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**Education Interim Committee**  
**65th Montana Legislature**

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TO: Members of the Undergraduate Financial Aid subcommittee  
FROM: Laura Sankey Keip  
RE: Policy questions presented in the bill draft LCFAID  
DATE: July 27, 2018

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This memo provides an overview of the materials I am providing for the subcommittee's discussion of LCFAID. I have broken the bill draft into individual blocks, each of which is meant to identify a particular policy question for the subcommittee to consider.

The overarching policy question is identified at the top of each section. As applicable, I have included additional questions about specific policy choices and in some cases I've provided alternative options as a starting point for the subcommittee's discussions. In some of these blocks, I've included additional sections of law that are not in the bill draft, to provide some information and context relevant to the policy question(s) presented.

At the end of the packet, I've included the complete draft of LCFAID in its entirety, so that the subcommittee knows what the actual bill draft currently looks like and how all of the blocks fit together.

**POLICY QUESTION: Does the subcommittee want to make changes to the general/umbrella Montana Resident Student Financial Aid Program?**

AS DRAFTED:

- New language in Section 6 to formalize legislative intent
  - Includes the 3-prong approach plus federal need-based and work-study financial aid
- Section 9 is a new section that would require the Commissioner of Higher Education to provide a biennial report to the Education Interim Committee
  - What is the best/most efficient/most valuable time to report to EDIC? June 1 of even years? September 1 of even years or odd years? Annually?

**Section 5.** Section 20-26-101, MCA, is amended to read:  
**"20-26-101. Short title.** Parts 1 and 2 may be cited as "The Montana Resident Student Financial ~~Assistance~~ Aid Program Act". "

**Section 6.** Section 20-26-102, MCA, is amended to read:  
**"20-26-102. Purpose -- legislative intent.** (1) The purpose of parts 1 and 2 is to establish a program to provide financial ~~assistance~~ aid to resident Montana postsecondary students.

(2) In establishing the Montana resident student financial aid program, the legislature intends to collaborate with the board of regents and postsecondary institutions to create three types of aid programs:

(a) an incentive program as established in 20-26-614 through 20-26-617 and funded by the state to encourage Montana resident students to pursue postsecondary credentials in STEM and health care fields that satisfy current and anticipated workforce development needs in Montana;

(b) a merit program to recruit and retain the highest-achieving Montana resident students to units of the Montana university system, funded through tuition waivers, discounts, and other financial aid pursuant to policies adopted by the board of regents; and

(c) an access-to-higher-education program to provide scholarships and other financial aid, funded by the foundations that have been established for the benefit of units of the university system, and provided to Montana resident students who demonstrate financial need.

(3) The legislature intends to maximize federal need-based aid and work-study awards by providing sufficient state funding for federal matching requirements whenever possible."

**Section 7.** Section 20-26-103, MCA, is amended to read:

**"20-26-103. Definitions.** As used in parts 1 and 2, the following definitions apply:

(1) "Postsecondary institution" ~~includes~~ means:

(a) the units a unit of the Montana university system and any private postsecondary institution as defined in 20-25-201;

(b) a Montana community college, defined and organized as provided in 20-15-101; or

(c) an accredited tribal college located in the state of Montana.

(2) "Resident student" means a person who was a resident of Montana prior to enrolling and who is attending a qualified postsecondary institution within Montana."

**Section 8.** Section 20-26-104, MCA, is amended to read:

**"20-26-104. Resident Montana resident student financial assistance aid program created.** There is a Montana resident student financial assistance aid program administered by the commissioner of higher education."

**NEW SECTION. Section 9. Montana resident student financial aid program -- reporting requirements.** The commissioner of higher education shall submit a biennial report by June 1 of even-numbered years to the education interim committee provided for in 5-5-224 regarding the Montana resident student financial aid program. The report must cover the preceding biennium and must include the progress and results achieved by:

(a) the incentive-based financial aid program pursuant to 20-26-102(2)(a), including but not limited to the number of Montana STEM scholarships awarded, the amount of scholarship funds awarded, the workforce development needs targeted by the Montana STEM scholarship program, the number and type of postsecondary credentials earned by Montana STEM scholarship recipients, and any measurable impacts on the Montana workforce;

(b) the merit-based financial aid program pursuant to 20-26-102(2)(b), including but not limited to the recruitment and retention of the highest-achieving Montana resident students, the number of merit-based financial aid recipients, the amount and type of merit-based financial aid awarded, the number and type of postsecondary credentials awarded to merit-based financial aid recipients, and any measurable impacts on the Montana workforce;

(c) the access-based financial aid program pursuant to 20-26-102(2)(c), including but not limited to the number of access-based financial aid recipients, the amount and type of access-

based financial aid awarded, the effect of access-based financial aid on the retention and credential completion by recipients of access-based financial aid, and any measurable impacts on the Montana workforce; and

(d) the federal need-based and work-study financial aid programs referenced in 20-26-102(3), including but not limited to the number of students receiving federal need-based and work-study awards, the hours worked by work-study award recipients and the value of those hours, the types of positions filled by work-study award recipients, the types of employers participating in the work-study programs, the number and type of postsecondary credentials awarded to federal need-based and work-study financial aid recipients, and any measurable impacts on the Montana workforce.

**Section 10.** Section 20-26-201, MCA, is amended to read:

**"20-26-201. Duties of commissioner of higher education relative to program.** The commissioner of higher education shall:

(1) adopt rules to administer the resident student financial ~~assistance~~ aid program, including the establishment of criteria for student eligibility ~~which shall~~ that must consider financial need;

(2) determine the amount of individual ~~grants~~ financial aid awards;

(3) establish procedures for fiscal control, fund accounting, and necessary reports, including the reports required under [section 9]; and

(4) apply for, receive, and administer federal and private money."

**Section 11.** Section 20-26-202, MCA, is amended to read:

**"20-26-202. Administrative costs.** Administration costs not provided by the federal grant that are attributable to parts 1 and 2 ~~shall~~ must be negotiated and charged to the individual participants."

**Section 12.** Section 20-26-203, MCA, is amended to read:

**"20-26-203. Deposit of ~~moneys~~ funds.** Funds received by the commissioner of higher education for the resident student financial ~~assistance~~ aid program, including funds for the administration of parts 1 and 2, ~~shall~~ must be deposited in the state treasury."

