

AN ACT relating to the development of a highly trained workforce in the Commonwealth and making an appropriation therefor.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔SECTION 1. A NEW SECTION OF KRS 164.740 TO 164.7891 IS CREATED TO READ AS FOLLOWS:

(1) *It is the intent of the General Assembly to establish the Work Ready Kentucky Scholarship Program to ensure all Kentucky students have affordable access to obtaining a postsecondary degree and Kentucky has a skilled, competitive workforce.*

(2) *For purposes of this section:*

(a) *"Academic term" means the fall or spring academic semester;*

(b) *"Academic year" means July 1 through June 30 of each year;*

(c) *"Authority" means the Kentucky Higher Education Assistance Authority;*

(d) *"Participating institution" means an "institution" as defined in KRS 164.001 that actively participates in the federal Pell Grant program, executes a contract with the authority on terms the authority deems necessary or appropriate for the administration of its programs, and is a:*

1. *Kentucky Community and Technical College System institution;*

2. *Four (4) year Kentucky public college or university; or*

3. *Four (4) year independent, nonprofit Kentucky college or university licensed by the Council on Postsecondary Education; and*

(e) *"Tuition" means the in-state tuition and mandatory fees amount charged to all students as a condition of enrollment in a participating institution.*

(3) *The authority shall administer the Work Ready Kentucky Scholarship Program and shall promulgate administrative regulations in accordance with KRS Chapter 13A as may be needed for the administration of the program.*

(4) *To be eligible for a Work Ready Kentucky Scholarship, a student shall:*

- (a) Be a citizen or permanent resident of the United States;
- (b) Be a Kentucky resident as determined by the participating institution in accordance with criteria established by the Council on Postsecondary Education for the purposes of admission and tuition assessment;
- (c) Complete and submit a Work Ready Kentucky Scholarship application to the authority by a deadline established by the authority;
- (d) Complete the Free Application for Federal Student Aid for the academic year in which the scholarship is made by a deadline established by the authority;
- (e) Have earned dual credit in the amount of:
 - 1. Three (3) credit hours upon initial enrollment in a participating institution in the 2020-2021 academic year;
 - 2. Six (6) credit hours upon initial enrollment in a participating institution in the 2021-2022 academic year; and
 - 3. Nine (9) credit hours upon initial enrollment in a participating institution in the 2022-2023 academic year and in subsequent years;
- (f) Enroll in a participating institution:
 - 1. In the fall academic term immediately following graduation from a Kentucky high school, except a student graduating in December may enroll in the spring academic term immediately following graduation;
or
 - 2. Prior to the student's nineteenth birthday after obtaining a General Educational Development (GED) diploma;
- (g) Enroll or be accepted for enrollment in a program of study that leads to a certificate, diploma, or associate's degree;
- (h) Enroll in at least fifteen (15) credit hours for the academic term; and
- (i) Not be in default on any obligation to the authority under any program

administered by the authority under KRS 164.740 to 164.7891 or 164.7894, except that ineligibility for this reason may be waived by the authority for cause.

(5) To the extent funds are available, the Work Ready Kentucky Scholarship amount awarded to a student for an academic term shall be the amount remaining after subtracting the student's federal and state grants and scholarships from the tuition amount charged to the student. Work study and student loan funds shall not be included in the calculation.

(6) (a) A student shall have at least a 2.5 grade point average each academic term to retain the Work Ready Kentucky Scholarship in a subsequent academic term.

(b) If the student interrupts enrollment during the academic term for any reason specified in subsection (9) of this section, and the participating institution does not certify a grade point average for that student at the end of that academic term, the student shall retain eligibility for the academic term in which he or she resumes enrollment.

(c) A student who does not meet the grade point average requirement may regain eligibility for a subsequent academic term upon establishing at least a 2.5 cumulative grade point average, as certified by the participating institution.

(7) (a) A student shall be required to repay the authority the Work Ready Kentucky Scholarship amount received for an academic term if the student:

1. Does not have a 2.5 cumulative grade point average at the end of the academic term; or

2. Does not complete the academic term for a reason not approved by the authority under subsection (9) of this section.

(b) Notwithstanding subsection (4)(i) of this section, a student shall not be

considered for a subsequent Work Ready Kentucky Scholarship award until all financial obligations to the authority under this subsection are satisfied.

