of serious illness or injury; the death or serious illness of a family member; natural disasters; or active service in the military, US Public Health Service Commissioned Corps, Peace Corps, or Americorps.

There are exceptions to the 5-year time limit; students can appeal to KHEAA for more time if they were unable to enroll because of

- a serious and extended illness or injury of the student, certified by an attending physician;
- the death or serious and extended illness or injury of an immediate family member of the student, certified by an attending physician, which would render the student unable to attend classes;
- natural disasters that would render a student unable to attend classes; or
- the student's active duty in the US Armed Forces or as an officer in the Commissioned Corps of the US Public Health Service, or the student's active service in the Peace Corps or Americorps (KRS 164.7881(5)).

⁷In this report, earners are those who earned (accrued) KEES during high school. Recipients are those earners who chose to go to college at a KEES-eligible institution, triggering the disbursement of KEES funds.

Retaining the Award While in College

A student who earns at least a 2.5 GPA in the freshman year can receive another KEES award the following year. After the freshman year, a student earning a cumulative GPA of 3.0 retains the full earned KEES award; a GPA between 2.5 and 2.99 earns half the award. However, a student who started college during the 2009-2010 academic year or after can receive the full KEES award with a cumulative GPA as low as 2.5 if enrolled full time in the previous term and on track to graduate. A student with a cumulative GPA below 2.5 loses KEES awards until the cumulative GPA increases to the 2.5 minimum.

If the student achieves a cumulative GPA of 2.5 or higher at the end of the first year, the full earned KEES award is renewed the following year.

KEES renewal requirements in subsequent years are undergoing a transition.

- A student who started college prior to the 2009-2010 academic year must achieve a minimum cumulative GPA of 3.0 to retain the full earned award. A cumulative GPA between 2.50 and 2.99 qualifies for half the earned award.
- Similarly, a student who started college during or after academic year 2010 keeps the full earned award if the cumulative GPA is 3.0 or higher. However, the student may also retain the full award if the cumulative GPA is between 2.50 and 2.99 if the student is considered on track to graduate. If the student is not on track to graduate and has a cumulative GPA between 2.50 and 2.99, the student receives half the earned award if enrolled full time during the preceding year. If the student was enrolled less than full time when earning a cumulative GPA of 2.5-2.99, the KEES award is lost.

Regardless of when first enrolled, a student with a cumulative GPA less than 2.5 loses the KEES award. A student can have KEES reinstated by meeting renewal criteria by the end of the following award year.

Any semester in which a KEES award is disbursed counts as one full semester of eligibility used toward the 8- or 10-semester limit, even if the student receives only a partial award due to part-time enrollment or not being on track to graduate.

Each institution is responsible for developing a detailed definition of “on track to graduate.” KRS 164.7874(19) provides the following general definition:

In statute, on track to graduate means “the number of cumulative credit hours earned as compared to the number of hours determined by the postsecondary education institution as necessary to complete a bachelor’s degree by the end of eight (8) academic terms....”

“On track to graduate” means the number of cumulative credit hours earned as compared to the number of hours determined by the postsecondary education institution as necessary to complete a bachelor’s degree by the end of eight (8) academic terms or ten (10) academic terms if a student is enrolled in an undergraduate program that requires five (5) years of study.

KEES Compared to Other State Scholarship Programs

Although KEES was loosely modeled on other states' programs, unique features include the use of the annual high school GPA in each year of high school instead of one cumulative high school GPA as the basis for qualifying for an award; smaller awards than in other states; lower qualification thresholds that allow KEES to be broad based and sliding scales that reward each additional level of performance; less stringent renewal standards; the option to use the award out of state for selected programs not offered in Kentucky.

Staff compared KEES to other state performance-based scholarship programs. Details about these programs are provided in Appendix C. Although KEES was loosely modeled on programs in other states, it is unique in the following ways:

- KEES uses the annual GPA in each year of high school instead of the cumulative GPA; thus, students have a clean slate each year to strive for an award even if their performance was low in previous years. These annual awards have the added benefit of providing opportunities for KHEAA to communicate each year with students and their parents regarding the importance of postsecondary education.
- KEES award amounts are smaller than those of most other states' performance-based programs.
- KEES' lower qualification thresholds allow almost 90 percent of students to earn scholarships, including significant numbers of disadvantaged students who may not have seriously considered pursuing postsecondary education. At the same time, the sliding award scales offer incentives for each additional level of performance.
 - While most state programs have "all or nothing" renewal requirements, the less stringent KEES standards may better support postsecondary retention.
- While 99.7 percent of KEES awards are used in state, KEES may be used for out-of-state academic programs not offered in Kentucky at certain KEES-eligible institutions.

The Financial Aid Landscape

The following brief discussion of Kentucky's postsecondary education costs and financial aid provides context for understanding the role of KEES as just one of many sources of financial aid.

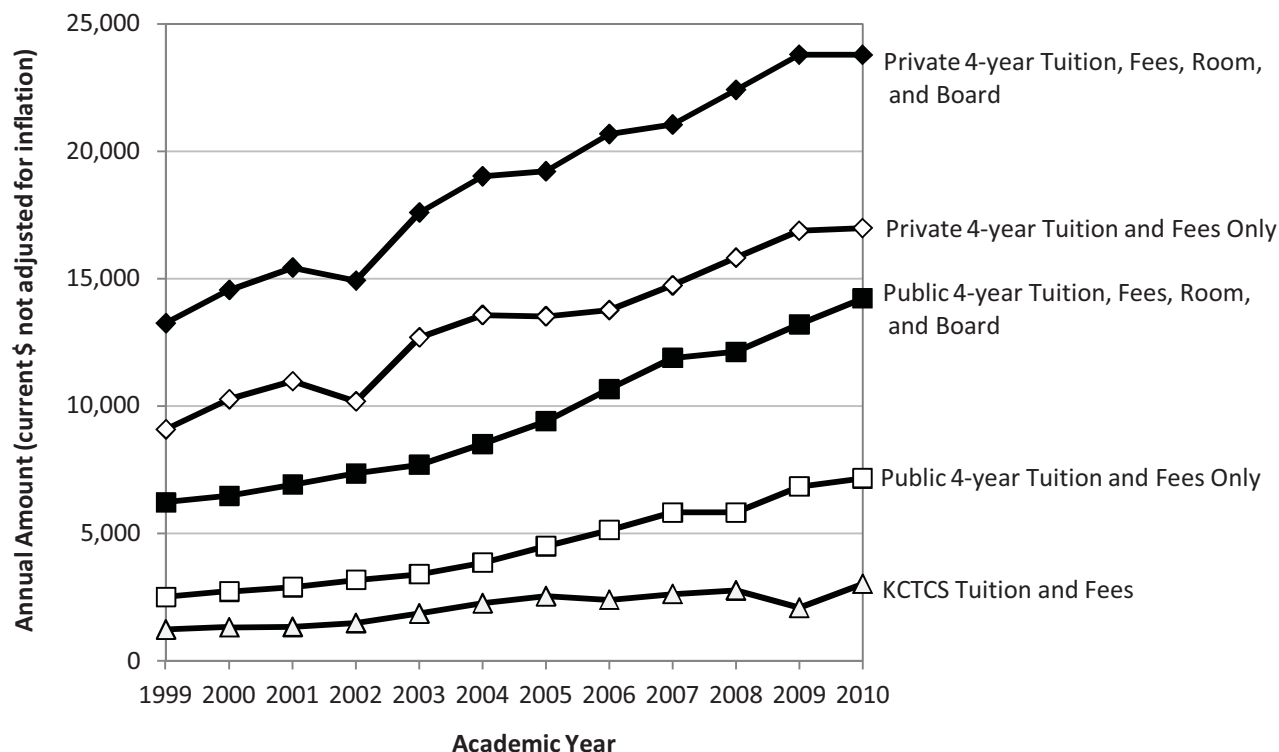
The Cost of a College Education in Kentucky

Tuition, room, and board in Kentucky and in the nation have been rising faster than inflation.

Figure 1.B shows trends in tuition, room, and board. In Kentucky and the rest of the nation, postsecondary tuition has been rising at several times the pace of inflation. The causes are widely and hotly debated; increases have been attributed to changes in state support; institutions' responsibilities; competition for the best students, faculty, and facilities; students' expectations for services and amenities; and student-administrator ratios. Increased availability

of financial aid in recent years may allow institutions to charge students higher prices.

Figure 1.B
Kentucky University and College Prices
Academic Years 1999-2010



Note: Tuition and fees are those published, not including tuition discounts. Averages are weighted by enrollment and include mandatory fees only. KCTCS is the Kentucky Community and Technical College System, Kentucky's public 2-year college system.

Source: US. Dept. of Ed. Inst. Natl. *Digest*.

How Kentuckians Pay for College

KEES is one of many financial aid programs offered by federal, state, and local governments as well as by postsecondary institutions and private organizations.

KEES is one of many financial aid programs offered by federal, state, and local governments as well as by postsecondary institutions and private organizations. KHEAA's descriptions of these programs extend to more than 370 pages. Like KEES, a majority of aid programs are available only to those who enter college full time immediately after graduating from high school. Students who start college later in life or return to college after an interruption have few sources of aid. Appendix D provides brief descriptions of the major state and federal programs.

Grants and scholarships, which do not need to be repaid, may be based on financial need, achievement, student characteristics, field of study, or other criteria. They include aid from postsecondary institutions in the form of tuition discounts or waivers.

Grants and Scholarships. Grants and scholarships, which do not need to be paid back, may be based on financial need, achievement, student characteristics, field of study, or other criteria. Grants and scholarships come from federal, state, and private sources, as well as from postsecondary institutions in the form of tuition discounts and waivers.

Most states, including Kentucky, direct a majority of aid to longstanding means-tested, need-based aid programs. Non-need-based programs require students to meet certain conditions, such as working in a specified occupation or area after graduation. A growing number of states have started performance-based programs that specify a minimum GPA, test score, or other performance standard (College Board. *Trends*).

The federal need-based Pell program grants up to \$5,550 per year to financially needy students. Pell is larger than all other financial aid programs in Kentucky except federally guaranteed loans.

The largest federal need-based program is Pell, which grants up to \$5,550 per year to financially needy students (US. Dept. of Ed. Federal Pell Grant). Kentucky students received \$486.5 million in Pell Grants during academic year 2011, dwarfing all other financial aid programs with the exception of federally guaranteed student loans (Letteer).

Kentucky's state need-based programs are granted on a first-come, first-served basis until funds are exhausted. The College Access Program grants \$1,900 per year. The Kentucky Tuition Grant adds \$2,964 for students to attend independent institutions.

CAP, Kentucky's largest state-run need-based program, grants \$1,900 per student per year. Grants are awarded on a first-come, first-served basis until funds are exhausted. If a student wishes to attend an independent (private nonprofit) institution or Sullivan University and the Pell and CAP awards are insufficient to do so, KTG may add up to \$2,964 per year (Commonwealth. Kentucky Higher. Grant).⁸

Loans must be repaid, but federally guaranteed subsidized and unsubsidized loans offer low interest rates, and subsidized loans accrue no interest while the student is in school. Because most grants and scholarships have not kept pace with tuition increases, students are accumulating more student loan debt.

Loans. Loans must be repaid, but federally guaranteed subsidized and unsubsidized loans offer low interest rates, and subsidized loans accrue no interest while the student is in school. Because most federal, state, and institutional scholarships and grants have not kept pace with tuition increases, students are accumulating more student loan debt. The nation's college seniors who graduated in 2009 carried an average of \$24,000 in student loan debt and \$4,100 in credit card debt, as they faced the highest unemployment rate on record for college graduates ages 20 to 24 (Project; Sallie). Americans now owe more on student loans than on credit cards (Kantrowitz).

Work-study programs offer on- or off-campus jobs to help students pay education expenses

Work-study. Work-study programs offer on- or off-campus jobs to help students pay education expenses.

⁸ Sullivan University is the only for-profit college whose students are eligible to receive Kentucky Tuition Grants.

