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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

**S.B. 166**  
**134<sup>th</sup> General Assembly**

## **Fiscal Note & Local Impact Statement**

[Click here for S.B. 166's Bill Analysis](#)

**Version:** As Reported by Senate Primary and Secondary Education

**Primary Sponsor:** Sen. Reineke

**Local Impact Statement Procedure Required:** Yes

Ruhaiza Ridzwan, Senior Economist, and other LBO staff

### **Highlights**

- The Employers Providing Work-Based Learning Pilot Program creates a discount on workers' compensation premium rates for participating employers for the two-year term of the pilot program. The fiscal impact of this pilot program will vary based on the discount rate and level of student and employer participation.
- Authorizing an income tax withholding credit for employers equal to 15% of the taxes withheld from wages paid to a student participating in a career-technical education program would decrease state personal income tax (PIT) revenue, likely by less than \$1 million per year. The actual PIT revenue loss may be higher or lower than \$1 million, depending on the actual number of employed students participating in career-technical education programs, and their actual compensation related to such employment. PIT revenue is deposited into the GRF, but a portion (1.66% in codified law) is transferred subsequently to each of the Local Government Fund and the Public Library Fund.
- Affected joint vocational school districts (JVSDs) will gain revenue due to the bill's provision requiring JVSDs to be compensated like a traditional school district for the loss of tax revenue as a result of a tax exemption for the construction or remodeling of commercial or industrial property located within a community reinvestment area, depending on the specific compensation agreement.
- The bill requires the creation of a grant program to improve or expand career-technical education programming and a program to establish financial incentives for businesses to provide work-based learning experiences for students. The amount of state funding provided to recipients will depend on program guidelines, procedures, and appropriation levels.

## Detailed Analysis

### Financial incentives for work-based learning experiences

#### Employers Providing Work-Based Learning Pilot Program

The bill establishes the Employers Providing Work-Based Learning Pilot Program, which creates a discount on workers' compensation premium rates for participating employers for the two-year term of the pilot program. The Administrator of the Bureau of Workers' Compensation (BWC),<sup>1</sup> subject to the approval of the BWC Board of Directors, will determine a discount on premium rates for employers providing work-based learning experiences for students enrolled in an approved career-technical education program.

According to a BWC official the BWC provisions in the bill would have no measurable financial impact to the workers' compensation system.

The estimated amount of discount from eligible employers' workers' compensation premium rates would depend on the actual discount approved by the BWC Board, but potential discounted amounts are illustrated below. The illustrative estimates are based on the Census Bureau's American Community Survey (ACS) data and the total number of students who were concentrators in a career-technical education pathway, the latest available BWC data related to the private employer average collectible rate, and assumptions related to potential discounts. Based on ACS data, approximately 113,352 high school students annually worked in the state during recent years and their estimated total earnings were about \$481.4 million per year with average annual earnings of \$4,247 per student. Additionally, based on a report, *CareerTech Ohio Fact Sheets*, prepared by the Ohio Department of Education, a total of 87,071 students were concentrators in a career-technical education pathway, apparently during FY 2020. In addition, as of July 1, 2020, the private employer average collectible premium rate was 67¢ per \$100 of covered payroll. Actual discounted amounts for an eligible employer would depend on the discount structure approved by the BWC Board, including the eligible employer's industry classification, the number of eligible students participating in the pilot program, and the eligible students' wages.

To illustrate the estimated dollar amount of a discount for eligible employers, LBO staff used the following two scenarios. Scenario 1: Assuming the BWC Board approved a discount of 5% per eligible employer that employed up to two eligible students and such eligible student received \$4,247 in wages per year, the estimated discount for such employer would be about \$2.85 per year;<sup>2</sup> the estimated discount statewide would likely be about \$124,000 per year. Scenario 2: If the discount for an eligible employer that hired up to two eligible students was 10% and such eligible students each received \$8,494 in wages per year (i.e., double the average annual

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<sup>1</sup> The bill requires the BWC Administrator, not later than the date on which the pilot program expires, to prepare and submit to the President of the Senate and the Speaker of the House of Representatives a report that includes certain information, including names of employers that participated in and received a discount on premium rates under the pilot program and the amount of such discount.

