

# **The Education Merit Scholarship Committee**

## **Final Report**

### **I. Background information**

2005 Session Laws, Chapter 190 created an Education Merit Scholarship Committee to study proposals for student scholarship programs proposed in the 2005 General Session and to consider other potential scholarship programs to be funded by earnings from an endowment account created by that Act. The Committee was directed to report its initial findings and recommendations to the Governor, the Joint Appropriations Committee and Joint Education Interim Committee by November 1, 2005 and, if the Committee determined modifications to its initial findings and recommendations were appropriate, again by November 1, 2006.

The Committee initially reported and recommended legislation in September, 2005. The legislation was passed with only minor changes. The Hathaway scholarship program, making scholarships available to thousands of meritorious Wyoming high school graduates, was fully implemented within six months of the passage of the legislation. Hathaway scholarships have been awarded to students entering the University of Wyoming and Wyoming Community Colleges in the fall of 2006.

The Committee recommends few changes to the initial legislation. The changes suggested are primarily modifications necessary to move the program through its initial stages of implementation. All changes recommended by the Committee are reflected in the draft legislation attached to this final report as appendices 2, 3 and 4.

#### **A. Committee membership**

The Committee was comprised of eleven members; five appointed by the Governor, two appointed from the Senate, two appointed from the House of Representatives and two appointed by the State Superintendent.<sup>1</sup> The Committee selected Senator Tex Boggs and Representative Steve Harshman as cochairmen.

#### **B. Committee's task**

Legislation implementing the Hathaway scholarship program was passed in 2006. The legislation created four levels of Hathaway merit scholarships for Wyoming residents to attend the University of Wyoming or a Wyoming Community College.<sup>2</sup> Need based

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<sup>1</sup> A listing of Committee members appears in appendix 5.

<sup>2</sup> While Wyoming residency and graduation from a Wyoming high school is required, there are provisions to accommodate children of military personnel who maintain Wyoming as the parent's state of domicile while stationed elsewhere. There are also provisions to accommodate children attending high schools out of state under tuition programs for border areas of the State.

scholarships are also provided for certain students qualifying for the merit based scholarship.

The Department of Education was charged with rulemaking and administration of the program. The Department's duties include developing recommendations for the high school curricula requirements to qualify for a scholarship, making other recommendations on program implementation and compiling annual reports concerning the program in order to inform the Legislature.

### **C. Committee activities**

The Committee met in July and September, 2006. At both meetings the public was invited to address issues before the Committee. In its July meeting, the Committee first reviewed the rules adopted by the Department of Education to implement the Hathaway scholarship program. This review forms the basis for one bill the Committee recommends.

The 2006 legislation also provided for the development of a high school curriculum or curricula which would be required of future scholarship recipients. The legislation delegated the task of developing proposed curricula to the Department of Education, with recommendations for the curricula and proposed implementation to be provided to legislative committees by October 1, 2006, in order for the Legislature to act in the 2007 general session. The Department assembled a task force, comprised of numerous interested parties to develop recommendations for the State Superintendent. A summary of those recommendations is attached as appendix 1. From the review of the task force recommendations the Committee developed suggested legislation statutorily stating most of the basic components of a success curriculum.

## II. Recommended Legislation

The Committee is recommending three bill drafts for the Joint Education and Joint Appropriations Interim Committees' consideration. While the bills are briefly summarized below, the Committee urges any reader of this report to carefully review the exact language of the bills in order to be fully informed.

### A. Success curriculum – 07 LSO 129.W

The task force recommended only a single curriculum rather than separate curricula for the various scholarships. After discussion and some dissent, the Committee supported this proposition and thus recommends a single required curriculum for all Hathaway scholarships. The full success curriculum requirement addresses five subject areas: math, language arts, science, social studies and study of a foreign language.

**Math** - Four years of math in grades nine through twelve are required. The courses include Algebra 1, Algebra 2, geometry and an additional rigorous math class. A very limited exception is provided to the requirement to take four years of math in grades nine through twelve. Also a limited exception to the fourth math course is provided. The exception would allow a student to take a course reemphasizing the components of Algebra 2 or geometry if the student's ACT score suggests the student has not mastered the subject matter and if the student is counseled to take the course. The Committee believes that a student's success in higher mathematics classes will be limited if the underlying foundation is not mastered. The limitations on when the less rigorous course can be counted are suggested in order to encourage students to take the most challenging courses, if it appears the student is prepared for those courses.