Education savings accounts and prepaid tuition plans offer opportunities to save for college. However, participation rates are low.

Families pay no taxes on the interest earned on education savings accounts and prepaid tuition plans. They can deduct tuition, fees, books, supplies, and equipment for undergraduate education, but not campus room and board.

No discussion of postsecondary education costs would be complete without considering state support for public institutions. This is an important source of funds for public institutions, though it has been diminishing.

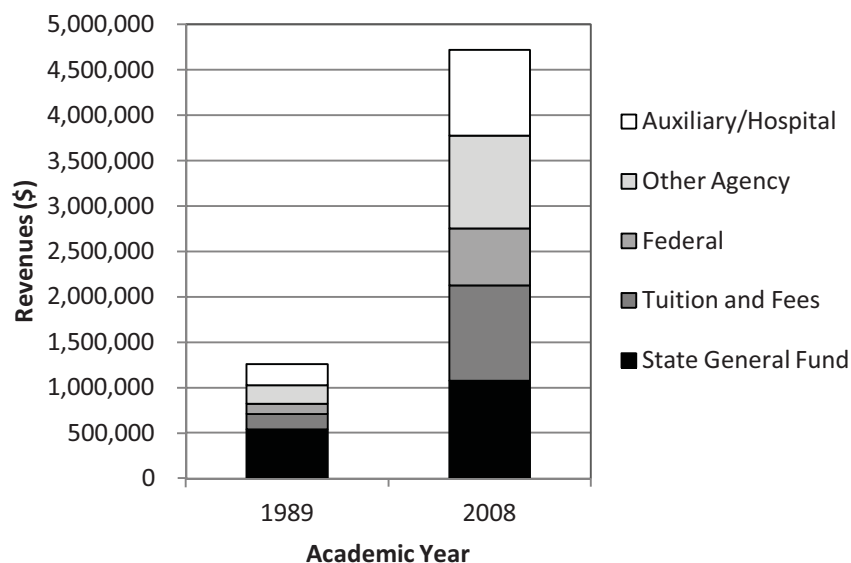
Education Savings Accounts and Prepaid Tuition Plans.

Education savings accounts, such as 529s, and prepaid tuition plans offer students' families early opportunities to save for college. However, participation rates in these programs have always been low and are especially low during this economic downturn (Commonwealth. Kentucky Higher. *Affording*; Letteer).

Tax Benefits. Although money paid into education savings accounts and prepaid tuition plans is not tax free, the interest earned is, as are distributions if they do not exceed the amount needed for education expenses. In addition, tuition, fees, books, and education-related supplies and equipment are tax deductible for degree-seeking students and their families. However, campus room and board are not deductible (US. Dept. of the Treasury. Internal).

State Support of Public Institutions. No discussion of postsecondary education costs would be complete without considering the state support that partially subsidizes tuition at public universities and colleges. As Figure 1.C shows, the percentage of Kentucky public institutions' revenues from the state general fund fell from 43 percent to 23 percent between 1989 and 2008. There were increases in revenues from auxiliary, hospital, other agency, and federal sources during that time, but tuition and fees rose from 14 percent to 22 percent of revenues (Commonwealth. Council. *Kentucky*).

Figure 1.C
Kentucky Public Postsecondary Institution Revenues by Source
Academic Years 1989 and 2008



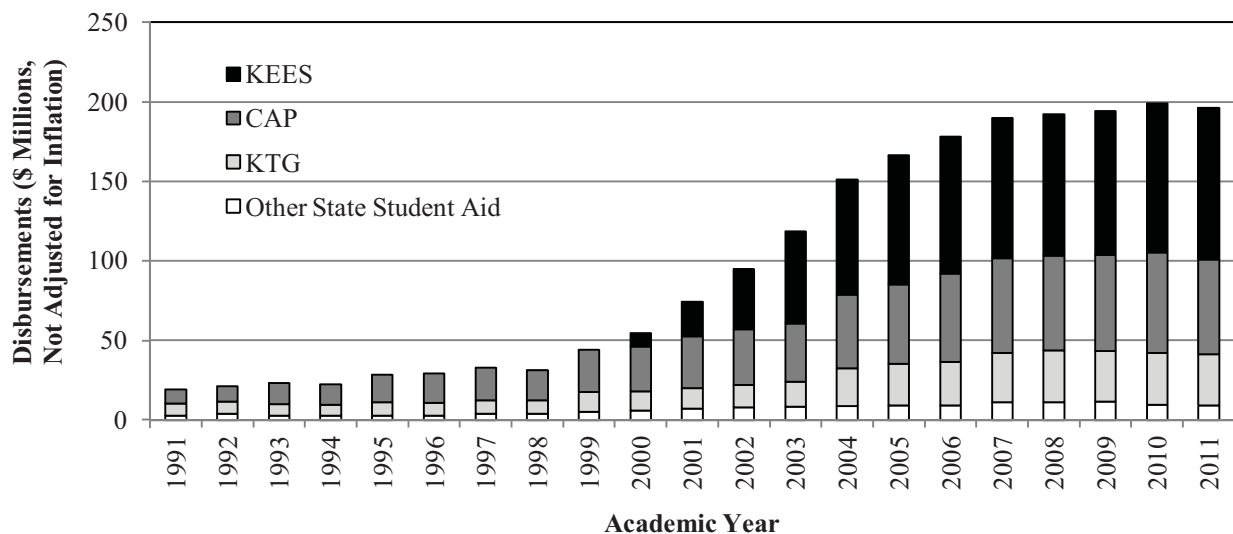
Source: Commonwealth. Council. *Kentucky*.

State Student Financial Aid Expenditures

Disbursements for Kentucky's student financial aid programs have increased dramatically, especially in the past decade. Yet these increases have not kept pace with tuition increases. In 2009, the average KEES award paid only 17 percent of the average tuition and fees at 4-year public institutions.

As Figure 1.D shows, funds disbursed for Kentucky's state financial aid programs have increased dramatically. Yet these increases have not kept pace with tuition increases. In 2009, the average KEES award paid only 17 percent of the average tuition and fees at 4-year public universities and 7 percent at 4-year private universities (Commonwealth. Kentucky Higher. *KEES Summary*; US. Dept. of Ed. Inst. Natl. *Digest*).

Figure 1.D
Disbursements of Kentucky State-administered Financial Aid Programs
Academic Years 1991 to 2011



Source: Commonwealth. Kentucky Higher. *Kentucky Educational and Student Financial*.

Financial Aid Application Process

The first step for students to receive financial aid is to fill out the Free Application for Federal Student Aid (FAFSA). Though not required by KEES, many KEES recipients fill out the FAFSA because they need additional aid.

The first step in navigating the array of programs is filling out the Free Application for Federal Student Aid (FAFSA), an online federal form that collects adjusted gross income, untaxed income, taxes paid, assets, household size, and number in household attending college to determine how much a student or student's family should be expected to pay for college. FAFSA also asks for a list of colleges the student is considering. Although KEES does not require filling out the FAFSA, most KEES earners do so because they need additional financial aid.

The federal government uses the FAFSA to determine the Expected Family Contribution (EFC). The EFC is the pivotal criterion for determining how much aid a student will receive from most sources.

To determine a student's need, the EFC is subtracted from the total cost of attending the student's chosen institution, including tuition, fees, room and board, books and supplies, a clothing allowance, transportation, and other expenses, including support for any dependent children.

A student's financial aid package often combines multiple types of aid from multiple sources. In 2010, students with EFCs at or below \$4,617 were eligible for Pell and CAP. Many also received KEES and institutional aid. If they attended an independent institution, they were eligible for KTG.

Expected Family Contribution. The US Department of Education processes the FAFSA to determine the Expected Family Contribution (EFC), the amount that an independent student or dependent student's family is expected to pay toward postsecondary education costs. The EFC is the pivotal criterion for determining how much aid a student will receive from most federal and state sources, as well as from some postsecondary institutions.

The EFC is subtracted from the estimated total cost of attendance at each college listed on the FAFSA to determine the student's unmet need at each college. The federal calculation of cost of attendance includes tuition, fees, room and board, books and supplies, a clothing allowance, transportation, and other expenses, including support for any dependent children.

The amount of need-based aid a student receives depends on more than just income. An OEA staff analysis of Kentucky's financial aid data found that family income explains about 70 percent of the variation in the EFC. The remaining 30 percent depends on such factors as assets, number of children in college, and the cost of attendance at each college the student is considering. The processed FAFSA information is sent to the student and to each of the listed colleges, which assemble financial aid packages to offer to the student. Financial aid packages often combine multiple types of aid from many sources.

Layering of Aid in a Financial Aid Package. Pell, KEES, CAP, and institutional aid are combined to make up some of the difference between the cost of attendance and the amount a student is expected to contribute. In 2010, full-time students with EFCs at or below \$4,617 received a Pell Grant of up to \$5,350 and a CAP grant of \$1,900. KEES was awarded without consideration of the student's EFC or other financial aid received. In addition, public postsecondary institutions awarded institutional aid.

Students with EFCs just \$1 over \$4,617 received no Pell or CAP. However, they may have remained eligible to receive KEES and institutional aid.

Not included in these calculations are

- KTG awards of up to \$2,964 for students who chose to attend an independent institution or Sullivan University full time;
- private-sector scholarships and grants, federal or state work study, and student loans;

- some costs that are typically included in calculations of the total cost of attendance, such as books, transportation, clothing, and support for any dependent children.

The lower a student's economic means, the more financial aid the student receives. Grant and scholarship aid to the lowest income students usually exceeds tuition, fees, and books. For these students, the financial aid office deducts university charges and then issues the remaining balance as a residual check for students to use for any other educational or personal expenses.

Chapter 2

Impact of KEES

Research on Performance-based Aid

Researchers can come to different conclusions about the impact of performance-based programs depending on which programs are studied, when the studies took place, how outcome variables were defined, and which analytical techniques were used.

Gauging the impact of performance-based aid programs is challenging. Because few programs have evaluation built into their designs, researchers must compare states with performance-based programs to states without such programs, or compare students just under the award threshold to those at or just over the threshold. Programs differ in many ways and they continually evolve and change over time, making it difficult to generalize. For these reasons, researchers can come to different conclusions about the impact of performance-based programs depending on which programs are studied, when the studies took place, and which outcome variables and analytical techniques were chosen.

Nevertheless, in the past two decades, researchers have found distinct, albeit modest, benefits and unintended consequences.

Nevertheless, in analyzing almost two decades of data on performance-based programs, researchers have found distinct benefits and unintended consequences. Most effects are modest and vary by program.

Research finds that performance-based programs attain modest improvements in effort and achievement in high school and college; postsecondary access, enrollment, and degrees conferred; and retention of high-achieving students in state.

Performance-based aid can achieve modest improvements in

- effort and achievement in high school and college (Mobley; Scott-Clayton);
- postsecondary access, enrollment, and degrees conferred (Farrell; Singell); and
- retention of high-achieving students in state (Diamond; Farrell).

Unintended consequences sometimes include less equitable distribution of aid; grade inflation; avoidance of difficult courses; and choosing more expensive institutions.

Unintended consequences sometimes include

- disproportionate amounts of aid going to middle- and higher-income groups, some racial or ethnic groups, and females (Civil; Kash);
- grade inflation (Condon);
- avoidance of difficult courses and reductions in credit hours attempted in order to maintain a sufficiently high GPA to keep the scholarship (Cornwell); and
- choosing more expensive institutions (Binder).

The unique features of the KEES program help to mitigate unintended consequences. For example, KEES distributes aid more broadly than most other programs and offers incentives for students to take difficult courses.

Data Limitations

The data needed to analyze some effects of KEES on higher education are scattered across agencies. The P-20 Data Collaborative is making substantial progress toward integrating the data, but obstacles remain.

It is difficult to analyze the effects of KEES on higher education because some of the necessary data are scattered across separate databases at the Kentucky Department of Education (KDE), the Council on Postsecondary Education, the Education Professionals Standards Board, KHEAA, school districts, high schools, and postsecondary institutions. Accessing and integrating data from these disparate entities is hampered by technological, budgetary, and legal constraints.