**Section 1.** Section 20-1-225 , MCA, is amended to read:

**"20-1-225. Compliance with Military Selective Service Act**

**for postsecondary financial assistance -- rulemaking --**

**definitions.** (1) A postsecondary educational institution may not provide student financial assistance to or enroll as a student an individual who is receiving or will receive student financial assistance unless the individual has complied with the registration requirements of the federal Military Selective Service Act, 50 App. U.S.C. 451, et seq. However, this prohibition does not apply to an individual who:

(a) by a preponderance of the evidence shows that the failure to register was not done knowingly or willfully; or

(b) is exempt from registration under the provisions of the Military Selective Service Act.

(2) The board of regents shall adopt rules to implement this section.

(3) The following definitions apply to this section:

(a) "Postsecondary educational institution" means:

(i) the Montana university system; or

(ii) any other postsecondary school:

(A) accepting as a student an individual receiving student financial assistance; or

(B) accepting state funds.

(b) "Student financial assistance":

(i) means a grant, loan, or insurance on a loan, all or a part of which is provided by the state; and

(ii) includes money given or to be given pursuant to:

(A) the reimbursement for services provided to resident nonbeneficiary students provision in 20-25-428;

(B) the work-study program provided for in Title 20, chapter 25, part 7;

(C) the Montana resident student financial ~~assistance~~ aid program provided for in Title 20, chapter 26, parts 1 and 2; or

(D) the guaranteed student loan program provided for in Title 20, chapter 26, part 11."

**POLICY QUESTION: Does the subcommittee want to make changes to the Montana STEM Scholarship Program?**

AS DRAFTED:

- Section 15 adds new language to emphasize current and anticipated workforce needs
- Section 16 extends the scholarship from 2 to 4 years and changes the amounts awarded
  - As drafted, the total amount required each year would be roughly \$2.5 million. Added to the \$1.5 million needed for work-study and SEOG grants, the total would be roughly the \$4 million [discussed at the previous EDIC meeting](#)
  - Other options:
    - Keep the program a 2-year program but change the amounts awarded
    - Change the amounts awarded over 4 years (for example, at \$500/\$750/\$1000/\$1250 the annual cost would be roughly \$1.1 million)
- Section 14 changes references from the Governor's Postsecondary Scholarship Program to the Montana STEM Scholarship Program and removes references to private colleges

**Section 15.** Section 20-26-614, MCA, is amended to read:

**"20-26-614. Montana STEM scholarship program.** (1) There is a Montana STEM scholarship program. The program is administered by the board through the office of the commissioner of higher education.

(2) The purpose of the Montana STEM scholarship program is to provide an incentive for Montana high school students to prepare for, enter into, and complete degrees in postsecondary fields related to science, technology, engineering, mathematics, and health care, with the ~~goal~~ goals of increasing the number of STEM degree recipients participating in Montana's workforce and satisfying current and anticipated workforce development needs in Montana.

(3) The board shall adopt policies and procedures for the administration of the Montana STEM scholarship program consistent with ~~20-26-614 through 20-26-617~~ this part."

**NOT IN DRAFT. INCLUDED FOR CONTEXT. "20-26-**

**615. Eligibility requirements -- ineligibility.** (1) To be eligible for the Montana STEM scholarship, a student must:

(a) be a Montana resident who graduated from a Montana high school with a cumulative grade point average of at least 3.25;

(b) be eligible for in-state tuition pursuant to the board's policies;

(c) have completed a rigorous college preparation program, including 4 years of mathematics and 3 years of science;

(d) be enrolled full time in at least 15 credit hours at a postsecondary institution in the fall semester immediately following the student's graduation from high school;

(e) be seeking the student's first certificate or 2-year or 4-year degree at a postsecondary institution; and

(f) have declared a STEM or health care major as the student's intended course of study.

(2) A student is ineligible for the Montana STEM scholarship if the student:

(a) has failed to meet the federal Title IV selective service registration requirements;

(b) is in default on a Title IV or state of Montana educational loan or owes a refund to a federal Title IV or state of Montana student financial aid program; or

(c) is incarcerated. A student may receive a Montana STEM scholarship upon release if the student meets all other eligibility requirements."

**Section 16.** Section 20-26-616, MCA, is amended to read:

**"20-26-616. STEM scholarship amounts -- renewal requirements.** (1) A student who meets the requirements of 20-26-615 will receive a \$1,000 scholarship for the first academic year the student is enrolled at a postsecondary institution.

(2) A student who meets the requirements of this subsection will receive a ~~\$2,000 scholarship for the student's second academic year~~ an additional scholarship for up to 3 subsequent academic years. To be eligible for the STEM scholarship in ~~the student's second~~ a subsequent academic year, the student must:

(a) have completed at least:

(i) 30 credit hours in the first academic year to be eligible for a \$2,000 scholarship in the second academic year;

(ii) 60 credit hours by the end of the second academic year to be eligible for a \$2,500 scholarship in the third academic year; and

(iii) 90 credit hours by the end of the third academic year to be eligible for a \$3,000 scholarship in the fourth academic year;

(b) have maintained a grade point average of at least 3.0;

(c) be enrolled full time at the postsecondary institution in the current academic year; and

(d) continue to pursue a STEM or health care major.

(3) The board shall adopt a policy regarding the award of scholarships when the funds in the account established in 20-26-

617 are insufficient to fully fund the STEM scholarship program. The policy must prioritize scholarships in the following order:

(a) Renewals for qualified applicants of scholarships that were previously awarded have the highest priority.

(b) If funds remain after renewal scholarships are awarded pursuant to subsection (3)(a), then the number of new scholarships must be reduced but the individual award amounts must meet the requirements of subsections (1) and (2)."

**Section 14.** Section 20-26-606, MCA, is amended to read:

**"20-26-606. Public and private sources of funding -- restrictions on use -- accounting.** (1) The board may accept donations from public or private sources for the Montana STEM scholarship program and shall distribute those funds in accordance with this part.

(2) ~~Except when a donor of private funds designates that scholarship funds must be given to students attending a private college, scholarship~~ Scholarship awards are determined solely by the board or an entity designated by the board pursuant to board policy adopted under ~~20-26-602 and~~ 20-26-614.

(3) Funds from public sources may not be used to pay for scholarships for students enrolled in Montana private colleges.