(8) A student's eligibility for the scholarship shall terminate upon the earlier of:

(a) Receiving the scholarship for four (4) academic terms;

(b) Obtaining an associate's degree; or

(c) Six (6) academic terms following the student's high school graduation.

(9) The expiration of a student's six (6) academic terms under subsection (8) of this section shall be extended by the authority upon a determination that the student was unable to enroll for or complete an academic term due to a serious and extended illness or injury of the student, the death or serious and extended illness or injury of an immediate family member of the student, natural disasters that would render a student unable to attend classes, or military deployment. Extensions granted under this subsection shall not exceed two (2) academic terms.

(10) Beginning with the 2016-2017 academic year, the authority shall award a Work Ready Kentucky Scholarship each academic term to any person who meets the requirements of this section to the extent funds are available for that purpose. The authority may promulgate an administrative regulation providing a process for making adjustments to scholarship award amounts after considering the availability of funds.

(11) Beginning with the 2016-2017 academic year, each participating institution shall submit information each academic term to the authority required for the administration of the scholarship program as determined by the authority.

(12) (a) The Work Ready Kentucky Scholarship fund is hereby created as a trust fund in the State Treasury to be administered by the authority for the purpose of providing scholarships described in this section.

(b) The trust fund shall consist of state general fund appropriations, gifts and

grants from public and private sources, and federal funds. All moneys included in the fund shall be appropriated for the purposes set forth in this section.

(c) Any unallotted or unencumbered balances in the trust fund shall be invested as provided in KRS 42.500(9). Income earned from the investments shall be credited to the trust fund.

(d) Notwithstanding KRS 45.229, any fund balance at the close of the fiscal year shall not lapse but shall be carried forward to the next fiscal year and continuously appropriated only for the purposes specified in this section.

(e) All moneys repaid to the authority under this section shall be added to the fund.

➔SECTION 2. A NEW SECTION OF KRS 164.740 TO 164.7891 IS CREATED TO READ AS FOLLOWS:

(1) To ensure dual credit coursework remains affordable for eligible Kentucky high school students, the General Assembly hereby establishes the Dual Credit Scholarship Program.

(2) For purposes of this section:

(a) "Dual credit scholarship rate" means one-half (1/2) of the per credit hour in-state tuition amount charged by the Kentucky Community and Technical College System multiplied by three (3);

(b) "Eligible high school student" means a person who:

1. Is a citizen or permanent resident of the United States and a Kentucky resident;

2. Is enrolled in an eligible high school as a junior or senior;

3. Is not participating in the early graduation program described in KRS 158.142; and

4. Is enrolled, or accepted for enrollment, in a dual credit course at a

participating institution;

(c) "High school" means a Kentucky public high school or a private, parochial, or church school located in Kentucky that has been certified by the Kentucky Board of Education as voluntarily complying with curriculum, certification, and textbook standards established by the Kentucky Board of Education under KRS 156.160; and

(d) "Participating institution" means an "institution" as defined in KRS 164.001 that actively participates in the federal Pell Grant program, executes a contract with the authority on terms the authority deems necessary or appropriate for the administration of its programs, and is a:

1. Kentucky Community and Technical College System institution;
2. Four (4) year Kentucky public college or university; or
3. Four (4) year independent, nonprofit Kentucky college or university licensed by the Council on Postsecondary Education.

(3) The authority shall administer the Dual Credit Scholarship Program and shall promulgate administrative regulations in consultation with the Education and Workforce Development Cabinet and in accordance with KRS Chapter 13A as may be needed for the administration of the program.

(4) The authority may award a dual credit scholarship to an eligible high school student under this section to the extent funds are available for that purpose.

(5) The maximum dual credit scholarship amount shall be:

- (a) Fifty percent (50%) of the dual credit scholarship rate; or
- (b) The dual credit scholarship rate for a student who is eligible for free or reduced-priced lunch during any year of high school enrollment.

(6) Dual credit scholarship funds may be applied to tuition, textbook, and required instructional material expenses approved by the authority.