The P-20 Data Collaborative is making substantial progress toward integrating data from these agencies.

However, hurdles remain for including data on KEES and other financial aid in the P-20 database. First, KRS 164.7885(2) expressly prohibits KHEAA from sharing KEES data. KHEAA has requested an opinion from the Attorney General and has filed an intent to pursue a change to the statute during the 2012 legislative session. Second, FAFSA data cannot be shared under the terms of KHEAA's contract with the US Department of Education. Third, conversion loan student aid programs fall under the Gramm-Leach-Bliley Act of 1999, which can impose severe penalties for disclosing individuals' financial data.

Another hurdle is that private secondary schools are under no obligation to report data needed for research purposes. Some private high schools fail to report information on non-KEES recipients so that accurate KEES earning rates can be calculated. Private nonprofit and for-profit universities and colleges do not always report complete enrollment and college readiness data to the Council on Postsecondary Education because no statute clearly states that they must.

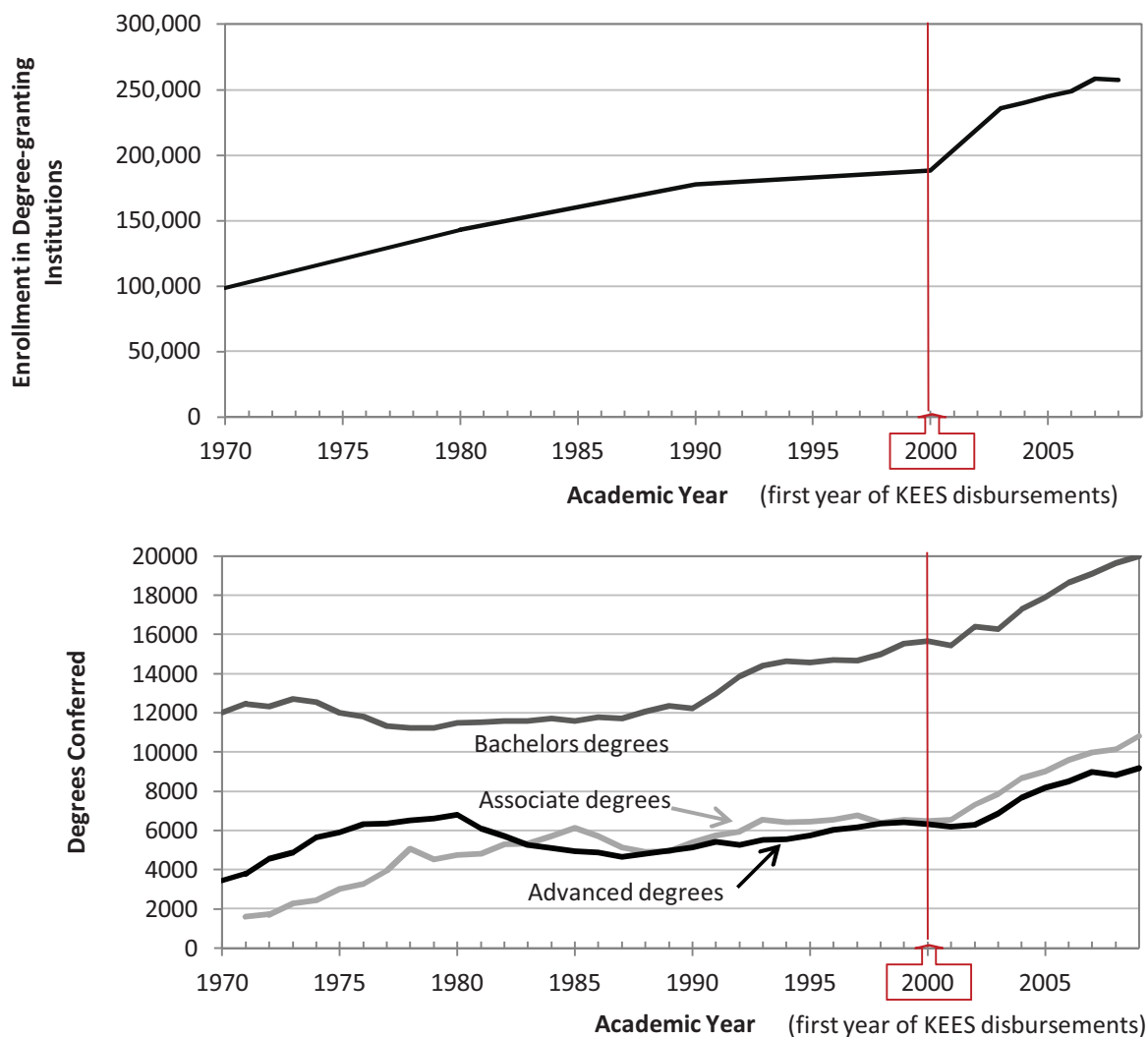
Access to Postsecondary Education

Indicators of Access

The rate of increase in postsecondary enrollment and degrees earned increased after KEES began. Other factors besides KEES may have influenced these trends, but many researchers have concluded that performance-based programs increase access.

Ensuring access to postsecondary education—the only codified purpose for KEES—should impact enrollments to the extent that prospective students are aware and willing to take advantage of educational opportunities. Ideally, increased enrollment should also increase the number of degrees conferred, although researchers find this is not always the case. As Figure 2.A shows, enrollment and degree conferments were already increasing before KEES began. However, after slowing in the 1990s, the rate of increase quickened after the implementation of KEES.

Figure 2.A
Enrollment and Degrees Conferred, Kentucky, Academic Years 1970 to 2008



Sources: Mortenson; US. Dept. Inst. Natl. *Digest*. Table 215.

The US Census Bureau reported that in 2009, 63 percent of Kentucky's 18- to 24-year-olds were enrolled in degree-granting institutions, up from 47 percent in 2000. Postsecondary attainment has increased faster in Kentucky than in most other states (Natl. Ctr.).

Many other factors besides KEES may have contributed to this acceleration, such as aid from other sources and increased awareness of the availability of aid.

Equity of Access

Historically, most federal and state student aid has been need based, seeking to equalize access to postsecondary education. While aid is still predominantly need based, performance-based programs have sprung up in many states in recent years.

Although performance-based programs are meant to encourage hard work and staying in state for college, they are often criticized because achievement is correlated with income, and, therefore, low-income students are less likely to qualify for performance-based aid.

Although these programs are meant to encourage students to work harder and to stay in their home states, performance-based programs are often criticized for being regressive. Studies have shown that student achievement has a strong positive relationship with family income, and, thus, middle- and higher-income students are more likely than low-income students to qualify for incentive and merit aid programs. Some policy makers argue that funding such programs with a state lottery is doubly regressive because the poor are more likely to buy lottery tickets. However, Kentucky's dedication of more than half of net lottery revenues to need-based programs helps to mitigate this effect.

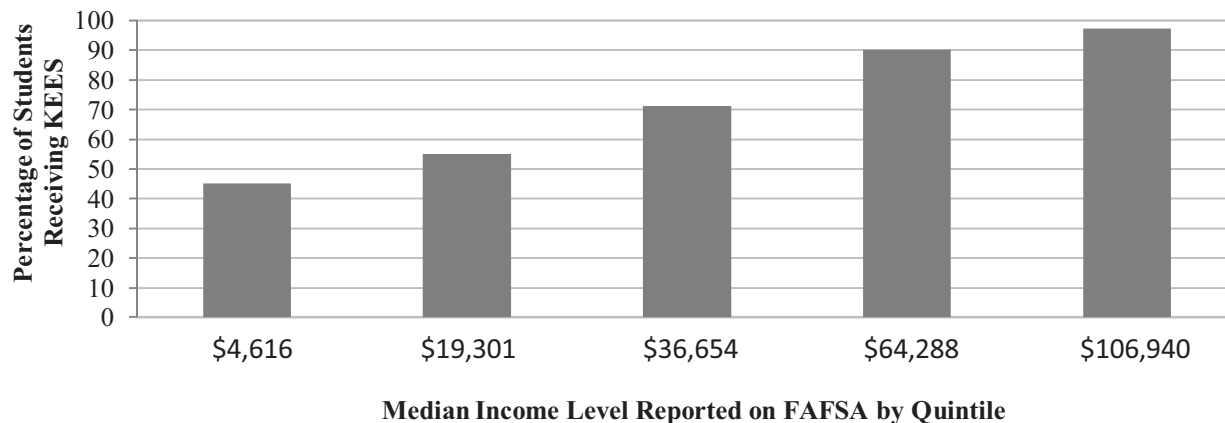
Broad-based programs with less stringent requirements are seen as less regressive. Almost 90 percent of Kentucky's high school graduates earn KEES.

Programs with less stringent requirements are seen as less regressive because they reach more students, offering a balance between providing access regardless of need and providing incentives for more student effort. Almost 90 percent of Kentucky students earn at least some KEES money.

Although students at all income levels earn KEES, the strong relationship between income and achievement leads to more middle- and higher-income students earning KEES.

Incomes of KEES Recipients. Figure 2.B shows the percentage of students earning KEES by income level among students who filled out the FAFSA. The relationship between KEES and income mirrors the relationship between achievement and income. Although KEES is earned by students across the income spectrum, the proportion of students earning KEES increases with income.

Figure 2.B
KEES Recipients by Income Level Reported on the
Free Application for Federal Student Aid
Academic Year 2009



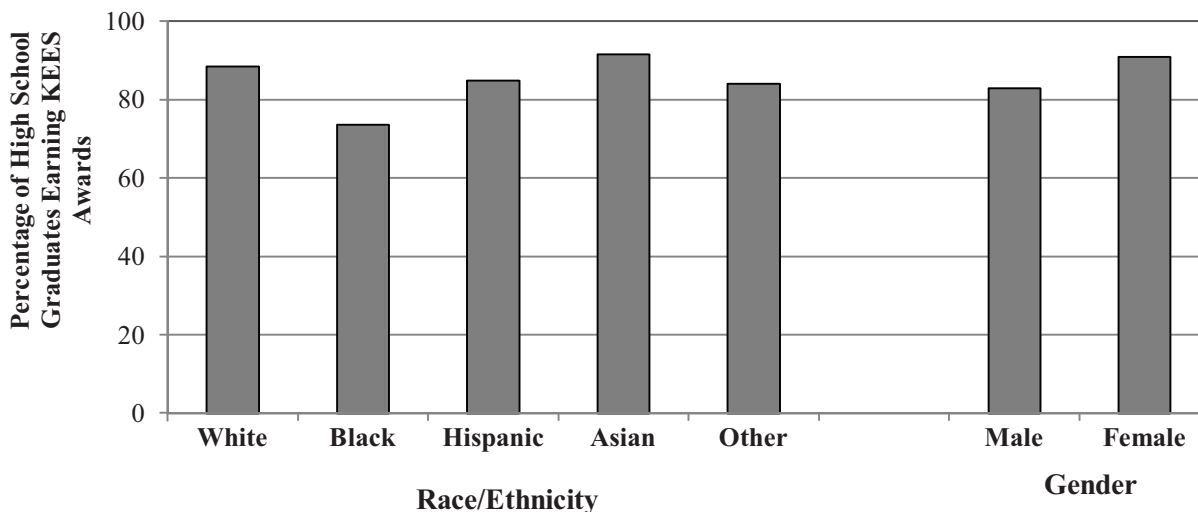
Note: FAFSA is the Free Application for Federal Student Aid.
Source: Commonwealth. Kentucky Higher. *Income*.

Although all categories of students earn KEES, the percentage earning awards is higher for Asians and whites than for blacks and Hispanics and is higher for females than for males.

Race/Ethnicity and Gender. College students receiving KEES are not reported by race and gender, but high school students earning KEES are. This information is shown for high school graduates in Figure 2.C. All categories of students have earned KEES by the time they graduate from high school, but the percentage earning awards is higher for Asians (92) than for whites (88), higher for whites than for blacks (73) and Hispanics (81), and higher for females (91) than for males (83).