(4) Funds from private sources must be deposited into ~~an~~ the Montana STEM scholarship program account in the state special revenue fund established in ~~17-2-102~~ 20-26-617 to pay for scholarships for students enrolled in postsecondary institutions ~~or, when designated by the donor, in Montana private colleges.~~

(5) Each postsecondary institution ~~or Montana private college~~ that receives scholarship payments shall prepare and submit to the board, in accordance with procedures and policies established by the board, a report of the postsecondary institution's ~~or Montana private college's~~ administration of the scholarships and a complete accounting of scholarship funds.

(6) Funds from a scholarship may not be used to pay for remedial or college-preparatory course work.

(7) Except for funds donated from private sources, the obligation for funding the ~~governor's postsecondary~~ Montana STEM scholarship program is an obligation of the state. This section may not be construed to require the board to provide scholarships to an eligible student without an appropriation to the board for the purposes of the ~~governor's postsecondary~~ Montana stem scholarship program. Funds from private sources may not be used as an offset to general fund appropriations."

**POLICY QUESTION: Does the subcommittee want to make changes to the disposition of lottery net revenues?**

AS DRAFTED:

- The first \$2.5 million of net revenues would be directed to the Montana STEM Scholarship Program with the net revenue above that going to the general fund
  - Other options:
    - The first \$4 million of net revenue could be appropriated for the purposes of funding the Montana STEM Scholarship Program as well as the required state match for the federal need-based aid (SEOG grants) and the work-study program

**Section 18.** Section 23-7-402, MCA, is amended to read:

**"23-7-402. (Temporary) Disposition of revenue.** (1) A minimum of 45% of the money paid for tickets or chances must be paid out as prize money. The prize money is statutorily appropriated, as provided in 17-7-502, to the lottery.

(2) Commissions paid to lottery ticket or chance sales agents are not a state lottery operating expense.

(3) Lottery contractor fees, which are fees paid to contracted lottery vendors based on sales, must be paid from the state lottery enterprise fund. The money to pay lottery contractor fees is statutorily appropriated, as provided in 17-7-502, to the lottery.

(4) ~~(a) Except as provided in subsection (4)(b), that~~ That part of all gross revenue not used for the payment of prizes, commissions, and operating expenses, together with the interest earned on the gross revenue while the gross revenue is in the enterprise fund, is net revenue. Net revenue must be transferred quarterly from the enterprise fund established by 23-7-401 ~~to~~ the state general fund. ~~Once the amount of net revenue transferred to the general fund during a fiscal year equals the amount transferred to the general fund in fiscal year 2015, any additional net revenue must be transferred to the Montana STEM scholarship program special revenue account established in 20-26-617 in the following order:~~

(a) the first \$2.5 million of net revenue in each fiscal year must be transferred to the Montana STEM scholarship program special revenue account established in 20-26-617; and

(b) net revenue in excess of \$2.5 million in each fiscal year must be transferred to the state general fund.

~~(b) For fiscal year 2016, prior to any net revenue being transferred to the general fund from the enterprise fund, \$400,000 of net revenue must be transferred from the enterprise~~

~~fund to the Montana STEM scholarship special revenue account established in 20-26-617 for the purpose of distributing STEM scholarships pursuant to 20-26-614 through 20-26-617 during the 2015-2016 school year.~~

(5) The spending authority of the lottery may be increased in accordance with this section upon review and approval of a revised operation plan by the office of budget and program planning. |(Terminates June 30, 2019--sec. 3, Ch. 2, L. 2013.)|  
**23-7-402. |(Effective July 1, 2019)| Disposition of revenue.** (1)  
A minimum of 45% of the money paid for tickets or chances must be paid out as prize money. The prize money is statutorily appropriated, as provided in 17-7-502, to the lottery.

(2) Commissions paid to lottery ticket or chance sales agents are not a state lottery operating expense.

(3) That part of all gross revenue not used for the payment of prizes, commissions, and operating expenses, together with the interest earned on the gross revenue while the gross revenue is in the enterprise fund, is net revenue. Net revenue must be transferred quarterly from the enterprise fund established by 23-7-401 ~~to the state general fund. Once the amount of net revenue transferred to the general fund during a fiscal year equals the amount transferred to the general fund in fiscal year 2015, any additional net revenue must be transferred to the Montana STEM scholarship program special revenue account established in 20-26-617~~ in the following order:

(a) the first \$2.5 million of net revenue in each fiscal year must be transferred to the Montana STEM scholarship program special revenue account established in 20-26-617; and

(b) net revenue in excess of \$2.5 million in each fiscal year must be transferred to the state general fund.

(4) The spending authority of the lottery may be increased in accordance with this section upon review and approval of a revised operation plan by the office of budget and program planning. "

**POLICY QUESTION: Does the subcommittee want to provide new direction to the Board of Regents regarding excess funds carried over for the Montana STEM Scholarship Program?**

AS DRAFTED:

- Statute limits most of the eligibility criteria and award amounts; the Board of Regents does have flexibility to increase the number of scholarship recipients by expanding the eligible STEM and health care majors that would qualify for a scholarship

**Section 17.** Section 20-26-617, MCA, is amended to read:

**"20-26-617. Montana STEM scholarship program state special revenue account.** (1) There is a Montana STEM scholarship program account within the state special revenue fund established in 17-2-102. The purpose of the account is to fund the Montana STEM scholarship program. The account is administered by the board through the office of the commissioner of higher education.

(2) There must be paid into the account the lottery net revenue calculated pursuant to 23-7-402. ~~Every~~ Except as provided in 20-26-616(3), every student who is eligible under the provisions of 20-26-615 and 20-26-616 must be awarded a Montana STEM scholarship.

(3) If the amount in this account is greater than the amount required to fund the scholarships as required by subsection (2), the excess funds ~~may~~ must be carried over and used to fund scholarships in the next fiscal year. If excess funds are carried over to a subsequent year, the board shall consider expanding the Montana STEM scholarship program in subsequent years by expanding the eligible majors that qualify for a scholarship under the program.

(4) The board may use up to 1% of the funds transferred into the account in each fiscal year for costs related to administering the Montana STEM scholarship program.

(5) This account is statutorily appropriated, as provided in 17-7-502, to the board for the Montana STEM scholarship program established in ~~20-26-614 through 20-26-616~~ this part."

