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Bill Analysis

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Primary Sponsor: Sen. Schuring

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SUMMARY

Workforce Scholarship Program

- Establishes the Workforce Scholarship Program to award scholarships to students enrolled in one of five public or private institutions selected by the Chancellor of Higher Education who are pursuing a degree, certification, or license that is required to be employed in a job considered to be an in-demand job.
- Terminates the Program on December 31, 2023.
- Caps each scholarship awarded at \$5,000, not to exceed 75% of the cost of tuition per year, and distributes the largest portion of the scholarship at the end of the student's academic program.
- Requires the Chancellor to develop a system of metrics for collecting information regarding scholarships awarded, conduct a dynamic scoring of the taxes generated from the in-demand jobs in which the scholarship recipients became employed, and perform a cost-benefit analysis of program costs against scholarship recipients' earnings.
- Requires the Chancellor to submit a report to the Governor and General Assembly describing the results of the system of metrics, scoring, and analysis by December 31, 2022.
- Requires the Chancellor to issue a request for proposals to coordinate and conduct the promotion of the Program within a 50-mile radius of each of the five public or private institutions selected for participation in the Program.
- Requires at least one school counselor at each public and chartered nonpublic school within a 50-mile radius of each of the five public or private institutions selected for participation in the Program to (1) inform students of the Program and (2) promote the Program in accordance with guidance developed by the Department of Education.

Tax credits for scholarship recipients and employers

- Authorizes a nonrefundable income tax credit equal to 10% of student loan repayments by an individual who received a Workforce Scholarship and is employed in an in-demand job in Ohio.
- Applies the credit to the first five taxable years after the individual completed the credential for which the scholarship was awarded.
- Authorizes a nonrefundable tax credit equal to 10% of the wages paid by a business to a graduate of the Workforce Scholarship Program who is employed in an in-demand job in Ohio.
- Applies the credit to the first ten semiannual periods following the graduate's completion of the credential.
- Allows the wage credit to be claimed against the income tax, the commercial activity tax (CAT), the financial institutions tax (FIT), the petroleum activity tax (PAT), or the premium taxes on foreign and domestic insurance companies.

Appropriation

- Makes an appropriation.

DETAILED ANALYSIS

Workforce Scholarship Program

The bill establishes the Workforce Scholarship Program. Under the Program, the Chancellor of Higher Education must award grants to students who are enrolled in one of five public or private post-secondary institutions selected by the Chancellor to pursue a degree, certification, or license that is required for an in-demand job, as determined under current law. In accordance with that current law, the Governor's Executive Workforce Board must develop, in connection with the Department of Job and Family Services, and public and private institutions, a methodology for identifying jobs that are in demand in Ohio. For purposes of the program, a qualifying institution is any state institution of higher education, a private nonprofit college or university, or an Ohio technical center recognized by the Chancellor.¹

Scholarship award limits, distribution, and restriction

Under the bill, a scholarship is awarded to an eligible student for the period of time the student takes to complete a qualifying degree, certification, or license. The annual maximum award available to each eligible student is \$5,000, but the scholarship cannot exceed 75% of the cost of tuition during an academic year. A student receiving a scholarship is given the largest

¹ R.C. 3333.93(A) and (B).

portion of the scholarship as the student is completing the academic program and seeking an in-demand job.

A public or private institution is prohibited from using scholarship moneys dispersed under the Program to underwrite a tuition increase.²

Rules

Under the bill, the Chancellor must adopt rules regarding the operation of the Program, including all of the following:

- Application procedures;
- A method for selecting scholarship recipients that considers both the student's financial need, including other sources of income and financial aid, and an analysis that the student is pursuing a qualifying degree, certification, or license;
- Milestones necessary to continue receiving a scholarship, including participating in an internship or cooperative that requires the degree, certification, or license for employment or spending 30 to 90 days in a workplace that requires the degree, certification, or license for employment;
- Other requirements a scholarship recipient must complete, including a curriculum that includes skills needed by employers and counseling on student loan management and how to minimize student loan debt;
- The method for determining scholarship distribution, including the amount of scholarship disbursements and a schedule for making scholarship disbursements;
- Establishing a procedure for a public or private institution to take disciplinary action against a scholarship recipient who fails to continue in an academic program leading to a qualifying degree, certification, or license after receiving a scholarship, including determining appropriate reimbursements.³

Program termination

The bill terminates the Program on December 31, 2023. An eligible student who has been awarded a scholarship prior to the date the Program is terminated must receive the remainder of the scholarship until the student completes a qualifying degree, certification, or license.⁴

² R.C. 3333.93(C).

³ R.C. 3333.93(D).

⁴ Sections 3 and 8.

Promotion of the Program

Request for proposals for promotion of the Program

The bill requires the Chancellor to solicit proposals to coordinate and conduct the promotion of the Program within a 50-mile radius of each of the five public or private institutions selected for participation in the Program through a request for proposals (RFP). For two consecutive weeks before accepting proposals, the Chancellor must advertise the intent to request proposals in a newspaper of general circulation and include a general description of the subject of the proposed agreement and the location where the RFP may be obtained.