**Language arts** - Four years of language arts in grades nine through twelve are required. The Committee rejected requiring specific classes or grade level classes in this area because the subject matter in language arts classes is often embedded in other language arts classes. Instead the Committee added to the task force's recommendation by requiring that the language arts classes be at the college or industry preparatory level.

**Science** - The science requirement is three years from physics 1 or 2, chemistry 1 or 2 and biology 1 or 2, plus another rigorous science course in grades nine through twelve. Three classes of the six named would be required and the fourth rigorous course could be one of the six named or another rigorous science course. While the Committee discussed requiring at least one class of physics, chemistry and biology, it decided instead that the science requirement could be met by taking only two of the three listed subjects, so long as at least three full year courses are taken from at least two of the named subjects.

**Social studies** - The social studies requirement is three years of social studies in grades nine through twelve. Like language arts, the requirement is specified by subject matter, rather than class titles. The subjects of world history and American history were specified additions of the Committee to the task force recommendations.

Foreign language - The Committee recommends requiring two sequenced years of a foreign language. Here only one of the years must be in grades nine through twelve. This is due to past legislative and education system attempts to increase foreign language curriculum in earlier years, when learning a foreign language might be more readily accomplished. Recognizing that many students will be proficient in multiple languages, a proficiency examination may meet either or both of the years of the foreign language requirement.

### **1. Phase-in of success curriculum**

The task force suggested that there be no phase-in for classes graduating before 2011. The Committee recommends a very modest phase-in requirement. It was the opinion of the Committee that if the State of Wyoming is willing to make a \$400 million investment in Hathaway merit scholarships, students should be willing to meet the phase-in requirements proposed. The requirements are very minimal for those students graduating in 2008 and increase slightly each year until the full success curriculum is required for those students entering grade nine in the fall of 2007. The phase-in requires only courses that any student should be able to take, even without a full four years' notice.

### **2. Qualifying courses**

The task force recommended that remedial courses not be allowed as Hathaway qualified courses. The Committee discussed the issue and other than the mathematics exception noted above, agrees with that recommendation.

As recommended by the task force, and incorporated in the proposed legislation, the courses required for the success curricula must be aligned with the student content and performance standards established by rule and regulation of the state board pursuant to law. An issue which must be resolved is the determination of whether a particular course meets the success curricula requirements. The state superintendent advocated that the school districts should determine and identify those courses which do so. The rules of the Department ultimately assign this function to school districts by requiring school districts to verify individual student compliance with Hathaway success curriculum requirements.<sup>3</sup> While the Committee discussed this general issue and specific motions to establish some type of oversight entity, it adopted no explicit position on the matter.

### **3. Use of state assessments**

Current law requires scholarship recipients to meet specified ACT scores (which by statutory definition includes SAT scores) or Workkeys scores, and grade point averages. The law also required the Department to make recommendations regarding the augmentation of those criteria with standardized state test scores. The task force recommended that the state assessment not be used to augment qualifications until at least two years of data is collected on the state assessment. While the Committee

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<sup>3</sup> The authority of the Department to do so under current statute is discussed under the review of rules below.

discussed whether to integrate the current content areas and proficiencies and the current state assessment, it makes no recommendation to modify the current criteria to incorporate state assessments at this time.

### **B. Student choice - 07 LSO 130.W**

The Hathaway scholarship program is intended to encourage students to challenge themselves and to reward those who meet that challenge. The goals are to increase postsecondary attendance and success at the university and college level. To help reach those goals, the Committee recommends that the success curriculum should be the default course of study for high school students. Students should be able to take a less rigorous course of study but only if they take affirmative steps to do so. Thus the Committee recommends legislation which would require students to enroll in the success curriculum unless the students and their parents or guardians choose to "opt out" of the success curriculum requirements. Students and parents should be fully informed of the consequences of forgoing Hathaway and other scholarship opportunities.

This issue is seen as separate from the adoption of the success curriculum and thus is presented as a separate bill, in order to provide independent debate.

### **C. Hathaway scholarship program amendments - 07 LSO 0131.W**

#### **Hathaway rules**

The Department of Education adopted emergency rules to implement the Hathaway program in March, 2006, immediately after the legislation was effective. Committee staff, working with the cochairmen, provided comments to the Department and the Committee regarding those rules. The Department readopted emergency rules, incorporating nearly all recommended changes, in June, 2006. At its July meeting, the Committee reviewed the readopted rules and the few issues that remained. The following paragraphs outline those issues and the Committee's action.