**POLICY QUESTION: Does the subcommittee want to recommend a one-time transfer of funds to cover the gap in funds required to administer the Montana STEM Scholarship Program for the 2019-2020 academic year?**

AS DRAFTED:

- The \$750,000 is a placeholder amount for now - this amount would be amended to reflect the actual projected amount required to fund the first cohort of the restarted STEM Scholarship Program
- This amount would fund scholarships for the 2019-2020 academic year
- The new language in the bill would take effect on July 1, 2019, so lottery net revenues would begin to be transferred into the STEM Scholarship special revenue account in Quarters 1 and 2 of Fiscal Year 2020; these revenues would then be used to fund scholarships for the 2020-2021 academic year

NEW SECTION. **Section 21. Transfer of funds.** On September 1, 2019, if the total amount of funds in the Montana STEM scholarship program state special revenue account established in 20-26-617 is less than \$750,000, then the state treasurer shall transfer from the state general fund to the Montana STEM scholarship program state special revenue account an amount equal to \$750,000 minus the balance of the state special revenue account on August 31, 2019.

**POLICY QUESTION: Does the subcommittee want to recommend repealing the Governor's Postsecondary Scholarship Program?**

AS DRAFTED:

- Repealing the Governor's Postsecondary Scholarship Program would also repeal the Governor's Postsecondary Scholarship Advisory Council

NEW SECTION. **Section 19. {standard} Repealer.** The following sections of the Montana Code Annotated are repealed:  
2-15-1524. Governor's postsecondary scholarship advisory council -- terms.  
20-26-601. Short title.  
20-26-602. Governor's postsecondary scholarship program -- duties of council -- duties of board.  
20-26-604. Types and amounts of scholarships -- criteria.  
20-26-605. Eligibility requirements -- renewals -- limited appeals.

**Section 13.** Section 20-26-603, MCA, is amended to read:  
**"20-26-603. Definitions.** As used in this part, the following definitions apply:

- (1) "Accredited" means a school that is accredited by the board of public education pursuant to 20-7-102.
- (2) "Board" means the board of regents of higher education created by Article X, section 9(2), of the Montana constitution.
- ~~(3) "Council" means the governor's postsecondary scholarship advisory council created in 2-15-1524.~~
- ~~(4)~~(3) "Montana high school" means an accredited public or nonpublic high school.
- ~~(5)~~(4) "Montana private college" means a nonprofit private educational institution:
  - (a) with its main campus and primary operations located within the state; and
  - (b) that offers education on the level of a baccalaureate degree and is accredited for that purpose by a national or regional accrediting agency recognized by the board.
- ~~(6)~~(5) "Postsecondary institution" means:
  - (a) a unit of the Montana university system, as defined in 20-25-201;
  - (b) a Montana community college, defined and organized as provided in 20-15-101; or
  - (c) an accredited tribal community college located in the state of Montana.

~~(7)~~(6) "Scholarship" means a payment toward the cost of attendance at a qualifying postsecondary institution, rounded up to the nearest dollar.

~~(8)~~(7) "STEM or health care major" means a major that is related to science, technology, engineering, mathematics, or health care. Specific qualifying majors are identified in board policy.

~~(9)~~(8) "Title IV" refers to Title IV of the Higher Education Act of 1965, as amended."

**POLICY QUESTION: Does the subcommittee want to recommend repealing the Montana Promise Grant Program?**

NEW SECTION. **Section 20. {standard} Repealer.** The following sections of the Montana Code Annotated are repealed:  
20-26-621. Short title.  
20-26-622. Purpose.  
20-26-623. Montana promise grant program -- student eligibility -- administration.

**POLICY QUESTION: Does the subcommittee want to recommend that administration of the Quality Educator Loan Assistance Program be moved from the Board of Regents to the Superintendent of Public Instruction?**

**Section 2.** Section 20-4-501 , MCA, is amended to read:

**"20-4-501. Quality educator loan assistance program -- purpose.** (1) There is a quality educator loan assistance program administered by the ~~board of regents through the office of the commissioner of higher education~~ superintendent of public instruction. The program must provide for the direct repayment of educational loans of eligible quality educators in accordance with policies and procedures adopted by the ~~board of regents~~ superintendent of public instruction in accordance with this part.

(2) The purpose of this program is to aid quality educator recruitment and retention for those schools most impacted by critical quality educator shortages. The program must be implemented in a manner that maximizes recruitment and retention assistance to impacted schools."

**NOT IN BILL DRAFT. INCLUDED FOR CONTEXT. "20-4-503. Critical quality educator shortages.** (1) The board of public education, in consultation with the office of public instruction, shall identify:

(a) specific schools that are impacted by critical quality educator shortages; and

(b) within the schools identified in subsection (1)(a), the specific quality educator licensure or endorsement areas that are impacted by critical quality educator shortages.

(2) In identifying impacted schools under subsection (1)(a), the board of public education, in consultation with the office of public instruction, shall consider including the following:

(a) special education cooperatives;

(b) the Montana school for the deaf and blind, as described in 20-8-101;

(c) the Montana youth challenge program, as established in 10-1-1401;

(d) state youth correctional facilities, as defined in 41-5-103;

(e) public schools that are located on an American Indian reservation; and

(f) public schools that, driving at a reasonable speed for the road surface, are located:

(i) more than 45 minutes from a city with a population greater than 10,000 based on the most recent federal decennial census; or

(ii) more than 30 minutes from a city with a population greater than 4,300 based on the most recent federal decennial census.

(3) The board of public education shall publish by December 1 an annual report listing the schools and the licensure or endorsement areas identified as impacted by critical quality educator shortages, explaining the reasons that specific schools and licensure or endorsement areas have been identified and providing information regarding any success in retention. The report must apply to the school year that begins July 1 following the publication of the report in order to assist recruitment by impacted schools. For the school year beginning July 1, 2017, eligibility for the program may be governed by the report adopted by the board of public education by December 1, 2017.

(4) A quality educator working at a school identified in subsection (1) is eligible for repayment of all or part of the quality educator's outstanding educational loans existing at the time of application in accordance with the eligibility and award criteria established under this part."

**Section 3. Section 20-4-505 "20-4-505. Loan repayment assistance documentation.** (1) A quality educator shall submit an application for loan repayment assistance to the ~~board of regents~~ office of public instruction in accordance with policies and procedures adopted by the ~~board of regents~~ superintendent of public instruction. The application must include official verification or proof of the applicant's total unpaid accumulated educational loan debt and other documentation required by the ~~board of regents~~ superintendent of public instruction that is necessary for verification of the applicant's eligibility.