(7) Dual credit scholarship funds may not be used for a dual credit course taken

more than once by a student.

(8) A student's eligibility for the scholarship shall terminate upon receiving the scholarship for three (3) dual credit courses.

(9) (a) The Dual Credit Scholarship Program fund is hereby created as a trust fund in the State Treasury to be administered by the Kentucky Higher Education Assistance Authority for the purpose of providing scholarships described in this section.

(b) The trust fund shall consist of state general fund appropriations, gifts and grants from public and private sources, and federal funds. All moneys included in the fund shall be appropriated for the purposes set forth in this section.

(c) Any unallotted or unencumbered balances in the trust fund shall be invested as provided in KRS 42.500(9). Income earned from the investments shall be credited to the trust fund.

(d) Notwithstanding KRS 45.229, any fund balance at the close of the fiscal year shall not lapse but shall be carried forward to the next fiscal year and continuously appropriated only for the purposes specified in this section.

➔SECTION 3. A NEW SECTION OF KRS 164.011 TO 164.098 IS CREATED TO READ AS FOLLOWS:

(1) This section establishes a partial performance-based funding structure for the postsecondary education system. It is the intent of the General Assembly that a percentage of the amounts appropriated for the institutions included in the postsecondary education system in each fiscal year shall be awarded to those institutions using a performance-based funding process, except that Kentucky State University shall not be included until fiscal year 2018-2019. The performance-based funding percentage amount shall be phased in as follows:

(a) In fiscal year 2017-2018, five percent (5%);

- (b) In fiscal year 2018-2019, fifteen percent (15%); and
- (c) In fiscal year 2019-2020 and each fiscal year thereafter, twenty-five percent (25%).
- (2) (a) The postsecondary education performance fund is created as a restricted fund to be administered by the council. The fund shall consist of amounts received from appropriations made by the General Assembly to be distributed to postsecondary institutions. These distributions shall be based upon a comprehensive funding model and performance metrics enacted by the General Assembly as recommended by a Postsecondary Education Working Group established by the General Assembly. Amounts in the fund shall be used only for the purposes set forth in this section. Notwithstanding KRS 45.229 amounts not expended at the close of a fiscal year shall not lapse but shall be carried forward into the next fiscal year. Amounts included in the fund are appropriated for the purposes set forth in this section.
- (b) Within the postsecondary education performance fund, an account shall be established for each institution, including an account for each of the institutions included in the Kentucky Community and Technical College System.
- (c) Beginning in fiscal year 2017-2018, the General Assembly shall appropriate for the institutions included in the postsecondary education system an amount to be distributed through the performance funding formula. The amount appropriated for each institution shall be deposited in the individual fund established for that institution. For the individual institutions that are a part of the Kentucky Community and Technical College System, the Kentucky Community and Technical College System shall provide to the council the breakdown of the amount that shall be

allocated to each institution for each year.

➔SECTION 4. A NEW SECTION OF KRS CHAPTER 151B IS CREATED TO READ AS FOLLOWS:

As used in Sections 4 to 7 of this Act:

(1) "Agreement" means an agreement made pursuant to Section 8 of this Act between KEDFA and a partnership project;

(2) "Board" means the Workforce Investment Fund Advisory Board established by Section 6 of this Act;

(3) "Educational institution" means:

(a) A public state university located in the Commonwealth;

(b) The Kentucky Community and Technical College System or any of its affiliated institutions; or

(c) Any public school district located in the Commonwealth;

(4) "Eligible costs" means:

(a) Obligations incurred for labor and amounts paid to contractors, subcontractors, and builders in connection with the partnership project;

(b) The cost of acquiring land or rights in land and any cost incidental thereto, including recording fees;

(c) The cost of contract bonds and of insurance of all kinds that may be required or necessary for completion of a partnership project which is not paid by a contractor or otherwise provided for;

(d) All costs of architectural and engineering services, including test borings, surveys, estimated plans and specifications, preliminary investigations, and supervision of construction, as well as for the performance of all duties required for the partnership project;

(e) All costs incurred for construction activities, including site tests and inspections; subsurface site work; excavation; removal of structures,

roadways, and other surface obstructions; filling, grading, and providing drainage and storm water retention; installation of utilities; off-site construction of utility extensions to the boundaries of the project site; or similar activities the board determines are necessary for the partnership project;

