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Office

H.B. 2
133rd General Assembly

Fiscal Note & Local Impact Statement

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Version: As Reported by House Finance

Primary Sponsors: Reps. Cross and Lepore-Hagan

Local Impact Statement Procedure Required: No

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Highlights

The bill establishes three new workforce development programs to be overseen by the Development Services Agency (DSA) and provides \$17.5 million in GRF appropriations in each of FY 2020 and FY 2021 for them as follows:

- **TechCred Program** – \$12.3 million per fiscal year to reimburse employers for costs of training current or prospective employees in receiving a microcredential;
- **Individual Microcredential Assistance Program** – \$2.5 million per fiscal year to provide grants to individuals to pay for the costs of training to earn a microcredential; and
- **Sector Partnerships Program** – \$2.5 million per fiscal year to support industry and regional partnerships across the state, including a grant program to develop the partnerships and promote the mission of each type of partnership.
- **Workforce development program marketing** – the bill requires DSA to use the remaining \$200,000 in appropriations in each fiscal year to market the workforce development programs noted above.

Detailed Analysis

TechCred Program

The bill creates the TechCred Program to reimburse employers for training costs for incumbent or prospective employees to earn a microcredential. The bill provides GRF funding of \$12.3 million in each of FY 2020 and FY 2021 for this purpose, allocated among three tiers: (1) \$4.1 million for businesses with 50 or fewer employees, (2) \$4.1 million for businesses with between 51 and 200 employees, and (3) \$4.1 million for businesses with 201 or more employees. The bill allows DSA to seek Controlling Board approval to reallocate any unused

funding for employer training reimbursements between the tiers if the annual funding in one or two of the other tiers has been fully used.

The bill allows employers to receive from \$500 to \$2,000 per employee earning a microcredential under the program. The bill defines “microcredential” as an industry-recognized credential or certificate that an applicant may complete in not more than one year. DSA must collaborate with the Department of Higher Education (DHE) and the Governor’s Office of Workforce Transformation to develop the program. DHE would be required to adopt rules establishing a list of eligible training providers and identifying qualifying microcredentials under the program. The bill requires DSA to consider certain factors in approving applications, including the cost of training, regional diversity of awards, and the employee’s estimated wage growth, among others.

Individual Microcredential Assistance Program

In addition to the employer training reimbursements offered under the TechCred Program, the bill creates an Individual Microcredential Assistance Program to provide grants to eligible individuals to pay for the costs of training to earn a microcredential. The bill provides \$2.5 million in GRF funding for this purpose in each fiscal year. DSA is required to provide a database on the program page website showing eligible microcredentials and training programs, searchable by zip code, among other information. Other program terms are the same as or similar to the TechCred Program.

The bill provides a deduction under the state personal income tax (PIT) for payments made to cover the cost of training programs to earn a microcredential. The effect of the deduction is to prevent the taxable income of a program participant from increasing due to this assistance program. Considering the bill as a whole, because it both creates an income source and allows the resulting income to be deducted, there is no effect on PIT revenue.

Sector Partnerships Program

The bill also creates the Sector Partnerships Program and provides GRF funding of \$2.5 million in each fiscal year for this purpose. This initiative aims to promote two types of workforce development partnerships: (1) an Industry Sector Partnership, which is a collaboration among groups of businesses in the same industry, workforce development entities, educational institutions, and others within a region to address the industry’s specific workforce needs, and (2) a Regional Sector Partnership, which is a collaboration of multiple industry sector partnerships that have a goal of meeting human resources needs of a region or statewide.

The bill requires DSA to work with the Governor’s Office of Workforce Transformation to develop a grant program to support both of these types of partnerships. The uses of the grant could include (1) hiring employees to coordinate partnership activities, (2) developing curricula or other educational resources, (3) marketing the partnerships and opportunities the partnership creates for workforce development activities, and (4) any other activity DSA has approved in rules governing the grant program.

Marketing and other operating costs

The bill requires DSA to spend \$200,000 of the GRF appropriations in each of FY 2020 and FY 2021 to market these workforce development programs. In addition to the marketing

program, presumably some of the \$17.5 million in total appropriations in each fiscal year will be used to oversee the implementation of the workforce training programs created under the bill, but it may be that other administrative costs would be covered by other sources under the DSA budget. It is likely that several new employees would need to be hired to oversee the programs created by the bill, including program managers and research analysts.

Finally, the bill requires DSA to submit an annual report to the General Assembly that includes information on the programs and relevant operating statistics, such as the average change in annual wages paid to employees assisted under the microcredential programs, lists of microcredential training providers and microcredentials received, microcredential completion rates, microcredential demographics, and regional and statewide employment changes, among others. The annual report is due on August 1 of each year.