(2) The ~~board of regents~~ superintendent of public instruction may require a quality educator who is eligible for loan repayment assistance to provide documentation that the quality educator has exhausted repayment assistance from other federal, state, or local loan forgiveness, discharge, or repayment incentive programs.

(3) A quality educator is eligible for loan repayment assistance for no more than 3 years, with the maximum annual loan repayment assistance not to exceed:

(a) \$3,000 after the first complete year of teaching in an impacted school;

(b) \$4,000 after the second complete year of teaching in the same impacted school or another impacted school within the same school district; and

(c) \$5,000 after the third complete year of teaching in the same impacted school or another impacted school within the same school district.

(4) The ~~board of regents~~ office of public instruction may remit payment of the loan on behalf of the quality educator in accordance with the requirements of this part and policies and procedures adopted by the ~~board of regents~~ superintendent of public instruction."

**Section 4.** Section 20-4-506, MCA, is amended to read:

**"20-4-506. Funding -- priorities.** (1) If the funding for this part in any year is less than the total amount for which Montana quality educators qualify, the ~~board of regents~~ superintendent of public instruction shall provide preference in the award of loan repayment assistance to quality educators working in the specific licensure or endorsement areas that are most impacted by quality educator shortages identified as provided in 20-4-503.

(2) If the funding for this part in any year is greater than the total amount for which Montana quality educators qualify, the board of public education shall consider expanding the number of impacted schools included in subsequent reports pursuant to 20-4-503.

(3) This part may not be construed to require the provision of loan repayment assistance without an express appropriation for that purpose."

**Unofficial Draft Copy**

As of: July 27, 2018 (3:18pm)

LCFAID

\*\*\*\* Bill No. \*\*\*\*

Introduced By \*\*\*\*\*

By Request of the \*\*\*\*\*

A Bill for an Act entitled: "An Act generally revising undergraduate financial aid laws; revising the Montana resident student financial aid program; revising the Montana STEM scholarship program; extending eligibility for the Montana STEM scholarship program to 4 years; revising the quality educator loan assistance program; requiring the superintendent of public instruction to administer the quality educator loan assistance program; amending sections 20-1-225, 20-4-501, 20-4-505, 20-4-506, 20-26-101, 20-26-102, 20-26-103, 20-26-104, 20-26-201, 20-26-202, 20-26-203, 20-26-603, 20-26-606, 20-26-614, 20-26-616, 20-26-617, and 23-7-402, MCA; repealing sections 2-15-1524, 20-26-601, 20-26-602, 20-26-604, and 20-26-605, MCA; repealing sections 20-26-621, 20-26-622, and 20-26-623, MCA; and providing an effective date."

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

**Section 1.** Section 20-1-225, MCA, is amended to read:

**"20-1-225. Compliance with Military Selective Service Act for postsecondary financial assistance -- rulemaking -- definitions.** (1) A postsecondary educational institution may not provide student financial assistance to or enroll as a student an individual who is receiving or will receive student financial

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As of: July 27, 2018 (3:18pm)

LCFAID

assistance unless the individual has complied with the registration requirements of the federal Military Selective Service Act, 50 App. U.S.C. 451, et seq. However, this prohibition does not apply to an individual who:

(a) by a preponderance of the evidence shows that the failure to register was not done knowingly or willfully; or

(b) is exempt from registration under the provisions of the Military Selective Service Act.

(2) The board of regents shall adopt rules to implement this section.

(3) The following definitions apply to this section:

(a) "Postsecondary educational institution" means:

(i) the Montana university system; or

(ii) any other postsecondary school:

(A) accepting as a student an individual receiving student financial assistance; or

(B) accepting state funds.

(b) "Student financial assistance":

(i) means a grant, loan, or insurance on a loan, all or a part of which is provided by the state; and

(ii) includes money given or to be given pursuant to:

(A) the reimbursement for services provided to resident nonbeneficiary students provision in 20-25-428;

(B) the work-study program provided for in Title 20, chapter 25, part 7;

(C) the Montana resident student financial ~~assistance~~ aid program provided for in Title 20, chapter 26, parts 1 and 2; or

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(D) the guaranteed student loan program provided for in Title 20, chapter 26, part 11."

{*Internal References to 20-1-225: None.*}

**Section 2.** Section 20-4-501, MCA, is amended to read:

**"20-4-501. Quality educator loan assistance program -- purpose.** (1) There is a quality educator loan assistance program administered by the ~~board of regents~~ through the ~~office of the commissioner of higher education~~ superintendent of public instruction. The program must provide for the direct repayment of educational loans of eligible quality educators in accordance with policies and procedures adopted by the ~~board of regents~~ superintendent of public instruction in accordance with this part.

(2) The purpose of this program is to aid quality educator recruitment and retention for those schools most impacted by critical quality educator shortages. The program must be implemented in a manner that maximizes recruitment and retention assistance to impacted schools."

{*Internal References to 20-4-501: None.*}

**Section 3.** Section 20-4-505, MCA, is amended to read:

**"20-4-505. Loan repayment assistance documentation.** (1) A quality educator shall submit an application for loan repayment assistance to the ~~board of regents~~ office of public instruction in accordance with policies and procedures adopted by the ~~board of regents~~ superintendent of public instruction. The application

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must include official verification or proof of the applicant's total unpaid accumulated educational loan debt and other documentation required by the ~~board of regents~~ superintendent of public instruction that is necessary for verification of the applicant's eligibility.

(2) The ~~board of regents~~ superintendent of public instruction may require a quality educator who is eligible for loan repayment assistance to provide documentation that the quality educator has exhausted repayment assistance from other federal, state, or local loan forgiveness, discharge, or repayment incentive programs.

(3) A quality educator is eligible for loan repayment assistance for no more than 3 years, with the maximum annual loan repayment assistance not to exceed:

(a) \$3,000 after the first complete year of teaching in an impacted school;

(b) \$4,000 after the second complete year of teaching in the same impacted school or another impacted school within the same school district; and

(c) \$5,000 after the third complete year of teaching in the same impacted school or another impacted school within the same school district.

(4) The ~~board of regents~~ office of public instruction may remit payment of the loan on behalf of the quality educator in accordance with the requirements of this part and policies and procedures adopted by the ~~board of regents~~ superintendent of public instruction."