(f) All costs associated with the purchase of equipment and furnishings; and

(g) Marketing expenses for the first year of the project;

(5) "Eligible project" means a project that involves:

(a) The construction and equipping of a new facility for the purpose of providing workforce training and education;

(b) The renovation or upgrade of an existing facility; or

(c) The purchase of new or upgraded equipment and furnishings;

(6) "Equipment and furnishings" means equipment, machinery, furnishings, office equipment, computers, software, fixtures, telecommunications infrastructure, or other items necessary to equip a facility to provide workforce training and education programs proposed as part of a partnership project;

(7) "Governmental entity" means an agency, instrumentality, or other entity of state or local government;

(8) "KEDFA" means the Kentucky Economic Development Finance Authority established by KRS 154.20-010;

(9) "Kentucky Workforce Innovation Board" or "KWIB" means the board established in Kentucky pursuant to the requirements of the Workforce Innovation and Opportunity Act, 29 U.S.C. sec. 3111, for the purpose of assisting the Governor in creating an integrated, statewide strategic plan for the workforce development system of the Commonwealth;

(10) "Partnership" means a collaborative group that includes, at a minimum, a private employer and an education partner, and which may also include other

private employers and educational institutions, governmental entities, workforce development organizations, and other economic development partners;

(11) "Partnership project" means an eligible project proposed by a partnership; and

(12) "Workforce region" means the workforce regions, comprised of local workforce areas, established by the KWIB pursuant to the Workforce Innovation and Opportunity Act, 29 U.S.C. sec. 3121.

➔SECTION 5. A NEW SECTION OF KRS CHAPTER 151B IS CREATED TO READ AS FOLLOWS:

(1) The purposes of Sections 4 to 7, 8, and 9 of this Act are to support and promote the development of a highly trained workforce in the Commonwealth by providing resources to partnerships that collaborate on projects designed to provide the necessary facilities, equipment, programs, and curriculum to train and educate workers to meet the workforce needs of Kentucky's employers now and in the future.

(2) The program established by Sections 4 to 7, 8, and 9 of this Act shall be jointly administered by the board established by Section 6 of this Act and KEDFA, with division of responsibilities as follows:

(a) The board shall, in collaboration with KEDFA, develop requirements and qualifications for partnership projects and the process by which applications will be received and reviewed, through the promulgation of administrative regulations in accordance with KRS Chapter 13A;

(b) Funding for projects shall be awarded based on the following parameters:

1. Not less than ten percent (10%) of the total funds awarded in any fiscal biennium shall be for partnership projects located within the geographical area of Kentucky contained within the Appalachian region as defined by the federal Appalachian Regional Development Act of 1965, as amended;

2. No more than twenty-five percent (25%) of the total funds awarded in any fiscal biennium shall be for partnership projects located in any one (1) congressional district; and
 3. At least one (1) partnership project shall be funded in each workforce region in each fiscal biennium;
- (c) The board shall be responsible for the initial review of applications for funding, and shall submit partnership project funding recommendations, along with supporting information and documentation, to KEDFA for review and final approval; and
 - (d) Upon final approval of a partnership project, KEDFA shall enter into an agreement with the partnership as provided in Section 8 of this Act. KEDFA shall monitor the partnership project, and all reports submitted by the partnership shall be provided to both KEDFA and the board.

➔SECTION 6. A NEW SECTION OF KRS CHAPTER 151B IS CREATED TO READ AS FOLLOWS:

- (1) The Workforce Investment Fund Advisory Board is created and shall be attached to the Cabinet for Education and Workforce Development for administrative purposes.
- (2) The board shall be composed of:
 - (a) The secretary of the Cabinet for Education and Workforce Development, who shall serve as chairperson of the board;
 - (b) The secretary of the Labor Cabinet or designee;
 - (c) The secretary of the Cabinet for Economic Development or designee;
 - (d) The chairperson of the Kentucky Workforce Innovation Board or designee, which shall be another member of the Kentucky Workforce Innovation Board;
 - (e) Three (3) private sector employer members appointed by the Governor;