<sup>2</sup> The calculation is  $\$2.85 = 5\% \times (\$4,247 / \$100) \times 67\% \times 2$ . The statewide calculation is  $\$124,000 = \$2.85 \times (87,071 / 2)$ .

earnings above), the estimated discount for such employer would be about \$11.38 per year, and the estimated discount statewide would likely be about \$495,000 per year.

The bill also establishes that an insurance company cannot increase an employer's premium rate solely because the employer provides a work-based learning experience under the program. The fiscal impact of the pilot program will vary based on the discount rate and level of student and employer participation.

BWC is an exclusive workers' compensation provider in the state, as opposed to private insurers providing the coverage. Currently, all employers with one or more employees are required to have workers' compensation coverage through BWC policies, unless such employer has sufficient financial and administrative resources and thus qualifies to be self-insured. Based on a report, *2019 Market Share Reports for Property/Casualty Groups and Companies and Countrywide*, prepared by the National Association of Insurance Commissioners in 2020,<sup>3</sup> in 2019 total direct premiums related to all workers' compensation policies in Ohio amounted to \$1.347 billion. Of the statewide total direct premiums, BWC's premiums were \$1.326 billion, accounting for about 98.41% of the state's workers' compensation market share in 2019. The remaining \$21 million of such direct premiums were written by private insurers. Generally, premium rates related to workers' compensation coverage are based on various criteria, including the eligible employer's industry classification, total payroll, type of work performed, and workplace injury claims.<sup>4</sup> However, premium rates are not based on age of employees; thus, premium rates for an employer that employs paid high school students that participate in work-based learning experiences or career-technical education programs are likely not significantly higher than for such employer's regular employees who are performing the same type of work and receiving the same amount of pay from such employer.

### **Income tax withholding credit**

The bill allows an eligible employer to claim a credit against the personal income tax (PIT) withholding amount required to be remitted for eligible students. Under the bill, an employer may claim a credit for 15% of the PIT amount to be withheld from an eligible employee's wages, where an eligible employee is a student under age 20 enrolled in an approved career-technical education program, and employed by the employer in fulfillment of a work-based learning experience, internship, or cooperative education program associated with that career-technical education program. The bill specifies that the amount allowed as a credit to an employer is considered to have been remitted for purposes of reporting the PIT deducted and withheld from the employee's compensation and for purposes of determining the income tax paid by the employee. The bill also allows the Tax Commissioner to require an employer that employs an eligible employee to provide any supporting documentation necessary to demonstrate the employer's eligibility for the PIT credit.

LBO staff could not determine the actual magnitude of the fiscal impact of the tax credit due to lack of information related to actual amounts of wages and state income tax withholding

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<sup>3</sup> A copy of the report is available at: [2019 Market Share Reports for Property/Casualty Groups and Companies and Countrywide](#).

<sup>4</sup> A brief explanation of BWC premium rate calculation is available at: <https://www.bwc.ohio.gov/downloads/blankpdf/HowCalcPremRate.pdf>.

for employed Ohio high school students in an approved career-technical education program. However, based on ACS data, the number of students who were concentrators in a career-technical education pathway, and assumptions below, the tax credit is likely to decrease PIT revenue by roughly less than \$1 million per year. The actual PIT revenue loss may be higher or lower than the estimated amount, depending on the actual number of employed students participating in career-technical education programs, and their actual compensation related to such employment.

Based on data derived from the ACS,<sup>5</sup> average weekly earnings of the 113,352 employed Ohio high school students ranged between \$116 and \$248. In addition, in FY 2020, a total of 68,565 full-time equivalent (FTE) students participated in career-technical education programs (33,955 in traditional school districts or community schools and 34,610 in joint vocational school districts); as noted above, the Ohio Department of Education reports a slightly higher figure of 87,071. If similar figures apply to students enrolled in a career-technical education program, the estimated withholding for such students would be between \$1.9 million and \$6.0 million annually;<sup>6</sup> the calculations assumed that those students do not claim any exemption. Because the credit amount is 15% of the amount withheld, the estimated PIT revenue loss related to the proposed tax credit for all eligible employers statewide is likely less than \$1 million per year. The data used for this estimate are not ideal, so the estimate should be viewed as rough. The actual revenue loss may range higher than \$1 million if the program is successful in stimulating teens' and young adults' interest in career-technical education or if average wages for career-technical education students are higher than those for similarly aged workers (or both).