Of course, not all students graduate from high school, and dropouts are much less likely to have earned KEES awards. Those enrolled in 9th grade are the most different from high school graduates, with KEES recipients making up 71 percent of Asians, 63 percent of whites, 37 percent of blacks, 50 percent of Hispanics, 68 percent of females, and 52 percent of males (Commonwealth. Kentucky Higher. *Kentucky Educational*).

Figure 2.C
Percentage of High School Graduates Earning KEES, by Race/Ethnicity and Gender
Kentucky Certified Public and Private Schools, Academic Year 2010



Source: Commonwealth. Kentucky Higher. *KEES Summary*.

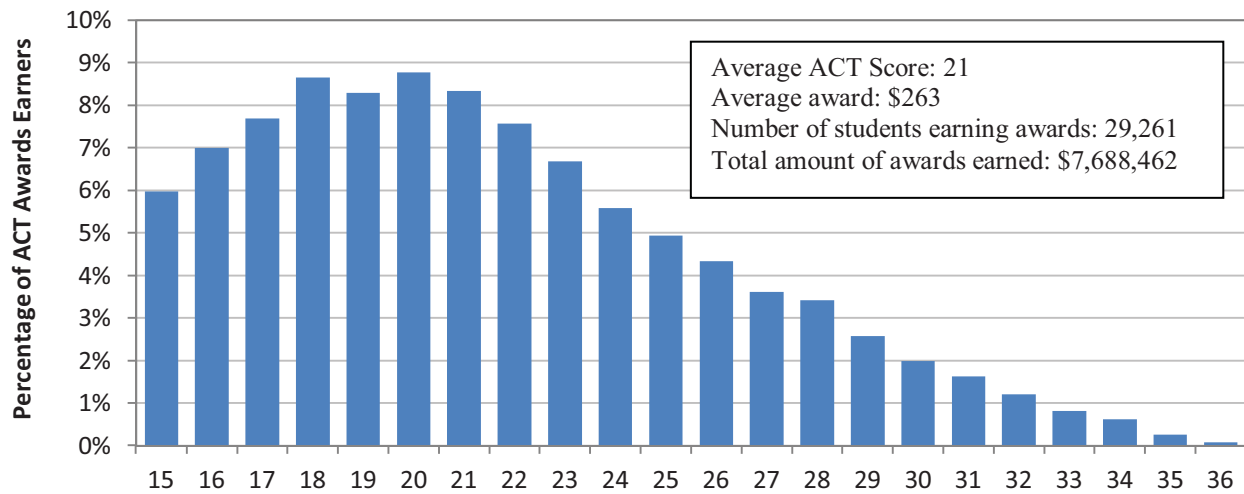
Incentive and Reward for Achievement

ACT Scores

KEES earners scored higher on the ACT than non-earners but almost half did not score high enough to indicate college-readiness. Many probably took developmental courses in college.

Figure 2.D shows the highest ACT composite scores of those earning ACT supplemental awards. As with most other tests, ACT scores form a bell-shaped normal distribution. The composite is the average of the four ACT tests. A student whose scores matched ACT's college-readiness benchmarks (18 in English, 21 in reading, 22 in mathematics, and 24 in science) would have a composite of 21 (ACT. *What*). As the distribution indicates, almost half of those earning KEES supplemental awards did not achieve a composite score of at least 21. Because Kentucky universities use ACT scores to determine which students are college-ready, it is likely that many of these students took at least one developmental (remedial) course as freshmen, but no data are available to confirm this.

Figure 2.D
ACT Composite Scores of Recipients of KEES Supplemental Awards, Academic Year 2009



Note: This figure includes ACT-equivalent SAT exam scores, which can be used instead of the ACT for earning a supplemental award.

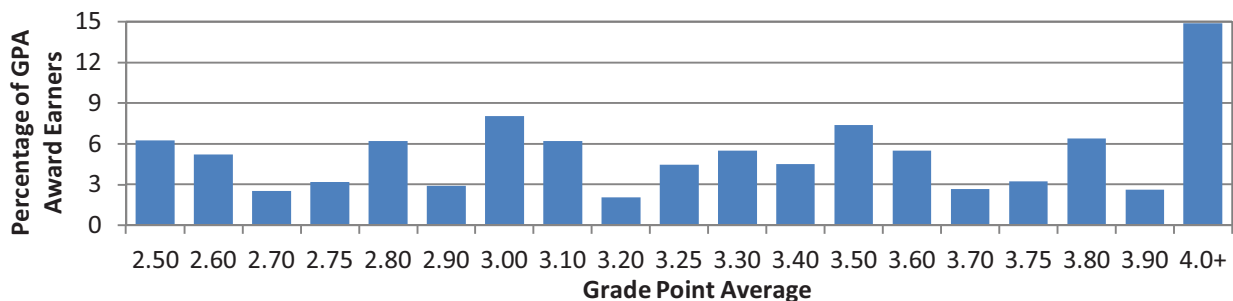
Source: Commonwealth. Kentucky Higher. *Kentucky Educational* 36.

High School GPA

A relatively high percentage of KEES earners had GPAs of 4.0 or more. This reflects the extra point earned for AP and IB courses and may also reflect grade inflation.

As Figure 2.E shows, GPAs are not normally distributed like ACT scores. Spikes at round numbers indicate the rounding of grades to even numbers, especially from 2.9 to 3.0 and from 3.9 to 4.0. The relatively high percentage of students at 4.0+ reflects, in part, the extra point earned for AP and IB courses, which allows some students to earn a GPA of more than 4.0 on the 1-to-4 scale. It may also reflect grade inflation, a longstanding nationwide upward trend in average grades, as teachers and professors give students higher grades than the same level of performance would have garnered in previous years.

Figure 2.E
Annual High School GPAs of Students Earning KEES Annual Base Awards Academic Year 2009



Note: The average GPA was 3.3. The average earned KEES award was \$328. The number of students earning GPA awards was 125,657. The total amount of awards earned was approximately \$41.2 million.

Source: Commonwealth. Kentucky Higher. *Kentucky Educational* 4.

AP and IB Exam Bonuses

In the first year of IB/AB bonuses, low-income students passed 797 exams, earning \$180,050. In the second year, low-income students passed 1,053 exams, earning \$239,000.

In 2009, the first year in which AP and IB bonuses could be earned, low-income students passed 797 exams, earning \$180,050. In 2010, low-income students passed 1,053 exams, earning \$239,000.

Impact of KEES Letters on Students' Awareness of KEES

Annual letters to high school students about KEES may help kindle interest in college. Awareness of KEES was 80 percent in 9th grade, compared to just 68 percent in 8th grade. Other factors besides KEES may have contributed to the awareness levels.

The KEES program may help to kindle early interest in college with its outreach efforts. At the beginning of 9th grade, students receive a letter about KEES from the governor. Each year a student earns a KEES award, the student receives a letter from KHEAA.

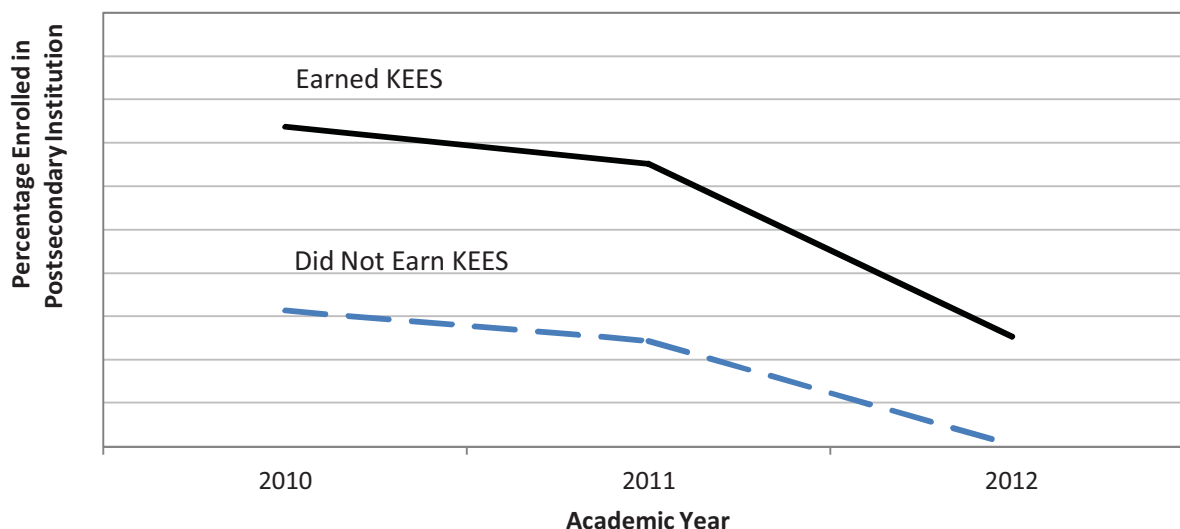
Cross-sectional data from a survey of Kentucky middle and high school students showed that awareness of KEES in 9th grade was 80 percent, compared to just 68 percent in 8th grade. However, this increased awareness of financial aid may also be influenced by other outreach efforts besides KEES letters (Commonwealth Council. Statewide).

College-going Rate and Retention

KEES earners were more likely than nonearners to start college immediately and reenroll in college the second year.

Figure 2.F shows that 74 percent of KEES earners in the 2009 graduating class enrolled in a postsecondary institution the next year, compared to 31 percent of non-KEES earners.

Figure 2.F
2009 High School Graduates' Postsecondary Enrollment by Whether They Earned KEES Academic Years 2010-2012



Source: Commonwealth. Kentucky Higher. *KEES NOKEES*.

KEES earners were also more likely to stay in college, with 88 percent of earners enrolling for a second year, compared to 78 percent of nonearners who had enrolled.

Retaining KEES

Nearly 90 percent of high school graduates received KEES awards. However, receiving the award is not an indicator of college success.

Given that KEES earners represent almost 90 percent of high school graduates, they include students with a wide range of ability and preparation for college. Despite higher college-going and retention rates, many KEES earners nevertheless struggle to make the transition to college-level courses. Between academic years 2000 and 2006, 61 percent of those who earned KEES awards went on to use their awards in the first year after graduating from high school, but only 38 percent were enrolled in the second year. No data are available on the reasons for nonuse, which include forgoing college, attending out-of-state or other noneligible institutions, felony convictions, or death.

Trends in Senator Jeff Green Scholar Designations

The number of Jeff Green Scholars increased by 53 percent between 2002 and 2011.

Since the Senator Jeff Green Scholar designation was instituted, the annual number of high school graduates designated Jeff Green Scholars has increased 53 percent, from 769 in 2002 to 1,208 in 2011.

Brain Drain

At the time KEES was created, many academic administrators and industry executives were concerned about losing the state's most talented students to out-of-state colleges and careers. They were concerned that Kentucky students who matriculate out of state would also choose out-of-state careers. The ability or incentive to keep future skilled and knowledgeable workers in Kentucky was necessary for economic development and global competitiveness. This was one impetus for the proliferation of state performance-based aid programs

Keeping students in state is a goal of many states' performance-based programs. Students were slightly more likely to stay in state after KEES began.

Kentucky students' in-state college attendance has improved slightly since KEES started. In 2008, 89 percent of freshmen chose to attend in-state colleges, up slightly from 86 percent in 1998 (Mortenson). In-state college enrollment for Jeff Green Scholars has increased, from 67 percent in 2002 to 74 percent in 2010 (Letteer).

An analysis by KHEAA found that in academic years 2001 through 2004, less than one-half of 1 percent of KEES recipients used their awards at out-of-state institutions participating in the Academic Common Market. Even among Jeff Green Scholars—those who earned the maximum in every component of the KEES award—only 1 percent attended ACM programs (Commonwealth. Kentucky Higher. *KEES Use*).

Other Financial Incentives for Staying In State: Kentucky Tuition Relative to Other States

The importance of KEES as a financial incentive to stay in state for college is diminishing because awards have not increased with the cost of tuition.