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{*Internal References to 20-4-505: None.*}

**Section 4.** Section 20-4-506, MCA, is amended to read:

**"20-4-506. Funding -- priorities.** (1) If the funding for this part in any year is less than the total amount for which Montana quality educators qualify, the ~~board of regents~~ superintendent of public instruction shall provide preference in the award of loan repayment assistance to quality educators working in the specific licensure or endorsement areas that are most impacted by quality educator shortages identified as provided in 20-4-503.

(2) If the funding for this part in any year is greater than the total amount for which Montana quality educators qualify, the board of public education shall consider expanding the number of impacted schools included in subsequent reports pursuant to 20-4-503.

(3) This part may not be construed to require the provision of loan repayment assistance without an express appropriation for that purpose."

{*Internal References to 20-4-506: None.*}

**Section 5.** Section 20-26-101, MCA, is amended to read:

**"20-26-101. Short title.** Parts 1 and 2 may be cited as "The Montana Resident Student Financial ~~Assistance~~ Aid Program Act"."

{*Internal References to 20-26-101: None.*}

**Section 6.** Section 20-26-102, MCA, is amended to read:

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"20-26-102. **Purpose -- legislative intent.** (1) The purpose of parts 1 and 2 is to establish a program to provide financial assistance aid to resident Montana postsecondary students.

(2) In establishing the Montana resident student financial aid program, the legislature intends to collaborate with the board of regents and postsecondary institutions to create three types of aid programs:

(a) an incentive program as established in 20-26-614 through 20-26-617 and funded by the state to encourage Montana resident students to pursue postsecondary credentials in STEM and health care fields that satisfy current and anticipated workforce development needs in Montana;

(b) a merit program to recruit and retain the highest-achieving Montana resident students to units of the Montana university system, funded through tuition waivers, discounts, and other financial aid pursuant to policies adopted by the board of regents; and

(c) an access-to-higher-education program to provide scholarships and other financial aid, funded by the foundations that have been established for the benefit of units of the university system, and provided to Montana resident students who demonstrate financial need.

(3) The legislature intends to maximize federal need-based aid and work-study awards by providing sufficient state funding for federal matching requirements whenever possible."

{*Internal References to 20-26-102: None.*}

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**Section 7.** Section 20-26-103, MCA, is amended to read:

**"20-26-103. Definitions.** As used in parts 1 and 2, the following definitions apply:

(1) "Postsecondary institution" ~~includes~~ means:

(a) the units a unit of the Montana university system and any private postsecondary institution as defined in 20-25-201;

(b) a Montana community college, defined and organized as provided in 20-15-101; or

(c) an accredited tribal college located in the state of Montana.

(2) "Resident student" means a person who was a resident of Montana prior to enrolling and who is attending a qualified postsecondary institution within Montana."

{Internal References to 20-26-103: None.}

**Section 8.** Section 20-26-104, MCA, is amended to read:

**"20-26-104. Resident Montana resident student financial assistance aid program created.** There is a Montana resident student financial assistance aid program administered by the commissioner of higher education."

{Internal References to 20-26-104: None.}

NEW SECTION. **Section 9. Montana resident student financial aid program -- reporting requirements.** The commissioner of higher education shall submit a biennial report by June 1 of even-numbered years to the education interim committee provided for in 5-5-224 regarding the Montana resident student financial aid

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program. The report must cover the preceding biennium and must include the progress and results achieved by:

(a) the incentive-based financial aid program pursuant to 20-26-102(2)(a), including but not limited to the number of Montana STEM scholarships awarded, the amount of scholarship funds awarded, the workforce development needs targeted by the Montana STEM scholarship program, the number and type of postsecondary credentials earned by Montana STEM scholarship recipients, and any measurable impacts on the Montana workforce;

(b) the merit-based financial aid program pursuant to 20-26-102(2)(b), including but not limited to the recruitment and retention of the highest-achieving Montana resident students, the number of merit-based financial aid recipients, the amount and type of merit-based financial aid awarded, the number and type of postsecondary credentials awarded to merit-based financial aid recipients, and any measurable impacts on the Montana workforce;

(c) the access-based financial aid program pursuant to 20-26-102(2)(c), including but not limited to the number of access-based financial aid recipients, the amount and type of access-based financial aid awarded, the effect of access-based financial aid on the retention and credential completion by recipients of access-based financial aid, and any measurable impacts on the Montana workforce; and

(d) the federal need-based and work-study financial aid programs referenced in 20-26-102(3), including but not limited to the number of students receiving federal need-based and work-study awards, the hours worked by work-study award recipients and

the value of those hours, the types of positions filled by work-study award recipients, the types of employers participating in the work-study programs, the number and type of postsecondary credentials awarded to federal need-based and work-study financial aid recipients, and any measurable impacts on the Montana workforce.

**Section 10.** Section 20-26-201, MCA, is amended to read:

**"20-26-201. Duties of commissioner of higher education relative to program.** The commissioner of higher education shall:

(1) adopt rules to administer the resident student financial ~~assistance~~ aid program, including the establishment of criteria for student eligibility ~~which shall~~ that must consider financial need;

(2) determine the amount of individual ~~grants~~ financial aid awards;

(3) establish procedures for fiscal control, fund accounting, and necessary reports, including the reports required under [section 9]; and

(4) apply for, receive, and administer federal and private money."

{*Internal References to 20-26-201: None.*}

**Section 11.** Section 20-26-202, MCA, is amended to read:

**"20-26-202. Administrative costs.** Administration costs not provided by the federal grant that are attributable to parts 1 and 2 ~~shall~~ must be negotiated and charged to the individual

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participants."

{*Internal References to 20-26-202: None.*}

**Section 12.** Section 20-26-203, MCA, is amended to read:

**"20-26-203. Deposit of moneys funds.** Funds received by the commissioner of higher education for the resident student financial ~~assistance~~ aid program, including funds for the administration of parts 1 and 2, ~~shall~~ must be deposited in the state treasury."

{*Internal References to 20-26-203: None.*}

**Section 13.** Section 20-26-603, MCA, is amended to read:

**"20-26-603. Definitions.** As used in this part, the following definitions apply:

(1) "Accredited" means a school that is accredited by the board of public education pursuant to 20-7-102.

(2) "Board" means the board of regents of higher education created by Article X, section 9(2), of the Montana constitution.

