



Ohio Legislative Service Commission

Mary Turocy

Fiscal Note & Local Impact Statement

Bill: Am. Sub. S.B. 1 of the 130th G.A.

Date: June 19, 2013

Status: As Reported by House Manufacturing and Workforce Development

Sponsor: Sens. Beagle and Balderson

Local Impact Statement Procedure Required: No

Contents: Creates the OhioMeansJobs Workforce Development Revolving Loan Program and makes an appropriation

State Fiscal Highlights

- The bill creates the OhioMeansJobs Workforce Development Revolving Loan Program to be administered by the Chancellor of the Board of Regents (BOR). The program is to provide funds to educational institutions for approved workforce training programs. Up to \$100,000 may be awarded to each such program for interest-free loans to eligible program participants. Loans cannot exceed \$10,000 per individual.
- The bill appropriates \$25.0 million in FY 2014 for the program under the new OhioMeansJobs Workforce Development Revolving Loan Fund (Fund 5NH0). The fund is to be capitalized with a cash transfer of \$25.0 million from the Economic Development Programs Fund (Fund 5JC0) under the budget for BOR.
- Although the Chancellor will have primary responsibility for overseeing the program, the bill permits the Chancellor to designate the Treasurer of State or a third party to act as the loan servicer. As a result, both offices may incur some additional costs for administering this new workforce training loan program, however, a fee will be charged to loan recipients to offset the cost of loan servicing. The bill earmarks up to \$250,000 in each fiscal year of the FY 2014-FY 2015 biennium for Board of Regents administrative expenses, and up to \$250,000 in each fiscal year for Treasurer of State administrative expenses.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Overview

The bill creates the OhioMeansJobs Workforce Development Revolving Loan Program to award funds to educational institutions. Under the program, an institution such as a university or career-technical center may apply to the Chancellor of the Board of Regents (BOR) for approval of a workforce training program. After the Chancellor determines the amount awarded to the institution for the program, which can be up to \$100,000 per program annually, the institution may then award loans to eligible program participants. The loans are to be repaid to the state within seven years, are interest-free until six months after the participant successfully completes the program, and cannot exceed \$10,000 per individual. The bill appropriates \$25.0 million in FY 2014 for the program through the OhioMeansJobs Workforce Development Revolving Loan Fund created under the bill. The bill also appropriates, in FY 2015, any unspent and unencumbered appropriations at the end of FY 2014. The fund is to be capitalized by a cash transfer of \$25.0 million from the Economic Development Programs Fund (Fund 5JC0). Fund 5JC0 received one-time revenue of \$200 million from upfront casino license fees during the FY 2012-FY 2013 biennium.

Although the Chancellor will implement, report on, and manage most of the program as specified in the bill, the Chancellor may designate either the Treasurer of State (TOS) or a third party to serve as the loan servicer. Furthermore, if the Chancellor chooses the TOS as the loan servicer, the TOS may then designate a third party to provide loan services. The bill earmarks up to \$250,000 in each fiscal year to support the new administrative costs in implementing and operating the program for each agency. In addition, loan recipients will be charged fees in order to offset the costs of loan servicing.

Program operation

Role of educational institutions

The bill allows an institution to apply to the Chancellor for approval of a workforce training program. Functionally, the institution's approved program becomes a subprogram under BOR's OhioMeansJobs Workforce Development Revolving Loan Program. The bill allows for more than one type of workforce training program to be established within the same institution. Each of these programs can receive up to \$100,000 annually from BOR. See the LSC Bill Analysis for a more detailed description of the requirements under the OhioMeansJobs Workforce Development Revolving Loan Program, including criteria that the Chancellor must use in evaluating the amounts to be awarded to an eligible educational institution's training program.

Loan terms and repayments

Under the bill, a loan of not more than \$10,000 can be awarded to an individual participating in a workforce training program offered by an educational institution. These workforce training loans are to be interest-free until the earlier of the date that is six months after the participant successfully completes the workforce training program or the date the participant ceases to reside in Ohio. Thereafter, the bill requires that the Chancellor apply an annual interest rate of up to 4.0% on the workforce training loans and establish a loan repayment schedule of up to seven years. These payments would be deposited into the OhioMeansJobs Workforce Development Revolving Loan Fund.

Administrative costs to BOR and TOS

The cost for BOR to implement and operate the OhioMeansJobs Workforce Development Revolving Loan Program will depend on a number of variables, many of which are to be determined by rules prescribed by the Chancellor in establishing the program. There may be, for example, some additional administrative cost to track whether a workforce training loan recipient still resides in the state. The bill requires the Chancellor to prepare an annual report outlining the amount each institution has received under the program in the previous year, including the amount awarded to each individual workforce training program. The report may also include recommendations for legislative changes to improve the program. The Treasurer of State may incur some costs in serving as the Chancellor's agent in making deposits and withdrawals from the OhioMeansJobs Workforce Development Revolving Loan Fund and in servicing the loans, if it is chosen to be the loan servicer.

The bill earmarks up to \$250,000 in each fiscal year to support BOR's administrative expenses in implementing and operating the program and earmarks up to \$250,000 in each fiscal year to support the Treasurer of State's administrative expenses. The bill also allows both the Chancellor and the Treasurer to each certify to the Director of Budget and Management the amount of administrative expenses estimated as a result of implementing and operating the program over the FY 2014-FY 2015 biennium. In addition, the Treasurer of State or the Chancellor (depending on who is chosen to service loans) will establish rules to charge fees to loan recipients in order to offset the costs of loan servicing. Loan fees may not exceed the actual cost of servicing the loans.