The first issue discussed was the limited exception allowing those convicted of a felony to qualify for a Hathaway scholarship. The 2006 legislation requires "completion" of all terms and conditions imposed by a court. While the rules reflect the statute, staff brought the issue to the Committee for discussion as to whether the Legislature intended "full completion" or rather "full compliance" with those terms at the time of application. For example, a high school senior placed on five years probation could not have "completed" probation in time to apply for a Hathaway scholarship, although he might be in full compliance with all court ordered terms of that probation. The Committee discussed the issue but does not recommend any action.

The next issue concerned residency requirements. The rules state that "students graduating from an eligible high school are considered as residents for purposes of Hathaway eligibility." Another provision of the rules, which tracks the legislation, states that the colleges and the University will determine residency. Not all graduates from an

eligible high school necessarily will be residents. For example, the student could be a foreign exchange student or could be attending a Wyoming high school from a bordering state based upon a tuition agreement and for all other purposes be a resident of the bordering state. The Committee has advised the Department that it believes the first provision is inconsistent with the law and recommends the Education Committee monitor the issue in the future.

The rules require students attending multiple colleges or a college and the University in the same semester to designate a home institution, and further provide for Hathaway scholarship funds for that student to flow only to the home institution. It appears the law contemplates each institution receiving its pro rata share of those funds under those circumstances. Since the rules reflect the current handling of this issue for other scholarships, the Committee recommends the law be conformed to allow the reimbursement provided by the rules process for these situations. See, 07 LSO 0131.W

Finally, the first set of rules required verification by high schools that students met success curriculum requirements. There may not be statutory authority to impose this mandate. The revised rules provide that high schools "should" verify curriculum requirements. The use of the word "should" is ambiguous and ineffective as far as providing or enforcing any mandate. While the Committee discussed a statutory change that would require school districts to verify compliance with Hathaway curriculum requirements or individual courses, it did not settle on a recommended course of action.

### **III. Funding of the Hathaway Scholarship Program**

The Committee reviewed program funding and expenditures. The Committee makes no recommendations for statutory change, but advises that monitoring is necessary and that changes may be required in the future.

#### **Revenues**

Sustained funding of the Hathaway program is provided through an endowment. 2005 legislation provided for funding the scholarships through earnings from funds deposited into the endowment account. It is anticipated that \$400 million will be deposited into the endowment account to produce at least sixteen million dollars in earnings per year. While there was some argument that investment earnings on the full endowment would exceed that amount, the Committee intentionally took a conservative approach, since enrollment projections were not completely known.<sup>4</sup>

The Committee also noted timing for when the corpus will contain the \$400 million will be dependent upon federal mineral royalty revenues and spending from the school

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<sup>4</sup> The Committee recommended and the Legislature passed 2006 Senate Joint Resolution 4, which if adopted by the voters in the 2006 general election would amend the Wyoming Constitution to allow the creation of inviolate education trust funds. The resolution also would allow additional investment options for these trust funds, which would include Hathaway endowment funds. While this action is expected to increase earnings on those funds, the Constitutional amendment has not been adopted, nor are additional earnings guaranteed.

foundation program account as the law is currently structured. In its initial report, the Committee acknowledged Wyoming's reliance on the minerals industry and its volatile nature. While the endowment might well be fully funded within the next six to eight years, or even earlier, no one knew when or whether that will occur. With historically high revenues available to the State in the 2006 budget session, the Committee recommended a general fund appropriation to the endowment account to complete the funding of that account to a balance of \$400 million dollars.

The Legislature did not make that appropriation. It did provide "start-up" funding for the Hathaway program. Thirteen million five hundred thousand dollars was appropriated to the Hathaway scholarship expenditure account to be used as needed to fund payments to eligible institutions.<sup>5</sup> The remainder is to be deposited in the reserve fund created in the 2006 bill for future years when earnings might not be sufficient to fully fund all Hathaway scholarships. This amount was less than the seventeen million dollars recommended by the Committee for start-up, but still is expected to be sufficient to fund the first two years of the program. If deposits are made as forecast to the endowment account and if earnings are at or above the four percent mark, the initial funding, together with earnings should provide for sufficient funding of the program, assuming expenditures remain within projections.

## **Expenditures**

In order to ensure that promises to Wyoming students would be kept, the Committee adjusted the scholarship amounts and slightly adjusted the eligibility criteria in earlier draft proposals in order to maintain the program's estimated annual cost within the sixteen million dollar projected earnings figure. As the 2006 bill implementing the scholarship levels was structured, Hathaway scholarships were expected to cost the State between four and five million dollars for the first year of the program, less the amount of institutional scholarships committed to prior to the 2006 legislation becoming law. After the program is fully operational, scholarships for four full classes of students are anticipated to cost approximately sixteen million dollars.