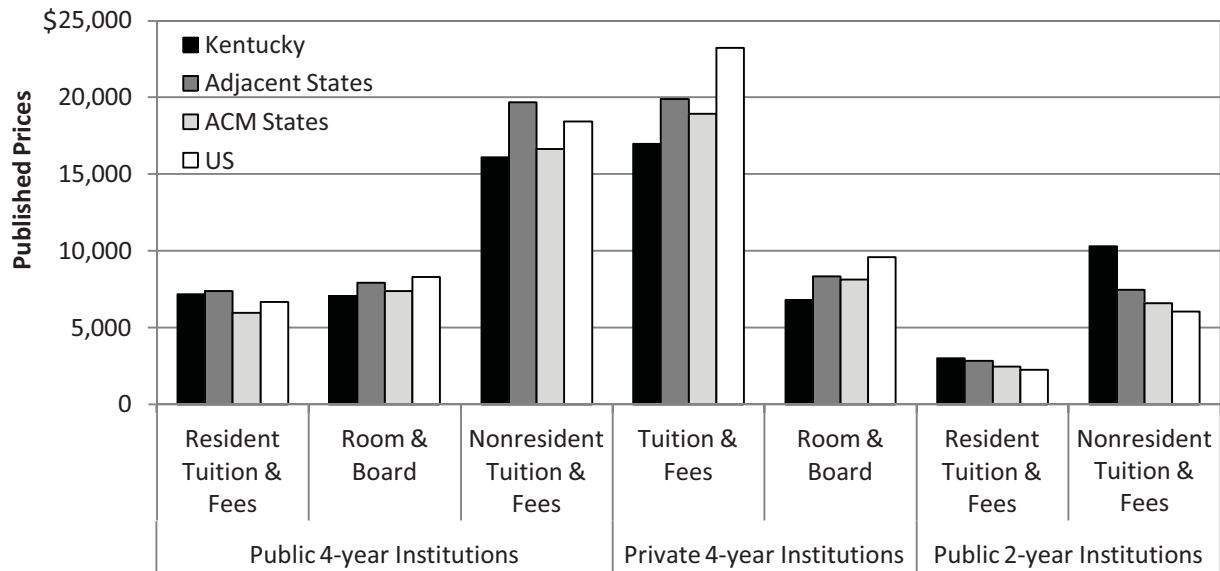
When students decide whether to attend college in their home states or elsewhere, one consideration is the difference in tuition. Most of the nation's public institutions charge higher tuition for out-of-state students than for in-state students, which is an incentive for many students to stay in state. KEES is meant to be an additional incentive for students to stay in Kentucky. However, the relative importance of KEES has been diminished to a great extent by tuition increases and to a lesser extent by the ACM and postsecondary tuition reciprocity agreements between Kentucky and surrounding states. Some postsecondary institutions in neighboring states are offering to match students' KEES awards.

Kentucky's 4-year universities have lower tuition rates, on average, than those of other states. Kentucky's 2-year colleges have higher tuition rates than those of other states.

Figure 2.G shows that average tuition rates for 4-year universities in Kentucky are lower than averages for all US universities, averages for states adjacent to Kentucky, and averages for states that are ACM members. In contrast, average tuition for Kentucky's community colleges is higher than the averages for all community colleges in the US, the average for adjacent states, and the average for ACM member states.

Kentucky's lower tuition relative to that in other states may explain recent increases in the number of out-of-state students attending Kentucky colleges. This number grew from 3,692 in 1998 to 6,227 in 2008 (Mortenson).

Figure 2.G
Kentucky Published Postsecondary Education Prices
Compared to Averages for All US Institutions, Averages for States Adjacent to Kentucky,
and Averages for Member States of the Academic Common Market, Academic Year 2010



Notes: The term “published” means tuition before tuition discounts and waivers. ACM is the Academic Common Market, a tuition reduction agreement among Southern Regional Education Board states.
Source: US. Dept. Natl. *Digest*.

Chapter 3

Challenges and Opportunities

Clarifying the Role of KEES in Kentucky's Overall Financial Aid Strategy

The KEES mission has been the subject of controversy and confusion at times, in part because ensuring access is the only purpose explicitly mentioned in statute. Some academics and policy analysts argue that performance-based programs are far less efficient than need-based programs at helping low-income students and minorities enroll in college

The KEES mission has been the subject of controversy and confusion at times, in part because ensuring access is the only purpose explicitly mentioned in statute. Some academics and policy analysts argue that performance-based programs are far less efficient than need-based programs at helping low-income students and minorities enroll in college (Civil). The Kentucky Board of Education discussed but rejected a proposal to give an extra KEES bonus to Senator Jeff Green Scholars, commenting that these students would receive other scholarships, anyway. Purposes other than providing access did not seem to enter into the decision (Commonwealth. Dept. of Ed. *Summary*).

Even when policy makers recognize other purposes for KEES, such as encouraging achievement and keeping students in state, some argue that it is inappropriate to devote funds to these purposes when Kentucky's need-based programs have insufficient funds (College Board. *A Simpler and Meeting*).

In August 2011, education stakeholders discussed a College Board study of the impact of proposed changes to FAFSA on Kentucky's student financial aid programs. Among those attending were representatives of the Office of the Governor, the General Assembly, the Council on Postsecondary Education, and KHEAA. Changes to FAFSA made shortly before this report was written had greatly increased the number of students considered low income. Some attendees advocated combining all of the lottery-funded programs into one need-based program. Discussion included the need for some minimal performance guidelines and the need for postsecondary institutions to develop stronger academic good-standing policies. Some stakeholders also suggested adding minimum performance requirements to CAP and KTG (College Board. *Meeting*).

These issues have prompted calls for more clearly defined goals, not only for KEES but for the state's entire student aid strategy.

Recommendation 3.1**Recommendation 3.1**

If the Kentucky Educational Excellence Scholarship is meant to achieve other goals in addition to ensuring access, the General Assembly should consider adding explicit statements of these goals to KRS 164.7871.

**Funding Shortfalls for CAP and
KTG: Implications for KEES**

Some question with KEES should be fully funded when CAP and KTG are not. Each year, funds for CAP and KTG programs run out before all eligible students receive awards. The number of students eligible for need-based aid is rising because of the economic downturn, federal changes in the way the EFC is calculated, and the easing of program eligibility requirements.

Some policy makers have questioned whether KEES should be fully funded when CAP and KTG are not. Need-based awards are granted on a first come, first served basis until funds run out. Each year, funds for CAP and KTG programs are exhausted before all eligible students receive awards. Table 3.1 summarizes trends in the shortfall of CAP funds. Each year, more eligible students are turned away when funds run out. The number not receiving grants rose significantly in 2010 and 2011 when eligibility for CAP was expanded by relatively large increases in the maximum Expected Family Contribution.

**Table 3.1
Unfunded CAP Awards for Eligible Students
Academic Years 2006-2011**

Academic Year	Maximum EFC to Be Eligible	Total Number of Eligible Applicants	Eligible Applicants Receiving CAP Grant	CAP Funds Disbursed	Eligible Applicants Not Funded	Estimated Unmet Need
2006	\$3,850	63,730	40,860	\$56,328,498	22,870	\$31,528,641
2007	3,850	64,567	39,031	59,663,668	25,536	39,035,583
2008	4,110	69,820	38,780	59,950,762	31,040	47,986,112
2009	4,041	73,008	40,362	61,065,200	32,646	49,391,945
2010	4,617	96,009	40,302	63,186,585	55,707	87,338,875
2011	5,273	113,861	37,836	59,522,211	76,025	119,599,427

Source: Commonwealth. Kentucky Higher. *CAP Funding*.

The number of students eligible for need-based aid is rising for a number of reasons, including the economic downturn, federal changes in the way the EFC is calculated, and the easing of program eligibility requirements. The awarding of CAP grants is determined, for the most part, by a student's eligibility for a federal Pell Grant. Changes in federal guidelines for Pell for the 2010 and 2011 academic years increased the number of students considered eligible for CAP by 30 percent (College Board. *A Simpler*). The federal government is contemplating further changes, such as no longer including a family's assets in its analysis of need; this may

greatly increase eligibility for KTG. Such federal changes place greater strain on the limited resources of Kentucky's programs. Each year, KHEAA requests a budget that would cover all eligible applicants. However, the amount requested is reduced during budgetary negotiations. Appendix E provides an overview of how funding amounts change as they pass through the budgetary process. Appendix F provides more detailed information about unfunded CAP awards.

Through FY 2002, if actual lottery proceeds exceeded the forecasts, the additional proceeds were used for additional scholarships and grants per KRS 154A.130(4). However, starting with the 2002-2004 biennium, budgetary language limited lottery funds for scholarships and grants to the original forecasts and redirected any lottery revenues that exceeded those forecasts to the state general fund. Each state budget since 2002-2004 has repeated the language (Commonwealth. Council. *Information*).

To date, KEES has had enough funds for every earner; unclaimed lottery prize money augments lottery proceeds when needed.

To date, KEES has had enough funds for every earner because of adjustments in how the program is funded. In 2003, the passage of House Bill 269 dedicated unclaimed lottery prize money to the KEES program when lottery revenues proved insufficient to provide full funding. Subsequent budget bills have continued to dedicate unclaimed lottery funds to KEES. However, unclaimed prizes are not wholly reliable; between 2003 and 2009, the annual amount fluctuated between approximately \$2 million and \$15 million (Commonwealth. Council. *Information*).

Potential Impact of Recent KEES Program Changes

Lower GPA To Retain KEES If On Track To Graduate

Before passage of Senate Bill 75 in 2008, students were required to maintain a 3.0 cumulative GPA to continue to receive KEES awards. Senate Bill 75 allows students to retain full KEES award with a cumulative GPA of 2.5 to 2.99 if their institutions report that they are on track to graduate. This new rule applies to all students who started college during or after academic year 2010.

Most 4-year degrees could be completed within 4 years. However, most students do not complete their degrees on time.

Most 4-year degrees could be completed within 4 years if a student never changed majors, took only the courses required for the major, and successfully earned an average of 15 credit hours per semester. However, most students do not complete their degrees in 4 years. Only 18 percent of students who entered Kentucky's public universities in 2003 had completed a bachelor's degree

within 4 years. The completion rate rose to 40 percent after 5 years and 51 percent after 6 years. Similarly, just 20 percent of those entering Kentucky's 2-year colleges had completed an associate degree, certificate, or diploma by the end of 3 years (Commonwealth Council. *Graduation*).

Being on track to graduate is defined in KRS 164.7874 as:
the number of cumulative credit hours earned as compared to the number of hours determined by the postsecondary education institution as necessary to complete a bachelor's degree by the end of eight (8) academic terms or ten (10) academic terms if a student is enrolled in an undergraduate program that requires five (5) years of study.

While this definition is clear, postsecondary institutions must fill in several details, such as how many credit hours must be completed in each year and how to apply the definition to students who have transferred, attended part time, or interrupted and then restarted their education.

Kentucky's public universities and colleges worked together to develop and adopt a common definition of "on track to graduate." The definitions are shown in Appendix G. However, independent and proprietary institutions have no common agreements, and when contacted, they were either unable or unwilling to provide detailed definitions.

Implementing the on-track-to-graduate provision is difficult. Public institutions consider students on track to graduate if they complete 12 credit hours per semester, in keeping with the definition of full time for KEES and most financial aid programs.

Because graduating on time requires taking 15 hours per semester, those who take only 12 would find it almost impossible to make up the deficit in the final year of the program.

Implementing the on-track-to-graduate provision is proving difficult. One issue concerns a mismatch between the definition of full time and the definition of graduating on time. Kentucky's public institutions consider students on track to graduate if they earn 12 credit hours per semester (George; Park; Davis). This is in keeping with the minimum number of credit hours considered full-time enrollment for KEES and most other financial aid programs.

However, because graduating on time requires an average of 15 hours per semester, a student who takes only 12 hours for several semesters will find it almost impossible to make up the deficit of credit hours in the final year; students at 2-year colleges would need to earn 18 credit hours per semester in their final year and students at 4-year colleges would need to earn 24 credit hours per semester. It is unlikely that students could successfully complete such heavy course loads, and students have little incentive to do so because by the time they complete eight semesters, they are no longer eligible to receive KEES.

