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Need-Based Financial Aid Dollars Being Diverted to General Fund

For years millions of scholarship dollars have been diverted away from Kentucky’s need-based financial aid programs to the General Fund.

Studies have shown that need-based financial aid:

- Increases college enrollment among low- and moderate-income students.
- Increases college persistence and the number of credits earned.

Kentucky has two need-based financial aid programs funded by the lottery. According to state law, lottery funding should be split 3 ways:

- Literacy programs receive \$3 million off the top.
- The merit-based scholarship, the Kentucky Educational Excellence Scholarship (KEES), receives the next 45 percent.
- The need-based scholarships, College Access Program (CAP) and the Kentucky Tuition Grant (KTG), receive the remaining 55 percent to be allocated between them.

In 2015 the Lottery Corporation gave the state \$221.5 million (this does not include unclaimed prize money). If the money had been used as originally intended:

- \$3 million would have gone to literacy programs (which it did);
- \$98.3 million would have gone to the merit-based scholarship Kentucky Educational Excellence Scholarship (KEES actually got \$101 million from these funds, plus an extra \$8.6 million in unclaimed prize money);
- And the need-based CAP & KTG scholarships should have received \$120.1 million (CAP & KTG actually got \$92.1 million).

Combined, CAP & KTG were shorted by \$28.1 million, which is equal to over 15,000 fewer students having access to money for college. If enacted, the proposed 2016-2018 budget would use \$35.3 million in 2017 and \$38 million in 2018 intended for CAP & KTG to fund other priorities. This would be more than has ever been diverted from need-based scholarships before.

In 2015, 95,018 Kentuckians were deemed eligible for CAP funding based on their Free Application for Federal Student Aid (FAFSA).

- However, just 38,587 were awarded the scholarship due to a lack of funds. Meaning 3 out of every 5 CAP eligible students were turned away.
- 1 out of every 3 KTG eligible students was turned away for the same reason.

Lottery Funds Diverted from CAP & KTG