The RFP must include the following information:

1. Instructions concerning the submission of proposals;
2. Information regarding communications;
3. A description of the performance criteria that will be used to evaluate a proposal;
4. The relative importance of each evaluation criterion;
5. Any terms or conditions of the proposed contract.

The Chancellor must evaluate submitted proposals after the date specified for receiving proposals. During the evaluation process, the Chancellor may discuss a respondent's proposal with that respondent to clarify or revise a proposal or the terms of agreement. After reviewing the proposals, the Chancellor may enter into a written agreement with one of the respondents to administer the promotion of the Program.⁵

Promotion by school counselors

The bill requires at least one school counselor at each public and chartered nonpublic school within a 50-mile radius of each of the five public or private institutions selected for participation in the Program to do both of the following:

1. Inform students of the Program;
2. Promote the Program in accordance with guidance developed by the Department of Education.

The Department must identify these schools and inform them of these requirements.⁶

Program report

The bill requires the Chancellor to do all of the following:

1. Develop a system of metrics showing both the total number of scholarships awarded to eligible students and the number of scholarship recipients who became employed in an

⁵ R.C. 3333.93(E).

⁶ R.C. 3333.931.

in-demand job during the 12-month period following the completion of a qualifying degree, certification, or license;

2. Conduct a dynamic scoring of the taxes generated from the in-demand jobs in which scholarship recipients became employed; and
3. Perform a cost-benefit analysis comparing the Program costs against both the dynamic scoring of taxes and the earnings generated by scholarship recipients.⁷

The Chancellor must submit a report to the Governor and General Assembly describing the results of the system of metrics, scoring, and analysis by December 31, 2022.⁸

Tax credits for scholarship recipients and employers

The bill authorizes two new tax credits in connection with the Workforce Scholarship Program. The credits are contingent on the employment of individuals who “graduate” from the Program – (that is, individuals who complete the degree, certification, or license for which the scholarship was awarded). The first is a personal income tax credit for the graduate based on student loan payments made while working at an in-demand job in Ohio. The second is a credit for the business that employs the graduate based on wages paid for working at that in-demand job. Both credits are nonrefundable and are limited to the first five years following graduation.

Graduate credit

The personal income tax credit for a graduate of the Workforce Scholarship Program equals 10% of the amount of principal and interest paid by the graduate during the taxable year on an eligible student loan. The bill defines “eligible student loan” as an education loan used to pay tuition and expenses required to earn the degree or other credential for which the graduate received a Workforce Scholarship. An education loan does not qualify as an eligible student loan if it is combined with other debt.

The credit is conditioned upon the graduate obtaining employment at an in-demand job that is subject to Ohio income tax withholding. It is available only for taxable years in which the graduate is so employed, and only during a “qualifying period,” which includes the first five taxable years that end at least four months after the graduate’s completion of the credential. The credit is nonrefundable but, if it is not fully used in any one year, the excess may be carried forward and applied against the graduate’s tax liability in future years.⁹

Employer credit

The credit for a business that employs a Workforce Scholarship graduate equals 10% of the wages paid to the graduate employed in an in-demand job during an “application period”

⁷ R.C. 3333.93(F)(1) to (3).

⁸ R.C. 3333.93(F)(4).

⁹ R.C. 5747.77, 5747.02, 5747.08, and 5747.98(A)(18).

conducted by the Chancellor of Higher Education (see below). It may be claimed against the income tax, the commercial activity tax (CAT), the financial institutions tax (FIT), the petroleum activity tax (PAT), or the premiums taxes on foreign and domestic insurance companies.

The bill requires the Chancellor to conduct two application periods each year. The first covers wages paid from January through June, and the second covers wages paid from July through December. For the purpose of the credit, “wages” is defined broadly as the amount of wages subject to the federal Medicare tax. Under federal law, this amount includes all compensation for employment including most taxable benefits and before taking any pretax deductions. Only wages that are subject to Ohio income tax withholding and that are earned in one of the first ten full application periods following the graduate’s completion of the credential qualify for the credit.

To obtain the credit, the business must apply to the Chancellor for a tax credit certificate. The application may include more than one graduate employee so long as the Chancellor can determine the amount of wages paid to each graduate. The credit is nonrefundable but any excess may be carried forward and applied to future tax periods until it is fully utilized. The bill allows for distribution of the credit among the equity owners of a pass-through entity, but a credit may not be claimed by both the entity and an equity owner on the basis of the same application.¹⁰

Appropriation

The bill appropriates \$5 million in each of FY 2020 and FY 2021 for Workforce Scholarships and up to an additional \$750,000 each fiscal year to the Department of Higher Education for coordination and promotion of the Program. It also makes a separate appropriation of \$250,000 each fiscal year to the Department of Education for its duties in promoting and supporting the Program.

History

Action	Date
Introduced	03-13-19

S0109-I-133/ts

¹⁰ R.C. 3333.932, 5725.98, 5726.98, 5729.98, 5747.02, 5747.98(A)(17), and 5751.98; *See also*, 26 United States Code 3121(a).