- (f) One (1) member appointed by the President of the Senate, who is not a member of the General Assembly; and
- (g) One (1) member appointed by the Speaker of the House, who is not a member of the General Assembly.
- (3) The term of appointed board members shall be four (4) years, except that the terms of the initial members shall be staggered so that for appointments made by the Governor, one (1) appointee serves for two (2) years, one (1) appointee serves for three (3) years, and one (1) appointee serves for four (4) years. The initial appointment made by the President of the Senate shall be for four (4) years, and the initial appointment made by the Speaker of the House shall be for three (3) years.
- (4) At the end of a term, a member shall continue to serve until a successor is appointed and qualifies. A member who is appointed after a term begins shall serve the rest of the term and until a successor is appointed and qualifies. A member who serves two (2) consecutive four (4) year terms shall not be reappointed for at least four (4) years after completion of those terms.
- (5) The purposes of the board are to:
- (a) Establish an application process for partnerships seeking state support for partnership projects, including application deadlines and requirements;
- (b) Establish an application review process;
- (c) Review applications for funding; and
- (d) Submit partnership projects recommended for funding to KEDFA for consideration and final approval.
- The board shall perform these functions in accordance with this section and Section 7 of this Act.
- (6) A majority of the full authorized membership shall constitute a quorum, and a vote to recommend a partnership project for funding shall require the favorable

vote of a quorum of the board.

(7) The board shall meet as needed to develop policies and procedures for the administration of Sections 4 to 7 of this Act, to review applications for funding, and to recommend projects to KEDFA for approval as provided in Section 7 of this Act.

(8) The board shall establish bylaws to govern its operation.

(9) Board members shall not be compensated for serving on the board, but shall be reimbursed for ordinary travel expenses, including meals and lodging incurred in the performance of their duties.

➔SECTION 7. A NEW SECTION OF KRS CHAPTER 151B IS CREATED TO READ AS FOLLOWS:

(1) The board, in collaboration with KEDFA, shall establish the requirements and qualifications for a partnership project to be considered for grant funding. The requirements, which shall be addressed in the application, shall include but not be limited to the following:

(a) The name of the applicant, including all partners involved in the partnership, a description of how each partner will be involved in the project during construction and development, and how each partner will be involved with providing workforce training and education after the project is complete;

(b) A detailed description of the partnership project, including:

1. Its location, including:

a. The physical address where the partnership project is located;

b. The congressional district where the partnership project is located;

c. The workforce region where the partnership project is located;

and

the local area where the partnership project will be located, including facilities owned or operated by an educational institution participating in the project, and an explanation of why it is more efficient or will be more effective to construct a new facility rather than renovate or retrofit an existing facility;

(d) The amount of the partner match, which shall be at least ten percent (10%) of the overall project cost, including a detailed list of cash and all noncash items included in the match. If the local match will include items other than cash, such as equipment, land, fixtures, program materials and supplies, existing facilities, or other assets, the description shall include the value of such items, and how the value was determined;

(e) Identification of the specific industry sectors and career pathways in which workforce training or education will be provided, why those sectors and career pathways were selected, how those pathways are aligned with the identified industry sectors, and why existing programs are not addressing the employment needs in the identified sectors;

(f) A description of the data that will be collected and reported relating to the project, the metrics that will be used to evaluate the project, and how the data and metrics correlate with the data and metrics required by the KWIB;

(g) A statement explaining why public support is needed for the project to be undertaken;

(h) The expected length of time between commencement of the project and when workforce training and education provided at the facility will be available; and

(i) Any other criteria the board determines are necessary to obtain all of the information needed to review and evaluate a proposed project.

(2) In addition to the requirements established by subsection (1) of this section, the

- board shall require assurances from the partnership that the partnership project will be aligned with, and supportive of, the strategic plan developed by the KWIB.
- (3) The board shall, in collaboration with KEDFA, establish review standards to be used in considering applications for funding partnership projects.
- (4) The board shall establish a schedule to receive applications two (2) times each year when funding is available.
- (5) The board shall consider all applications received during each funding cycle that include all required components.
- (6) The board shall ensure compliance with the requirements of subsection (2)(b) of Section 5 of this Act in recommending applications for funding.
- (7) Upon completion of the board's evaluation and review, applications for which funding is recommended shall be submitted to the KEDFA for review and approval.
- (8) The board may promulgate administrative regulations pursuant to KRS Chapter 13A as necessary to administer Sections 4 to 7 of this Act.