In its initial report the Committee noted that as the program matures and better data are available and can be used to forecast expenditures and revenues, the Committee fully endorses future increases in the size of the program, including increasing scholarship amounts and modifying eligibility criteria. In fact, future increases are a hoped for goal, so long as the endowment concept is retained and the increases are consistent with a prudent view of maintaining the endowment for future generations.

### **\*\*\* STAFF COMMENTS \*\*\***

**It should be emphasized that the following paragraphs in bold are based solely upon preliminary estimates. The estimates provided had subtracted the institutional scholarships from the Hathaway amounts as required by law for the first year of**

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<sup>5</sup> The Legislature also appropriated \$556,200 from the general fund to the Department of Education and authorized four full-time positions to administer the Hathaway program.

**the program. The dollar figures for the estimates used in the following were arrived at by calculating the head counts for each level of the program by the amount of the full scholarship provided for that level:**

**Honors 421 x \$1,600 (semester) = \$673,600  
Performance 790 x \$1,200 = \$948,000  
Opportunity 504 x \$800 = \$403,200  
Career 120 x \$800 = \$96,000  
Need 314 – actual reported = \$272,746**

**The first payments to the University and colleges suggest that expenditures are very close to what was anticipated. In the first semester, 933 students qualified for a Hathaway scholarship and 902 at a Wyoming Community College, for a total of 1,835. Based upon the various levels of scholarships, \$1,955,773 is estimated to be due the University and colleges after subtracting the institutional scholarships. \$1,236,121 is estimated to be paid to the University and \$ 719,652 to the seven community colleges. Assuming that second semester enrollment stays the same, that amounts to \$\$3,911,546 for the first year. While that is significantly under the five million dollar projected upper limit, it does not account for the fact that Hathaway scholarships for the first year were reduced by institutional scholarships committed to before the 2006 legislation was enacted into law. The 2006 legislation, as recommended by this Committee and as enacted by the Legislature, provided for that reduction for the first year of the program only, recognizing that those institutional commitments were made before anyone knew whether Hathaway scholarships would in fact be available for 2006 fall enrollment. If those institutional scholarship amounts were not deducted, the full cost of the Hathaway scholarships for the first year would have been at estimated \$4,787,092. This figure represents the sum of the number of students qualifying for each level of Hathaway scholarship multiplied by the amount Hathaway scholarship. The full amount of estimated Hathaway need scholarships are also included to reach that total.<sup>6</sup>**

**Assuming no attrition and four years for each level of scholarship, a fully implemented program would cost \$19,148,368 each year.<sup>7</sup> That would require approximately a 4.79% return on the full \$400 million endowment. However, there will be attrition for each class of students and career scholarships are initially for a four semester maximum (with the student able to earn an additional four semesters). At the same time, it is anticipated and hoped that the availability of Hathaway scholarships will result in even more Wyoming high school graduates increase enrollment in Wyoming community colleges and the University.**

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<sup>6</sup> See appendix 6 for estimates provided to the Committee, based upon Department of Education data.

<sup>7</sup> These amounts include only payments to the institutions for Hathaway scholarships, they do not included administrative costs; see note 5, supra.



While increased post-secondary enrollment and better than anticipated performance in high school are both positive results, the Committee again urges caution in order to ensure that promises made are promises kept. The Legislature should maintain appropriate scholarship eligibility criteria and levels to be consistent with earnings from the fully funded endowment amount.

## **Summary**

The Hathaway scholarship program has begun. Wyoming leaders have taken a decisive step to invest in Wyoming's citizens. Hathaway scholarships come filled with great potential for individual Wyoming students and for the State of Wyoming. Because the program is so critical to Wyoming's future, the Committee urges the Wyoming Legislature to monitor its progress, make appropriate improvements and prudently expand the program as the conditions of the State allow.

The Committee again extends its sincere appreciation to persons attending Committee meetings and volunteering their time and expertise to help the Committee. The Committee extends its congratulations and appreciation to the Wyoming Legislature. The foresight in establishing an endowment based scholarship program is once again to be commended. The enactment of legislation establishing the Hathaway program in the 2006 session with only minor amendments is appreciated. The department of education, Wyoming school districts, the University of Wyoming and Wyoming community colleges all should be congratulated on implementing a statewide scholarship program within a matter of months. It was a historic accomplishment benefiting both Wyoming students and the future of the State.

Respectfully submitted on behalf of the Education Merit Scholarship Committee this \_\_\_\_\_ day of September, 2006.

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Senator Tex Boggs  
Cochairman

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Representative Steve Harshman  
Cochairman