



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** H.B. 464 of the 131st G.A.  
(L\_131\_1638-3)

**Date:** November 28, 2016

**Status:** In House Armed Services, Veteran Affairs,  
and Public Safety

**Sponsor:** Reps. Terhar and Brinkman

**Local Impact Statement Procedure Required:** No

**Contents:** Ohio National Guard Scholarship repayment liability for recipients that enlist in the U.S. Armed Forces

### State Fiscal Highlights

- The bill eliminates repayment liability for an Ohio National Guard (ONG) Scholarship recipient who fails to complete the recipient's term of enlistment in the ONG due to enlistment in the U.S. Armed Forces. Accordingly, the bill reduces, by an uncertain amount, potential collections associated with individuals who receive the ONG Scholarship but do not complete the term of enlistment.
- The bill also applies retroactively to an ONG Scholarship recipient who became liable for repayment on or before September 30, 2016 because of enlistment in the active component, or an active reserve component, of the U.S. Armed Forces. As a result of this provision, collections from individuals who are currently repaying scholarship funds will be reduced and state expenditures will increase in FY 2017 and FY 2018 to refund moneys previously recovered from qualifying scholarship recipients under current law, as required by the bill.

### Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

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## Detailed Fiscal Analysis

### Background

The Ohio National Guard (ONG) Scholarship Program provides tuition assistance to individuals who enlist, extend, or re-enlist in the ONG for a six-year period. The scholarship program pays 100% of a student's tuition at state-supported post-secondary institutions, and an amount equivalent to the average state-assisted award for students enrolled in private post-secondary institutions. The scholarship

program is jointly overseen by the Department of Higher Education (DHE) and the Adjutant General. The scholarships are funded by the GRF through line item 235599, National Guard Scholarship Program, in DHE's budget.<sup>1</sup>

Currently, a scholarship recipient who does not complete the full six-year term of enlistment in the ONG is liable to the state for repayment of a pro rata portion of the scholarships paid on behalf of the recipient, plus interest. Prior to FY 2012, a scholarship recipient who enlisted in the active component, or an active reserve component, of the U.S. Armed Forces was exempt from incurring such liability for repayment. H.B. 153 of the 129th General Assembly removed this exemption so that, currently, Ohio law allows for repayment liability exemptions only if the recipient is unable to complete the recipient's term due to death or discharge from the ONG due to disability. The Attorney General, on behalf of DHE, may commence a civil action to recover repayment amounts for which a scholarship recipient is liable.

## **The bill**

### **Repayment liability**

The bill eliminates repayment liability for an ONG Scholarship recipient who fails to complete the recipient's term of enlistment in the ONG due to enlistment in the active component, or an active reserve component, of the U.S. Armed Forces for a term not less than the recipient's remaining term in the ONG. Furthermore, the bill applies retroactively to an ONG Scholarship recipient who became liable for repayment on or before September 30, 2016 because of enlistment in the active component, or an active reserve component, of the U.S. Armed Forces. Specifically, the bill both eliminates future repayment liability for qualifying scholarship recipients that are currently repaying amounts owed and, within a year after the effective date of the bill, requires the state to refund any scholarship amount already repaid under current law.

Accordingly, the bill reduces potential collections associated with individuals who received or will receive the ONG Scholarship but did not or will not complete the term of enlistment. State expenditures will increase in FY 2017 and FY 2018 to refund qualifying scholarship recipients for any scholarship payments recovered under current law. The magnitude of the bill's fiscal effect is uncertain, as the ONG Scholarship Program office does not maintain information on the number of scholarship recipients who do not complete their ONG enlistment. As such, it also does not track how many active duty and reserve members of the U.S. Armed Forces currently have to repay the scholarship. Once the scholarship program office processes a debt, it is referred to the collections department of the Ohio Attorney General's Office. As a result, there may

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<sup>1</sup> In addition, Fund 5BM0 line item 235623, National Guard Scholarship Reserve, is funded from the unexpended balances of prior-year GRF appropriations from line item 235599 and is used to provide scholarships when line item 235599 has insufficient funds available to make all ONG Scholarship award payments.

also be some administrative cost incurred to identify scholarship recipients that qualify for a refund.

The Ohio Attorney General's Office was able to provide information about the total number of debts and total amount of debts that were referred to it by the ONG Scholarship Program office for collections between FY 2010 and FY 2016. This information is provided in the table below. The provision of H.B. 153 took effect in FY 2012.

<b>ONG Scholarship Collections Certified by Attorney General, FY 2010-FY 2016</b>			
<b>Fiscal Year</b>	<b>Number of Certifications</b>	<b>Total Amount of Certified Debt</b>	<b>Total Scholarship Expenditures</b>
2010	43	\$78,336	\$15,138,429
2011	207	\$464,094	\$14,957,200
2012	111	\$310,346	\$14,839,609
2013	68	\$212,450	\$14,556,355
2014	145	\$420,049	\$18,277,706
2015	63	\$171,900	\$17,399,542
2016	60	\$289,780	\$18,941,374

#### **Disclosure requirement**

The bill requires the Adjutant General to develop and provide a written explanation that informs all eligible scholarship recipients that the recipient may become ineligible for future scholarship payments and liable for repayment for an amount of the scholarship payments received. This provision may slightly increase the Adjutant General's costs to administer the Scholarship Program.

## Synopsis of Fiscal Effect Changes

The substitute bill retroactively eliminates repayment liability for an ONG Scholarship recipient who became liable for repayment on or before September 30, 2016 because of enlistment in the active component, or an active reserve component, of the U.S. Armed Forces and requires the state, no later than one year after the effective date of the bill, to refund any scholarship amounts recovered from qualifying recipients. The As Introduced (previous) bill only applied prospectively. Therefore, compared to the previous bill, the substitute bill heightens the reduction in collections and increases state expenditures to refund qualifying scholarship recipients for any scholarship payments recovered under current law. There may also be some cost incurred to identify scholarship recipients that qualify for a refund.

The substitute bill also adds the requirement that the Adjutant General develop and provide a written explanation of benefits to all eligible Scholarship recipients. This disclosure requirement may slightly increase the Adjutant General's costs to administer the Scholarship Program compared to the previous bill.