Without detailed guidance, and faced with a sizable increase in the number of students needing financial aid, public institutions have interpreted the on-track-to-graduate provision in a way most likely to allow students to keep their maximum KEES awards. Institutions' current definitions of on track to graduate are not likely to encourage students to complete their degrees more quickly. If this is not the General Assembly's intent, further guidance is needed.

Recommendation 3.2

Recommendation 3.2

If the “on track to graduate” provision in KRS 164.7874(19) is meant to require students to complete a 2-year degree in 2 years, a 4-year degree in 4 years, and a 5-year degree in 5 years, additional definition or guidance may be required to ensure that postsecondary institutions are reporting appropriate determinations to the Kentucky Higher Education Assistance Authority.

Because of insufficient data, institutions cannot accurately determine whether transfer students are on track to graduate. Also, most public institutions do not include grades earned at other institutions in a transfer student's cumulative GPA; this gives transfer students a clean slate for retaining or reinstating KEES, while other students have no such opportunity.

Another issue relating to the on-track-to-graduate provision is that institutions lack sufficient data for transfer students. When a student transfers, the receiving institution receives data on the transfer student's earned credit hours but not the number of semesters the transfer student completed. Hence, no matter how many semesters the student has been enrolled elsewhere, data systems see the transfer student as a first-year student, equivalent to a freshman. The 4-year institutions acknowledged that this is a problem and are seeking solutions, but for the present, on-track-to-graduate determinations for transfer students are based on incomplete information (Park).

Another issue relating to transfer students is that most public institutions do not include grades earned at other institutions in a transfer student's cumulative GPA. Thus, a student with low grades could get a clean start for retaining or reinstating KEES just by transferring to another institution, while students who do not transfer would have no such opportunity.

Recommendation 3.3

Recommendation 3.3

Transfer students' records, including grades earned and number of terms completed at prior institutions, should be collected by postsecondary institutions and used in making Kentucky Educational Excellence Scholarship eligibility determinations.

KHEAA initially projected that the on-track-to-graduate provision could increase annual KEES disbursements by as much as \$8 million per year.

KHEAA initially projected that the on-track-to-graduate provision could increase annual KEES disbursements by as much as \$8 million per year when fully implemented in academic 2013-2014 (Commonwealth. Kentucky Higher. “SB75 SCS”). At the time of this report, KHEAA had not yet determined the actual fiscal impact of on track to graduate because disbursements under the new provision were just beginning.

Uncertainty About the Number of AP and IB Bonuses To Be Paid

It is not possible to forecast how many AP and IB bonuses will be paid, which makes budgetary planning difficult. Several factors contribute to the uncertainty.

According to KHEAA, it is not possible to forecast how many AP and IB bonuses will be paid, which makes budgetary planning difficult. Several factors contribute to the uncertainty:

- There is no cap on the number of AP and IB bonuses a high school student can earn; KHEAA reports that bonuses are allowing some students to double their KEES awards.
- Students who were ineligible to earn bonuses at the time they passed AP or IB exams can earn bonuses retroactively if they later become eligible for free or reduced-price lunch.¹ Exams passed by ineligible students in 2009 and 2010 would be worth \$4.4 million in bonuses if all of those students later became eligible. According to KHEAA, there is not sufficient data to forecast how many potential bonuses will be activated. This presents a challenge for those charged with forecasting future costs for budgetary purposes.
- Some factors, though positive in themselves, may increase the number of AP and IB bonuses paid, which adds to uncertainties about available program funds. Advance Kentucky and other initiatives are increasing AP participation among low-income students; 13.7 percent passed an exam in 2010, up from 8.4 percent in 2006 (College Board. *7th Annual*).
- The promise of bonuses may overcome some high school students’ reluctance to apply for free or reduced-price lunch; this could increase the number of students eligible for bonuses.
- The economic downturn has caused more students to be eligible for free or reduced-price lunches; in 2010, 49 percent of students were eligible, up from 41 in 2005 and 36 percent in 2000.

¹ Students who earn bonuses but later become ineligible for free or reduced-price lunches are allowed to keep their bonuses.

High School Grading Policies

A 2011 review of grade data found no improvements in grading uniformity problems. Some parents complain that the more stringent standards in their district cause their children to earn less KEES money. However, some superintendents claim that students receive more in the long run because they are better prepared to meet KEES retention requirements.

OEA's review of grade data in 2011 found no improvements in the grading uniformity problems reported in 2003. For example, earning 92 percent in a course would be considered an A in one district but a B in another district. This affects students' GPAs, causing some parents in the districts with more stringent standards to complain that their children earn smaller KEES awards. However, some superintendents of the more strict districts argue that their students benefit more in the long run; the higher standards lead to better preparation for college, allowing more students to meet the requirements for retaining KEES (McGrew). In any case, KHEAA estimates that differences in grading scales have only a small impact on the size of KEES awards (Letteer).

Requiring districts to assign letter grades in the same way to class percentages for KEES reporting purposes would level the playing field somewhat but would not eliminate other sources of variation, such as differences in grading practices from classroom to classroom.

High School Grade Data and GPA Calculations for KEES Reporting

A lack of standardization and documentation in course grade data makes it impossible to verify the accuracy of GPAs reported for KEES purposes.

OEA was unable to verify the accuracy of GPA calculations reported to KEES because standardization and documentation are insufficient for the class grade data that has been entered into the student information system. These problems are the result of a manual "work-around" that districts have been using to ensure that student transcripts report both the letter grade and percentage earned in each course. Each district sets up its own grading scales, called score groups, manually in the system. The result is a profusion of scales that are understandable only to those who created them, and data that cannot be analyzed for research purposes.

A statewide set of standardized grading data would facilitate checking for errors and would be useful for other purposes besides KEES. Districts and schools could continue to choose their own grading scales for purposes other than KEES.

A statewide set of standardized grading data would facilitate routine checks for errors in the data sent to KHEAA. Standardized grades are also needed for other purposes. Because of the lack of standardization, KDE has been unable to supply grade data requested for identifying students at risk of dropping out and gauging the effectiveness of instructional practices. Districts and schools could continue to choose their own grading scales for purposes other than KEES.

Recommendation 3.4

Recommendation 3.4

The Kentucky Department of Education should develop more measures for ensuring accurate and comparable course grade and grade point average data. These measures should include minimizing manual input of grading scales.

Another issue concerns the accuracy of KEES GPA reports that districts submit to KHEEA. To explain this, it is necessary to review the process by which grades are recorded and GPAs are calculated and reported to KHEEA.

Errors can occur when grading scales are manually entered into the student information system.

Each high school's school based decision making (SBDM) council chooses the grading scales that will be used for each type of course; for example, the SBDM may decide that students earning at least 90 percent in a class should receive a letter grade of A. The SBDM also decides how many quality points each type of course should be worth. For most courses, a letter grade of A is worth 4 quality points, B is worth 3, C is worth 2, D is worth 1, and F is worth 0. This is what should be recorded in the student information system as the unweighted grade. An SBDM may decide to give more weight to difficult courses; for example, weighted grades may give up to 6 quality points for honors, accelerated, AP, and IB courses.

The SBDM sends its decisions to the district office so that district personnel can set up the grading scales in the student information system. Errors sometimes occur at this stage. Data analysts for KDE and the student information system vendor have found some KEES GPAs that exceed 5.0 even before the extra point was added for AP and IB courses, which means that unweighted grades were entered incorrectly at the district level. The chosen solution was to force all GPAs that are above 5.0 to be exactly 5.0. However, this only corrects errors for students who earned A's. It does not correct errors for students who received B's, C's, D's, and F's.

When a student takes a class, scores on quizzes, homework, exams, and other performance measures are summed up as a percentage. At the end of the year, the school enters the percentage and corresponding letter grade for each course the student completed into the student information system. For the student's report card and transcripts, the student information system calculates a GPA by averaging the weighted number of quality points the student earned. A weighted GPA can exceed 5.0.

For KEES reporting, a special set of computer instructions within the student information system computes GPAs using unweighted quality points plus an extra point for each AP or IB course. An unweighted GPA should not exceed 5.0 if the data are correct. The computer instructions then create an electronic report for districts to upload by secure connection to KHEAA's computer system.

When districts make manual corrections to GPA data before sending reports to KHEAA, new errors can be introduced.

The computer instructions should produce GPAs that are uniform across the state. However, districts are instructed to review reports and make corrections before submitting them to KHEAA. Manual corrections create the risk of introducing new errors. In addition, it is possible for district personnel to mistakenly believe that the GPAs calculated for KEES reporting purposes are incorrect because they are sometimes lower than the GPAs calculated for student report cards and transcripts. If district personnel change KEES GPAs to match the GPAs on students' transcripts, they may introduce errors.

Districts receive periodic training, but there is no ongoing, systematic process for ensuring the accuracy of GPAs.

KHEAA provides periodic training to districts regarding the calculation of GPAs for KEES reporting purposes, but it does not receive detailed data to verify that the calculations are correct. There is no ongoing, systematic process for ensuring the accuracy of GPAs reported for KEES.

Recommendation 3.5

Recommendation 3.5

In keeping with KRS 164.7885(1), the Kentucky Higher Education Assistance Authority should develop a process for verifying that grade point averages are calculated correctly for Kentucky Educational Excellence Scholarship reporting purposes, in consultation with public and private districts and high schools and the Kentucky Department of Education.

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Appendix A

Statutes and Regulations Relating to Kentucky's Lottery-funded Financial Aid Programs

Statutes

State Lottery

KRS 154A.130 Deposit of moneys--Expenditures and investments authorized--Allocation of funds--Transfer of revenues to general fund--Lottery trust account--Credit from general fund to literacy fund and higher education scholarships--Postaudit of corporation's books and records--Functions of Auditor of Public Accounts--Annual newspaper publication of information.

Educational Improvement

KRS 158.798 Program to encourage studies in mathematics, science, and related technologies--Role of Kentucky Science and Technology Council, Inc.

Higher Education Assistance

KRS 164.740 Definitions for KRS 164.740 to 164.7891.

KRS 164.742 Kentucky Higher Education Assistance Authority created--Adoption of assumed name.

KRS 164.744 Purpose of authority.

KRS 164.746 Board of directors--Membership--Terms--Vacancies--Officers and employees--Compensation--Meetings--Bylaws, policies, and administrative regulations--Power to adopt Model Procurement Code.

KRS 164.748 Powers and duties of board.

KRS 164.749 Rules and regulations governing loans, loan guarantees, grants, scholarships, and work-study programs. Created 1974. Amended 1976. Repealed 1978.

KRS 164.7515 Role of authority with respect to program created by KRS 158.798.

KRS 164.753 Rules and regulations governing loans, loan guarantees, scholarships, grants, and work-study programs.

KRS 164.7535 College access program grants.

KRS 164.762 Duration of authority.

KRS 164.764 Moneys of authority appropriated--Not to lapse.

KRS 164.767 Restrictions on financial aid to persons incarcerated in penal institutions.

KRS 164.772 Default in repayment obligation under financial assistance program--Professional licensing and certification--Notification.

KRS 164.774 Kentucky Lottery Corporation to receive list of persons in default of obligations under financial assistance programs--Withholding of prize winnings.

KRS 164.780 Financial assistance to students attending private institutions.

KRS 164.785 Qualifications for state assistance--Calculation--Adjustment for scholarship.

KRS 164.7871 Legislative declaration.

KRS 164.7874 Definitions for KRS 164.7871 to 164.7885

KRS 164.7877 Kentucky educational excellence scholarship trust fund--Funding sources, including lottery revenues.

KRS 164.7879 Calculation of educational excellence scholarship awards--Inclusion of certain out-of-state educational experience in grade point average calculation--Supplemental award eligibility and calculation of amounts.

KRS 164.7881 Eligibility for educational excellence scholarship and supplemental awards--Time limits for receiving aid--Adjustment of amounts and loss of award--Extension of time limits--Senator Jeff Green Scholars.