### **Other incentives**

The bill requires the Governor's Office of Workforce Transformation (OWT), in collaboration with the Ohio Department of Education (ODE), the Department of Higher Education (DHE), and JobsOhio to create a program establishing other financial incentives for Ohio businesses providing work-based learning experiences for students enrolled in an approved career-technical program. The amount of state support that participating businesses will receive will depend on the nature of the incentive payments, the degree of program utilization by students and businesses, and appropriation levels if applicable (the bill does not appropriate funds for any additional incentives). The bill may increase the administrative costs of OWT, ODE, and DHE to develop other financial incentives and administer the programs.

These entities may use experience from similar existing programs to create the financial incentive program outlined in the bill. For example, OWT, the Development Services Agency (DSA), and ODE recently developed the High School Tech Internship Pilot Program to provide financial incentives for employers to hire high school interns in technology roles. Under the program, employers will receive reimbursements for part of the cost of providing paid internships to Ohio's high school students or recent graduates 19 years of age and younger in jobs where they gain technological skills and experience. The pilot program will provide reimbursements for

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<sup>5</sup> Source: *2015-19 American Community Survey Public Use Microdata Sample (Ohio)*, prepared by the Office of Research, Ohio Development Services Agency.

<sup>6</sup> The estimates are calculated as follows – for the lower range:  $(87,071 \times \$4,247 \times 0.516\% = \$1.9 \text{ million})$  and the upper range:  $((87,071 \times 26 \times \$1.49) + ((\$248 - \$192.31) \times 2.067\% \times 87,071 \times 26) = \$6.0 \text{ million})$ .

100 internships statewide using \$150,000 in bond proceeds from DSA's Third Frontier Initiative. An intern must be employed for a minimum of 150 hours and be paid at least \$12 per hour. Reimbursements are based on the age of the intern: \$1,250 for interns who are ages 17 years or younger and \$1,000 for interns who are ages 18 or 19. Employers may receive an extra \$100 in reimbursement if they can demonstrate that an intern has earned an industry-recognized credential on the Innovative Workforce Incentive Program list by the time of the reimbursement request.

### **Compensation of JVSDs located in enterprise zones**

The bill requires that a joint vocational school district (JVSD) be compensated at the same rate and under the same terms as a school district when a legislative authority of a municipal corporation or county enters into a compensation agreement with the school district for the loss of tax revenue as the result of a property tax exemption for the construction or remodeling of commercial or industrial property located within a community reinvestment area. This will result in increased revenue for affected JVSDs, the amount of which will depend on the specific compensation agreement.

### **Student Pathways for Career Success Grant Program**

The bill requires ODE to establish a Student Pathways for Career Success Grant Program to provide grants to the lead districts of career-technical planning districts (CTPDs) and Ohio Technical Centers to improve or expand career-technical education programming. The amount of state funding these entities will receive will depend on program guidelines and procedures that will be determined in rules adopted by the State Board of Education and appropriation levels (the bill does not appropriate funds for the program). ODE's administrative costs may increase to establish the program.

### **Driver education course and industry-recognized credential**

The bill provides more options for a high school student to meet graduation requirements by permitting a student to obtain up to one-half unit of credit towards high school elective requirements or an approved industry-recognized credential upon completion of a driver education course offered by the student's school district or through any agency or organization that the district contracts with to offer a driver education course. Students choosing the latter may earn up to two points of credit toward a high school diploma through the workforce readiness graduation pathway (currently, students who select this pathway must earn 12 points of industry-recognized credentials to qualify for a high school diploma). The bill permits a CTPD to use a portion of career-technical education funds to provide a driver education course to high school students enrolled in the district.

The administrative duties of ODE and OWT will increase to assist the Superintendent of Public Instruction's industry-recognized credential committee in updating its list of industry-recognized credentials and licenses that may be used to qualify for a high school diploma to include a driver's license obtained by a student through a driver education course offered by a school district.

Under continuing law, traditional districts and JVSDs may make a driver education and training course available to high school students. High school students may enroll in their district's course, if offered, or a course from a private provider. Driver education and training is

regulated by the Ohio Department of Public Safety. School districts offering driver training and the course instructors must each be licensed.