~~(3) "Council" means the governor's postsecondary scholarship advisory council created in 2-15-1524.~~

~~(4)~~(3) "Montana high school" means an accredited public or nonpublic high school.

~~(5)~~(4) "Montana private college" means a nonprofit private educational institution:

(a) with its main campus and primary operations located within the state; and

(b) that offers education on the level of a baccalaureate

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degree and is accredited for that purpose by a national or regional accrediting agency recognized by the board.

~~(6)~~(5) "Postsecondary institution" means:

(a) a unit of the Montana university system, as defined in 20-25-201;

(b) a Montana community college, defined and organized as provided in 20-15-101; or

(c) an accredited tribal community college located in the state of Montana.

~~(7)~~(6) "Scholarship" means a payment toward the cost of attendance at a qualifying postsecondary institution, rounded up to the nearest dollar.

~~(8)~~(7) "STEM or health care major" means a major that is related to science, technology, engineering, mathematics, or health care. Specific qualifying majors are identified in board policy.

~~(9)~~(8) "Title IV" refers to Title IV of the Higher Education Act of 1965, as amended."

{*Internal References to 20-26-603:*

*x 20-25-517 r 20-26-601 \* r 20-26-602 \* r 20-26-602 \* x 61-5-118}*

**Section 14.** Section 20-26-606, MCA, is amended to read:

**"20-26-606. Public and private sources of funding -- restrictions on use -- accounting.** (1) The board may accept donations from public or private sources for the Montana STEM scholarship program and shall distribute those funds in accordance with this part.

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(2) ~~Except when a donor of private funds designates that scholarship funds must be given to students attending a private college, scholarship~~ Scholarship awards are determined solely by the board or an entity designated by the board pursuant to board policy adopted under ~~20-26-602 and~~ 20-26-614.

(3) Funds from public sources may not be used to pay for scholarships for students enrolled in Montana private colleges.

(4) Funds from private sources must be deposited into ~~an~~ the Montana STEM scholarship program account in the state special revenue fund established in ~~17-2-102~~ 20-26-617 to pay for scholarships for students enrolled in postsecondary institutions ~~or, when designated by the donor, in Montana private colleges.~~

(5) Each postsecondary institution ~~or Montana private college~~ that receives scholarship payments shall prepare and submit to the board, in accordance with procedures and policies established by the board, a report of the postsecondary institution's ~~or Montana private college's~~ administration of the scholarships and a complete accounting of scholarship funds.

(6) Funds from a scholarship may not be used to pay for remedial or college-preparatory course work.

(7) Except for funds donated from private sources, the obligation for funding the ~~governor's postsecondary~~ Montana STEM scholarship program is an obligation of the state. This section may not be construed to require the board to provide scholarships to an eligible student without an appropriation to the board for the purposes of the ~~governor's postsecondary~~ Montana stem scholarship program. Funds from private sources may not be used

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as an offset to general fund appropriations."

{*Internal References to 20-26-606:*  
*r 20-26-605*}

**Section 15.** Section 20-26-614, MCA, is amended to read:

**"20-26-614. Montana STEM scholarship program.** (1) There is a Montana STEM scholarship program. The program is administered by the board through the office of the commissioner of higher education.

(2) The purpose of the Montana STEM scholarship program is to provide an incentive for Montana high school students to prepare for, enter into, and complete degrees in postsecondary fields related to science, technology, engineering, mathematics, and health care, with the ~~goal~~ goals of increasing the number of STEM degree recipients participating in Montana's workforce and satisfying current and anticipated workforce development needs in Montana.

(3) The board shall adopt policies and procedures for the administration of the Montana STEM scholarship program consistent with ~~20-26-614 through 20-26-617~~ this part."

{*Internal References to 20-26-614:*  
*a 20-26-606 x 20-26-617 \* x 23-7-402 \**}

**Section 16.** Section 20-26-616, MCA, is amended to read:

**"20-26-616. STEM scholarship amounts -- renewal requirements.** (1) A student who meets the requirements of 20-26-615 will receive a \$1,000 scholarship for the first academic year the student is enrolled at a postsecondary

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institution.

(2) A student who meets the requirements of this subsection will receive ~~a \$2,000 scholarship for the student's second academic year~~ an additional scholarship for up to 3 subsequent academic years. To be eligible for the STEM scholarship in ~~the student's second~~ a subsequent academic year, the student must:

(a) have completed at least:

(i) 30 credit hours in the first academic year to be eligible for a \$2,000 scholarship in the second academic year;

(ii) 60 credit hours by the end of the second academic year to be eligible for a \$2,500 scholarship in the third academic year; and

(iii) 90 credit hours by the end of the third academic year to be eligible for a \$3,000 scholarship in the fourth academic year;

(b) have maintained a grade point average of at least 3.0;

(c) be enrolled full time at the postsecondary institution in the current academic year; and

(d) continue to pursue a STEM or health care major.

(3) The board shall adopt a policy regarding the award of scholarships when the funds in the account established in 20-26-617 are insufficient to fully fund the STEM scholarship program. The policy must prioritize scholarships in the following order:

(a) Renewals for qualified applicants of scholarships that were previously awarded have the highest priority.

(b) If funds remain after renewal scholarships are awarded

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pursuant to subsection (3)(a), then the number of new scholarships must be reduced but the individual award amounts must meet the requirements of subsections (1) and (2)."

{*Internal References to 20-26-616:*

*a 20-26-614 \* a 20-26-617 x 20-26-617 \* x 20-26-617 x 23-7-402 \**}

**Section 17.** Section 20-26-617, MCA, is amended to read:

**"20-26-617. Montana STEM scholarship program state special revenue account.** (1) There is a Montana STEM scholarship program account within the state special revenue fund established in 17-2-102. The purpose of the account is to fund the Montana STEM scholarship program. The account is administered by the board through the office of the commissioner of higher education.

(2) There must be paid into the account the lottery net revenue calculated pursuant to 23-7-402. ~~Every~~ Except as provided in 20-26-616(3), every student who is eligible under the provisions of 20-26-615 and 20-26-616 must be awarded a Montana STEM scholarship.

(3) If the amount in this account is greater than the amount required to fund the scholarships as required by subsection (2), the excess funds ~~may~~ must be carried over and used to fund scholarships in the next fiscal year. If excess funds are carried over to a subsequent year, the board shall consider expanding the Montana STEM scholarship program in subsequent years by expanding the eligible majors that qualify for a scholarship under the program.