➔SECTION 8. A NEW SECTION OF KRS KRS 154.20-010 TO 154.20-150 IS CREATED TO READ AS FOLLOWS:

- (1) As used in this section and Section 9 of this Act:
- (a) "Authority" means the Kentucky Economic Development Finance Authority established by KRS 154.20-010;
- (b) "Board" means the Workforce Investment Fund Advisory Board created by Section 6 of this Act;
- (c) "Educational institution" has the same meaning as in Section 4 of this Act;
- (d) "Equipment and furnishings" has the same meaning as in Section 4 of this Act;
- (e) "Fund" means the Kentucky workforce investment fund created by Section 9 of this Act;

- (f) "Governmental entity" has the same meaning as in Section 4 of this Act;
- (g) "KWIB" has the same meaning as in Section 4 of this Act;
- (h) "Partnership" has the same meaning as in Section 4 of this Act; and
- (i) "Partnership project" has the same meaning as in Section 4 of this Act.
- (2) The program established by this section and Sections 4 to 7 and 9 of this Act shall be jointly administered by the board and the authority as provided in Section 5 of this Act.
- (3) Upon receipt of a list of partnership projects recommended for funding from the board pursuant to Section 7 of this Act, the authority shall review the funding recommendations made by the board, along with all information submitted with the recommendations. Upon review and confirmation that all necessary information has been provided, that the conditions established by subsection (2)(b) of Section 5 of this Act have been met, and to the extent funding is available, the authority may, by resolution, approve grant funding for a partnership project and authorize the execution of a funding agreement with the partnership.
- (4) The terms of the agreement shall include but not be limited to the following provisions:
- (a) The amount of grant funding available, and the timing and conditions under which the funds will be made available;
- (b) The date by which the partnership project must begin, and the date by which the partnership project shall be completed;
- (c) That a minimum cost match of ten percent (10%) shall be provided by the partnership. A cost match may include cash contributions or items other than cash, such as equipment, land, fixtures, program materials and supplies, existing facilities, or other assets;
- (d) Identification of which partner or partners will own any buildings, fixtures,

- and equipment that are a part of the partnership project;
- (e) Identification of which partner or partners will be responsible for the upkeep and maintenance of the partnership project facilities, fixed assets, and equipment upon completion of the partnership project;
- (f) That the authority shall have access to all books, records, and documents relating to the partnership project during the term of the project and for three (3) years following completion of the partnership project;
- (g) That the partnership shall provide financial reports to the authority and the board in the form and format required by the authority as part of the agreement. However, reporting shall be provided at least annually during the construction phase of the project, with a final accounting provided at the conclusion of the project;
- (h) A commitment by the partnership that it will report all data and metrics requested by the authority, the board, and the KWIB at the time and in the form and format required by the authority, the board, and the KWIB; and
- (i) Any other provisions consistent with this section and Sections 4 to 7 and 9 of this Act determined to be necessary or appropriate by the parties to the agreement.

➔SECTION 9. A NEW SECTION OF KRS KRS 154.20-010 TO 154.20-150 IS CREATED TO READ AS FOLLOWS:

- (1) The Kentucky workforce investment fund is created as a separate restricted fund, to be administered by the authority. The fund may receive the proceeds from grants, contributions, appropriations, and any other moneys that may be made available for the purposes of the fund.
- (2) Amounts deposited in the fund shall be used for the purposes set forth in Sections 4 to 7 and Section 8 of this Act.
- (3) Notwithstanding KRS 45.229, amounts in the fund not expended at the close of a

fiscal year shall not lapse but shall be carried forward into the next fiscal year.

(4) Any interest earnings of the fund shall become a part of the fund and shall not lapse.

(5) Moneys deposited in the fund are hereby appropriated for the purposes set forth in this section and shall not be appropriated or transferred by the General Assembly for any other purpose.