KRS 164.7885 Annual submission by high schools of list of eligible students--Data in list--Verification of eligibility--Reduction of award--Students ineligible for awards--Authority for administrative regulations.

KRS 164.7889 Increase of maximum award grants.

Regulations

11 KAR 4:080. Student aid applications.

11 KAR 5.001 Definitions pertaining to 11 KAR Chapter 5.

11 KAR 5.033 KTG student eligibility requirements

11 KAR 5.034 CAP grant student eligibility

11 KAR 5.036 Leveraging Educational Assistance Partnership Program and Special Leveraging Educational Assistance Partnership Program eligibility

11 KAR 5.110 Dual enrollment under consortium agreement

11 KAR 5.130 Student application

11 KAR 5.140 KTG award determination procedure

11 KAR 5.145 CAP grant award determination procedure

11 KAR 5.150 Notification of award

11 KAR 5.160 Disbursement procedures

11 KAR 5.170 Refund and repayment policy

11 KAR 5.180 Records and reports

11 KAR 15.010 Definitions for 11 KAR Chapter 15

11 KAR 15.020 Student eligibility report

11 KAR 15.030 Dual enrollment under consortium agreement

11 KAR 15.040 Kentucky Educational Excellence Scholarship award determination procedure

11 KAR 15.050 Disbursement

11 KAR 15.060 Kentucky Educational Excellence Scholarship overpayment and refund and repayment procedure

11 KAR 15.070 Records and reports

11 KAR 15.080 High school reporting

11 KAR 15.090 Kentucky Educational Excellence Scholarship (KEES) Program

704 KAR 3.305 Minimum requirements for high school graduation.

Appendix B

Legislative Changes to the Kentucky Educational Excellence Scholarship, College Access Program, and Kentucky Tuition Grant Programs

Table B.1
KEES Legislative Changes, 1998 to 2011

1998
<ul style="list-style-type: none"> Commonwealth Merit Scholarship program created and codified in KRS 164.7871 through 164.7889.
2000
<ul style="list-style-type: none"> Commonwealth Merit Scholarship renamed Kentucky Educational Excellence Scholarship (KEES). ACT awards limited to exams taken at a national test site on a national test date. Kentucky Higher Education Assistance Authority (KHEAA) no longer required to notify high school seniors of preliminary awards based on first half of school year. Schools no longer need to submit preliminary data. KEES awards allowed to be used for out-of-state programs not available at public Kentucky universities.
2001
<ul style="list-style-type: none"> Students earn credit toward KEES if they maintain Kentucky residency while attending US Congressional Page School or participating in approved foreign educational exchange program. Clarification of when a refund or repayment is owed to KHEAA by student or participating institution if student fails to enroll, receives an overpayment, or did not earn the award received.
2002
<ul style="list-style-type: none"> High schools submit additions, changes, or corrections to student's high school grade point average or ACT score no later than 3 months after student enrolls in postsecondary institution for the first time. KEES eligibility is based on information received by that date, and KHEAA may not accept changes after that date. Students enrolled in graduate or professional programs after only 2 or 3 years of undergraduate work may receive KEES funds until the maximum of eight semesters is reached. Students earn credit toward KEES while attending out-of-state high schools if parents or guardians serve in the military and maintain a Kentucky address as home of record. "Base scholarship amount" defined as amount based on GPA. "Eligible high school student" requires enrollment in a certified Kentucky high school for at least 140 days and completion of graduation requirements by end of fall term. Schools must report GPA of eligible high school students by January 15.
2003
<ul style="list-style-type: none"> KEES may be used by students majoring in theology, divinity, or religious education.
2005
<ul style="list-style-type: none"> House Bill 460 moves KEES administrative and regulatory authority from Council on Postsecondary Education to KHEAA. Student may not use KEES if in default or owes a refund for overpayment on a federal or state student loan.
2008
<ul style="list-style-type: none"> Starting FY 2009, students eligible for free or reduced-price lunch at any time during high school can earn KEES bonus awards for qualifying scores on Advanced Placement or International Baccalaureate exams. "Award period" defined as fall and spring consecutive terms within one academic year. Starting FY 2011, the minimum GPA to keep full KEES award in second and subsequent years is reduced from 3.0 to 2.5 if student is enrolled full time and postsecondary institution reports the student is "on track to graduate" (has earned enough credits for timely completion of the program in which the student is enrolled). Gatton Academy of Math and Science at Western Kentucky University is an eligible high school for KEES.
2009
<ul style="list-style-type: none"> ACT awards may be based on statewide administration of the ACT or an equivalent score on the Scholastic Aptitude Test (SAT).

Sources: Staff compilation and Commonwealth. Council. *Information*.

Changes to KEES Curriculum Requirements

In 2005, the Kentucky Board of Education updated the curriculum requirements for KEES to reflect new minimum high school graduation requirements for all Kentucky students. The board removed the list of courses in the KEES regulation and replaced it with a reference to the minimum requirements in 704 KAR 3:305 for all Kentucky high school graduates; thus, any future changes to the state's minimum graduation requirements will automatically apply to the KEES required curriculum (11 KAR 15:090 and 704 KAR 3:305).

Legislators kept one difference between the KEES curriculum and the minimum requirements for all high school students: five of the seven required electives are restricted to the following areas and must cover content that is at least as rigorous as the specific courses listed in 704 KAR 3:305:

- Social studies, science, mathematics, language arts, or arts and humanities
- Physical education or health (up to ½ credit for each area)
- Foreign languages
- Agriculture, industrial technology education, business education, marketing education, family and consumer sciences, health sciences, technology education, or career pathways (11 KAR 15:090 Section 4 (2)(b))

Table B.2
College Access Program and Kentucky Tuition Grant Legislative Changes, 1998 to 2011

1999
<ul style="list-style-type: none"> • Part-time student may receive KTG if student has a disability that precludes full-time enrollment. • The word “nonprofit” was removed from the definition of an eligible institution.
2001
<ul style="list-style-type: none"> • Increased state appropriations allowed KHEAA to increase maximum CAP award to \$600 per semester, which was \$50 above the tuition typically paid by full-time community college student; and to increase the maximum Expected Family Contribution (EFC) index for College Access Program (CAP) grant eligibility from \$1,500 to \$3,100, near the \$3,300 maximum for federal Pell grant consideration, for FY 2001. Increasing the maximum EFC allows more students to qualify.
2002
<ul style="list-style-type: none"> • Maximum CAP award increased to \$630 per semester, equal to Kentucky Career and Technical College System tuition, but not fees. • Maximum EFC for CAP eligibility increased from \$3,100 to \$3,550 following increased EFC threshold for federal Pell grant.
2003
<ul style="list-style-type: none"> • EFC maximum for CAP increased from \$3,550 to \$3,800 to match Pell threshold. • Students now eligible for CAP if enrolled in “an equivalent undergraduate program,” which allowed CAP-eligible students enrolled in a graduate or professional program after only 2 or 3 years of undergraduate work to be considered for remaining CAP eligibility.
2004
<ul style="list-style-type: none"> • House Bill 40 made students enrolled in religious program of study eligible for CPA and Kentucky Tuition Grant (KTG). • EFC maximum for CAP increased from \$3,800 to \$3,850 to match Pell threshold.
2008
<ul style="list-style-type: none"> • EFC maximum for CAP increased from \$3,850 to \$4,110 to match Pell threshold.
2009
<ul style="list-style-type: none"> • EFC maximum for CAP decreased to \$4,041 to match decreased Pell threshold. Decreasing the maximum EFC causes fewer students to qualify.
2010
<ul style="list-style-type: none"> • EFC maximum for CAP increased to \$4,617 to match increased Pell threshold. • EFC maximum increased to \$5,273 when Pell threshold increased to \$5,500. • Maximum KTG award decreased to \$2,964 based on the statutory calculation of the maximum award amount; KTG award amount cannot exceed 50 percent of the average full-time equivalent student amount appropriated by the state to public higher education institutions.

Source: Commonwealth. Council. *Information*.

Appendix C

KEES Compared to Other States' Scholarship Programs

Table C.1
Initial Criteria To Earn Award
Fiscal Year 2012

State	Initial Criteria To Earn Award
Alaska	University of Alaska Scholars—Class rank top 10 percent; Alaska Performance Scholarship (starting 2011-12)—3.5 GPA and 25 ACT for Level 1, 3.0 GPA and 23 ACT for Level 2, and 2.5 GPA and 21 ACT for Level 3
Arkansas	GPA and ACT matrix; from 2.5 GPA with 25-36 ACT to 3.25 GPA with 15-18 ACT
Florida	Academic Scholars—3.5 weighted GPA, 1270 SAT/28 ACT; Medallion Scholars—3.0 weighted GPA, 970 SAT/20 ACT
Georgia	HOPE Scholarship—3.0 GPA in college prep curriculum, or 3.2 with other diploma types, can qualify while in college by meeting retention criteria; Zell Miller Scholarship—3.7 GPA
Kentucky	Minimum 2.5 annual GPA in any year of high school; award varies by scores with supplement for ACT scores of 15+ and bonuses for low-income students who pass AP and IB exams
Louisiana	Opportunity Award—2.5 GPA, 20 ACT; Performance Award—3.5 GPA, 23 ACT; Honors Award—3.5 GPA, 27 ACT
Massachusetts	Score in advanced category in math or English section of grade 10; MCAS test and proficient or advanced in the other; combined MCAS in top 25 percent of school district
Michigan (ended 2009)	Scores of 2 or above in all components of the Michigan Merit Exam qualify student for early installments of award
Mississippi	3.5 GPA and 29 ACT or be a National Merit Scholar
Missouri	Composite ACT or SAT in top 3 percent of Missouri students
Nevada	3.25 GPA and pass all areas of Nevada High School Proficiency Exam
New Mexico	2.5 GPA in first semester of college
South Carolina	Palmetto Fellows Scholarship—3.5 GPA, 1200 SAT/27 ACT, top 6 percent of sophomore or junior high school class or 4.0 GPA, 1400 SAT/32 ACT; Life Scholarship—meet two of these three criteria: 3.0 GPA, 1100 SAT/24 ACT, top 30% of high school graduating class; HOPE Scholarship—3.0 GPA
South Dakota	GPA 3.0 with no grades below C and 24 ACT or 1070 SAT
Tennessee	HOPE Scholarship—GPA 3.0 or 21 ACT/980 SAT; ASPIRE—criteria above and parents' income below \$36,000; Merit Scholarship—3.75 GPA and 29 ACT/1280 SAT
West Virginia	3.0 core and overall GPA and 22 composite ACT with 20 or higher on all subscores

Source: Staff compilation.

Table C.2
Funding Sources and Award Amounts
Fiscal Year 2012

State	Funding Source	Award Amount and Components
Alaska	Land leases and sales	University of Alaska Scholars—\$1,375 per year (maximum \$11,000) at University of Alaska; Alaska Performance Scholarship—Level 1 \$4,755, Level 2 \$3,565, Level 3 \$2,378 at any Alaska institution
Arkansas	State general funds	\$2,500 for first year, \$2,750 second year, \$3,000 third year, \$3,500 fourth year
Florida	Lottery	Ranges from 75% to 100% of tuition and fees plus \$300 for college-related expenses; comparable amount at Florida private institution
Georgia	Lottery	HOPE Scholarship—90% of tuition and fees at public state institution or \$1,750 at private institution for full-time study; Zell Miller Scholarship—100% of tuition and fees at public or \$2,000 at private
Kentucky	Lottery	Incremental based on high school GPA and ACT up to \$2,500 per year at any in-state or Academic Common Market institution, plus bonuses of \$300-\$500 for each AP/IB exam passed if student has low income
Louisiana	State general funds	Full tuition and fees for all programs plus \$400 for Performance Award, plus \$800 for Honors Award; at private institutions, receive average public tuition plus above stipends
Massachusetts	State general funds	Full tuition waiver at public institutions
Michigan (ended 2009)	Tobacco settlement	\$4,000 total award at in-state institution
Mississippi	State general funds	Tuition and fees up to \$2,500 per year at in-state institution
Missouri	State general funds	\$2,000 per year at in-state institution
Nevada	Tobacco settlement	\$80 per credit hour at Nevada 4-year school; \$40-60 at Nevada community colleges
New Mexico	Lottery	Full tuition at New Mexico public institutions beginning second semester of college
South Carolina	Lottery	In-state institutions: Palmetto Fellows Scholarship—\$6,700 first year and \$7,500 thereafter; Life Scholarship—\$4,700 per year plus \$300 book allowance; HOPE Scholarship—\$2,800 plus \$300 book allowance
South Dakota	Education Enhancement Trust Fund	\$1,000 for each of first 3 years, \$2,000 for fourth year
Tennessee	Lottery	In-state institutions: HOPE Scholarship—\$4,000 per year plus \$1,500 ASPIRE supplement if low income or \$1,000 supplement for high achievement
West Virginia	Lottery and state general revenue	Full tuition and fees at in-state public institution or equivalent amount at in-state private institution

Sources: Staff compilation.