(4) The board may use up to 1% of the funds transferred

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into the account in each fiscal year for costs related to administering the Montana STEM scholarship program.

(5) This account is statutorily appropriated, as provided in 17-7-502, to the board for the Montana STEM scholarship program established in ~~20-26-614 through 20-26-616~~ this part."

{*Internal References to 20-26-617:*

x 17-7-502 a 20-26-614 \* x 20-26-614 x 20-26-616 x 23-7-402  
x 23-7-402 x 23-7-402 \* x 23-7-402 x 23-7-402}

**Section 18.** Section 23-7-402, MCA, is amended to read:

**"23-7-402. (Temporary) Disposition of revenue.** (1) A minimum of 45% of the money paid for tickets or chances must be paid out as prize money. The prize money is statutorily appropriated, as provided in 17-7-502, to the lottery.

(2) Commissions paid to lottery ticket or chance sales agents are not a state lottery operating expense.

(3) Lottery contractor fees, which are fees paid to contracted lottery vendors based on sales, must be paid from the state lottery enterprise fund. The money to pay lottery contractor fees is statutorily appropriated, as provided in 17-7-502, to the lottery.

(4) ~~(a) Except as provided in subsection (4)(b), that~~ That part of all gross revenue not used for the payment of prizes, commissions, and operating expenses, together with the interest earned on the gross revenue while the gross revenue is in the enterprise fund, is net revenue. Net revenue must be transferred quarterly from the enterprise fund established by 23-7-401 ~~to the state general fund. Once the amount of net revenue transferred to~~

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~~the general fund during a fiscal year equals the amount transferred to the general fund in fiscal year 2015, any additional net revenue must be transferred to the Montana STEM scholarship program special revenue account established in 20-26-617 in the following order:~~

(a) the first \$2.5 million of net revenue in each fiscal year must be transferred to the Montana STEM scholarship program special revenue account established in 20-26-617; and

(b) net revenue in excess of \$2.5 million in each fiscal year must be transferred to the state general fund.

~~(b) For fiscal year 2016, prior to any net revenue being transferred to the general fund from the enterprise fund, \$400,000 of net revenue must be transferred from the enterprise fund to the Montana STEM scholarship special revenue account established in 20-26-617 for the purpose of distributing STEM scholarships pursuant to 20-26-614 through 20-26-617 during the 2015-2016 school year.~~

(5) The spending authority of the lottery may be increased in accordance with this section upon review and approval of a revised operation plan by the office of budget and program planning. (Terminates June 30, 2019--sec. 3, Ch. 2, L. 2013.)

## **23-7-402. (Effective July 1, 2019) Disposition of revenue.**

(1) A minimum of 45% of the money paid for tickets or chances must be paid out as prize money. The prize money is statutorily appropriated, as provided in 17-7-502, to the lottery.

(2) Commissions paid to lottery ticket or chance sales agents are not a state lottery operating expense.

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(3) That part of all gross revenue not used for the payment of prizes, commissions, and operating expenses, together with the interest earned on the gross revenue while the gross revenue is in the enterprise fund, is net revenue. Net revenue must be transferred quarterly from the enterprise fund established by 23-7-401 ~~to the state general fund. Once the amount of net revenue transferred to the general fund during a fiscal year equals the amount transferred to the general fund in fiscal year 2015, any additional net revenue must be transferred to the Montana STEM scholarship program special revenue account established in 20-26-617~~ in the following order:

(a) the first \$2.5 million of net revenue in each fiscal year must be transferred to the Montana STEM scholarship program special revenue account established in 20-26-617; and

(b) net revenue in excess of \$2.5 million in each fiscal year must be transferred to the state general fund.

(4) The spending authority of the lottery may be increased in accordance with this section upon review and approval of a revised operation plan by the office of budget and program planning."

{*Internal References to 23-7-402:*

*x 17-7-502 x 20-26-617 (renum.23-7-402) 23-5-1027 x 23-7-202 x 23-7-202}*

NEW SECTION. Section 19. {standard} Repealer. The following sections of the Montana Code Annotated are repealed:  
2-15-1524. Governor's postsecondary scholarship advisory council -- terms.

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- 20-26-601. Short title.
- 20-26-602. Governor's postsecondary scholarship program -- duties of council -- duties of board.
- 20-26-604. Types and amounts of scholarships -- criteria.
- 20-26-605. Eligibility requirements -- renewals -- limited appeals.

{*Internal References to 2-15-1524: a 20-26-603*  
*Internal References to 20-26-601: r 20-26-602 \* r 20-26-602 \**  
*Internal References to 20-26-602: r 20-26-601 \* r 20-26-604 r 20-26-604*  
*r 20-26-605 r 20-26-606*  
*Internal References to 20-26-604: r 20-26-601 \* r 20-26-602 \* r 20-26-602 \**  
*Internal References to 20-26-605: r 20-26-601 \* r 20-26-601 r 20-26-602 \**  
*r 20-26-602 r 20-26-602 \* r 20-26-602}*

NEW SECTION. **Section 20. {standard} Repealer.** The following sections of the Montana Code Annotated are repealed:

- 20-26-621. Short title.
- 20-26-622. Purpose.
- 20-26-623. Montana promise grant program -- student eligibility -- administration.

{*Internal References to 20-26-621: r 20-26-622 \* r 20-26-623 \* r 20-26-623 \**  
*Internal References to 20-26-622: r 20-26-621 \* r 20-26-623 \* r 20-26-623 \**  
*Internal References to 20-26-623: r 20-26-621 \* r 20-26-621 r 20-26-622 \**  
*r 20-26-622}*

NEW SECTION. **Section 21. Transfer of funds.** On September 1, 2019, if the total amount of funds in the Montana STEM scholarship program state special revenue account established in 20-26-617 is less than \$750,000, then the state treasurer shall transfer from the state general fund to the Montana STEM scholarship program state special revenue account an amount equal

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to \$750,000 minus the balance of the state special revenue account on August 31, 2019.

NEW SECTION. **Section 22. {standard} Codification**

**instruction.** [Section 9] is intended to be codified as an integral part of Title 20, chapter 26, part 1, and the provisions of Title 20, chapter 26, part 1, apply to [section 9].

NEW SECTION. **Section 23. {standard} Effective date.** [This act] is effective July 1, 2019.

- END -

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