Table C.3
Criteria To Continue Receiving Awards and Maximum Duration of Awards
Fiscal Year 2012

State	Criteria To Continue Receiving Award	Maximum Duration
Alaska	University of Alaska Scholars—Maintain 2.5 GPA and be in good standing (academic, financial, conduct); Alaska Performance Scholarship—2.0 GPA as freshman and 2.5 in subsequent years	8 semesters
Arkansas	2.5 GPA, 15 credit hours per semester (only 12 first semester)	8 semesters
Florida	Academic Scholars—3.0 GPA, at least 6 hours per term; Medallion Scholars—2.75 GPA, at least 6 hours per term	132 hours
Georgia	3.7 GPA for 100% tuition, 3.0-3.69 for 90% tuition; 3.0 for technical college student	127 hours
Kentucky	2.5 GPA to renew second year; after freshman year, 3.0 GPA or 2.5-2.99 if on track to graduate	8 semesters
Louisiana	Opportunity Award—2.3 GPA up to 48 hours, 2.5 thereafter; Performance or Honors Awards—3.0 GPA	8 semesters
Massachusetts	3.0 GPA 8 semesters	8 semesters
Michigan (ended 2009)	One-time award	4 years
Mississippi	3.5 GPA, continuous full-time enrollment	8 semesters
Missouri	2.5 GPA, satisfactory academic progress	10 semesters
Nevada	2.6 GPA up to 30 credit hours, 2.75 per term GPA thereafter	Maximum of \$10,000 within 6 years of high school graduation
New Mexico	Satisfactory academic progress; full-time enrollment	8 semesters
South Carolina	3.0 GPA, 30 credit hours per year	Palmetto and LIFE 8 semesters; HOPE freshman year only
South Dakota	3.0 GPA from second semester forward; 15 hours per term; pass Board of Regents proficiency exam on first sitting	8 semesters
Tennessee	2.75 GPA through 48 hours, 3.0 thereafter, or 2.75-2.99 cumulative with 3.0 for preceding term; 6 hours per term	5 years
West Virginia	2.75 GPA for first year and 3.0 cumulative thereafter, 30 credit hours per year	8 semesters

Source: Staff compilation.

Appendix D

State and Federal Student Financial Aid Programs

Table D.1
Kentucky's State-administered Student Financial Aid Programs
Fiscal Year 2009

Program	Brief Description	Number of Recipients	Amount (\$ in Thousands)
Kentucky Educational Excellence Scholarship (KEES)	Recognizes students based on GPA and ACT scores, and needy students for passing AP/IB exams	65,440	\$90,791
College Access Program Grant (CAP)	Provides access to students with financial need	40,390	61,199
Kentucky Tuition Grant (KTG)	Allows students with financial need to attend an independent institution	12,300	32,004
Kentucky National Guard Tuition Award	Provides tuition for active National Guard members in good standing	1,180	4,714
Teacher Scholarship	Assists education majors who demonstrate financial need	550	1,998
Early Childhood Development Scholarship	Assists students working in early childhood education	1,180	1,284
Osteopathic Medicine Scholarship	Assists Pikeville College School of Osteopathic Medicine students	110	1,088
KHEEA Work-Study Program	Enables students to earn wages to help pay for higher education	830	680
Robert C. Byrd Honors Scholarship	Rewards students demonstrating academic achievement	380	545
Mary Jo Young Scholarship	Pays for AP or dual-credit courses for disadvantaged high school students	500	260
Go Higher Grant	Assists adult students with education costs	250	239
Total		123,110	\$194,783
		Recipients/ Loans	Amount (\$ in Thousands)
Other Program Benefits			
Teacher Scholarship/Loan		550	\$2,137
Osteopathic Medicine Scholarship/Loan		110	952
Kentucky's Affordable Prepaid Tuition Plan	Allows families to prepay tuition	1,150	8,083
Kentucky Education Savings Plan Trust	Encourages families to save for future college costs	1,260	5,164
Total		3,070	\$16,330

Note: The Teacher Scholarship Loan and Osteopathic Medicine Scholarship Loan act as scholarships if service requirements are met; otherwise, they are convert to student loans.

Source: Commonwealth. Kentucky Higher. 2009 Annual 8.

Table D.2
Major Federal Student Financial Aid Programs
Fiscal Year 2012

Program	Type of Aid	Program Details	Annual Amount
Federal Pell Grant	Grant: does not have to be repaid	Available almost exclusively to undergraduates; must demonstrate financial need	2010-11: up to \$5,550 (2011-12 amount not yet determined)
Federal Supplemental Educational Opportunity Grant (FSEOG)	Grant: does not have to be repaid	For undergraduates with exceptional financial need; Federal Pell Grant recipients take priority; funds depend on availability at school	\$100-\$4,000
Teacher Education Assistance for College and Higher Education (TEACH) Grant	Grant: not repaid unless student fails to carry out service obligation, in which case student must repay as a Direct Unsubsidized Loan	For undergraduate, post baccalaureate, and graduate students who are or will be taking course work necessary to become elementary or secondary teachers; recipients must sign Agreement to Serve saying they will teach full time in designated teacher shortage area for 4 complete years (within 8 years of completing academic program) at elementary or secondary schools serving children from low-income families	Up to \$4,000 a year. Maximum of \$16,000 for undergraduates; \$8,000 for graduates
Iraq and Afghanistan Service Grant	Grant: does not have to be repaid	For students who are not Pell-eligible, whose parent or guardian died as a result of military service in Iraq or Afghanistan after the events of 9/11, and who at the time of the parent's or guardian's death were younger than 24 years old or were enrolled at least part time at an institution of higher education	Maximum is same as Pell maximum; payment adjusted for less-than-full-time study
Federal Work-Study	Money earned while attending school; not repaid	For undergraduate and graduate students; jobs can be on campus or off campus; pays at least federal minimum wage	No annual minimum or maximum amounts
Federal Perkins Loan	Loan: must be repaid	For undergraduate and graduate students; must be repaid to school that made the loan; 5% rate	Undergraduates up to \$5,500; graduate and professional students up to \$8,000
Direct Subsidized Stafford Loan	Loan: must be repaid	Subsidized: US Department of Education pays interest while borrower is in school and during grace and deferment periods; student must be enrolled at least half time and have financial need; fixed rate set annually for new borrowers	\$3,500-\$8,500, depending on grade level
Direct Unsubsidized Stafford Loan	Loan: must be repaid	Unsubsidized: Borrower responsible for all interest; student must be enrolled at least half time; financial need not required; fixed rate set annually for new borrowers	\$5,500-\$20,500 (less any subsidized amounts received for same period), depending on grade level and dependency status
Direct PLUS Loan	Loan: must be repaid	For parents of dependent undergraduate students and for graduate and professional students; students must be enrolled at least half time; financial need not required: Borrower responsible for all interest	Maximum is cost of attendance minus any other financial aid student receives; no minimum

Source: US. Dept. of Education. *Federal Student Aid at a Glance*.

Appendix E

Steps in State Biennial Budget Process for CAP and KTG

The chart below shows the change in program amounts at each stage of the budget process: the initial request made by the Kentucky Higher Education Assistance Authority (KHEAA), the governor’s budget proposal, the budget passed by the House, the budget passed by the Senate, and the final enacted budget.

	FY11 Proposed Budgets (General Fund)*					FY12 Proposed Budgets (General Fund)*				
	KHEAA	Governor	House	Senate	Final	KHEAA	Governor	House	Senate	Final
CAP	\$130,438,200	\$72,346,500	\$60,262,000	\$59,358,000		\$136,816,400	\$74,604,800	\$60,262,000	\$58,764,400	
KTG	\$44,524,500	\$32,503,400	\$32,476,200	\$31,989,000	\$31,989,000	\$45,696,400	\$33,518,100	\$32,476,200	\$31,669,100	\$31,669,100

*Instead of General Funds, the Governor’s budget proposed issuing state bonds to fund the student aid budget and using the lottery revenues (General Fund) for other purposes.

Source: Commonwealth, Kentucky Higher *State Aid* 34.

Appendix F

College Access Program Funding and Unmet Need

Academic Year	FAFSA Applications	Max. Eligible EFC (\$)	Number of Eligible Applications	Awarded	Enrolled & Received Disbursement	Total \$ Amount Disbursed	Applications Deined, Not Sufficient Funds	Denied & Likely to Attend College	Projected \$ Unmet Need
2006	191,980	3,850	82,821	53,099	40,860	56,328,498	29,721	22,870	31,528,641
2007	199,391	3,850	84,450	51,050	39,031	59,663,668	33,400	25,536	39,035,583
2008	209,488	4,110	89,726	49,836	38,780	59,950,762	39,890	31,040	47,986,112
2009	231,943	4,041	96,668	53,442	40,362	61,065,200	43,226	32,646	49,391,945
2010	270,226	4,617	125,159	52,538	40,302	63,186,585	72,620	55,707	87,338,875
2011	299,358	5,273	148,286	49,226	37,836	59,522,211	98,911	76,025	119,599,427

Note: FAFSA is the Free Application for Federal Student Aid. EFC is the Expected Family Contribution.
Source: Commonwealth. Kentucky Higher. *CAP Funding*.

Appendix G

Public Institutions' Definitions of "On Track To Graduate"

Kentucky Community and Technical College System

- End of first year: no changes to reporting
- End of second year: 2.5-2.99 cumulative GPA and 48 hours* earned = on track to graduate
- End of second year: 2.5-2.99 cumulative GPA and 36-47 hours = not on track to graduate but can keep one-half of KEES award if full time
- End of third year: 2.5-2.99 cumulative GPA and 84 hours* = on track to graduate

*By taking 18 hours a term for the remaining terms, a student could graduate on time.

A student with a 3.0 cumulative GPA keeps all KEES funds regardless of hours earned, and therefore on-track-to-graduate status is not applicable for such a student. Reporting will be done by financial aid offices.

Source: Davis.

Public 4-year Universities

Definition of "year": For KEES on-track-to-graduate purposes only, a year will be defined as follows:

- Second year: student enrolled at the institution for 4 terms
- Third year: student enrolled at the institution for 6 terms
- Fourth year: student enrolled at the institution for 8 terms

Note: Only fall or spring terms will be considered in the term calculation below.

Definition for "On Track To Graduate": Four-year public institutions will monitor earned hours as part of the on-track-to-graduate policy. Transfer hours accepted at the institution will be included in the calculation of earned hours.

Year	Number Terms Enrolled (Fall or spring terms only)	Earned Hours Required To Be On Track To Graduate (Includes transfer hours accepted at the institution)
Second year	up to 4	48
Third year	up to 6	72
Fourth year	up to 8	120
Student pursuing a degree in a CPE-recognized 5-year program approved for KEES by KHEAA		
Fifth year	up to 10	145

Any hours earned during a preceding summer will be counted as part of the cumulative earned hours.

On-track-to-graduate status is measured at the end of the spring term and reported to KHEAA at that time.

There will be no institutional-based appeal process.

Source: Commonwealth. *Final*.