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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 242  
135<sup>th</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for H.B. 242's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsors:** Reps. A. Miller and Stein

**Local Impact Statement Procedure Required:** No

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### Highlights

- The bill creates the Armed Forces Reserve Component Scholarship Program (AFRCSP) to provide full-tuition scholarships for eligible reserve members of all military branches enrolled at a public institution of higher education. Costs to the state for the AFRCSP could range from tens of millions to hundreds of millions of dollars, mostly depending on how many reserve members apply for a scholarship and state appropriation levels.
- If the program's future state appropriations are not sufficient to fully fund the scholarships, the Ohio Department of Higher Education must reduce the award level to fit within the appropriation. Public institutions of higher education must cover the reduced amount, either through institutional grants or tuition waivers.

### Detailed Analysis

#### Overview

The bill creates the Armed Forces Reserve Component Scholarship Program (AFRCSP) under the Ohio Department of Higher Education (ODHE) to provide higher education scholarships to eligible reserve members of all military branches. The AFRCSP is nearly identical to the existing Ohio National Guard Scholarship Program (ONGSP), which provides higher education scholarships to all eligible personnel of the Ohio National Guard.<sup>1</sup> Like ONGSP, AFRCSP covers 100% of tuition for students enrolled at public institutions of higher education and an amount equivalent to the average tuition charged by state universities for students enrolled at private

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<sup>1</sup> ONGSP is supported by appropriations of \$18.4 million in FY 2024 and \$19.3 million in FY 2025 from GRF line item 235599, National Guard Scholarship Program, under ODHE's budget.

institutions after other certain federal and Department of Defense educational assistance is applied toward tuition charges. The scholarship is available for up to 12 full-time quarters or eight full-time semesters, equivalent to four years of study. Individuals that have received financial assistance from ONGSP are not eligible for AFRCSP.

The bill provides no appropriations for AFRCSP. However, it requires ODHE and the Office of Budget and Management (OBM) to estimate the program's costs, and report them to the chair of each finance committee of the General Assembly, prior to each new state budget cycle. Since AFRCSP is similar to ONGSP, its appropriations, presumably, will also be made from the GRF. The bill creates the Armed Forces Reserve Component Scholarship Reserve Fund to receive cash in an amount equal to any unused appropriations from the program's GRF line item at the end of the prior fiscal year. The reserve fund will be used to supplement AFRCSP scholarships if GRF appropriations are insufficient in a fiscal year. The bill also creates the Armed Forces Reserve Component Scholarship Donation Fund to consist of any grants, gifts, bequests, and contributions from public and private sources to help support the program. If the program's future state appropriations and these funds are insufficient to fully fund the scholarships, ODHE must reduce the award level to fit within the appropriation. Public institutions of higher education must cover the reduced amount, either through institutional grants or tuition waivers.

## **Fiscal effects**

AFRCSP will likely increase, perhaps significantly so, state costs. These costs could range from tens of millions to hundreds of millions of dollars, depending on the number of reservists who receive a scholarship. In order to estimate how many eligible reservists might apply for, and receive, an AFRCSP scholarship and the potential scholarship costs, we first considered the historic participation rates and costs of Ohio National Guard members in ONGSP. Of the nearly 16,000 total members of the Ohio National Guard, an average of approximately 3,000 members were awarded an ONGSP scholarship each year from FY 2019 to FY 2023, an average annual participation rate of more than 18%. As of September 30, 2022 (the latest year for which we have complete data), the total number of reserve members in all branches of the military stationed in various locations around the world was more than 338,200. About 10,500 of those total reserve members were stationed in Ohio, meaning the rest of any participating reservists likely would attend classes online. Fully online offerings may also be limited to certain programs, which may reduce participation by nonresident reservists. Therefore, the participation rate could be somewhat lower than the 18% participation rate of the Ohio National Guard members.

The table below estimates the costs for reserve applicants based on participation rates of 1%, 5%, and 10% of the estimated total 338,200 reserve members. In each scenario, the estimated number of applicants is multiplied by the average ONGSP scholarship amount from FY 2019 to FY 2023 of about \$6,000. For current ONGSP participants, who presumably reside in Ohio, scholarship awards generally are associated with in-state tuition rates. It is unclear whether AFRCSP scholarship amounts would take into account any out-of-state surcharges for nonresident reservists. If they do, scholarship amounts could be higher than the estimated \$6,000 average award, as most public universities have an out-of-state surcharge for nonresident students. Out-of-state surcharges for online programs, however, vary by institution. For example, a number of public universities charge relatively small out-of-state surcharges for these programs, equating to \$100 to \$300 for a typical academic year. Others, like the Ohio State

University (OSU), may apply the same out-of-state surcharge used for students attending on campus. In OSU's case, the annual out-of-state charge amounted to over \$24,000 in FY 2023.<sup>2</sup>

Nevertheless, as the table shows, the number of potential applicants could generate significant costs for AFRCSP. As points of reference, state costs could range from \$20.3 million if 1% of the total 338,200 reservists participated in AFRCSP to \$202.9 million if 10% of the same population participated. The annual cost for the reservists stationed in Ohio alone, if participating at the same 18% rate as Ohio National Guard members, or 1,900, would be an estimated \$11.4 million.

Estimated Additional Costs for Proposed Armed Forces Reserve Component Scholarship Program (\$ in millions)		
Participation Rate	Estimated Reservists Receiving AFRCSP Scholarships (% x 338,200 Total Reservists)	Estimated Costs (# new recipients x \$6,000 award)
10%	33,820	\$202.9
5%	16,910	\$101.5
1%	3,382	\$20.3

Ultimately, the bill's fiscal effects will depend mainly on the number of reservists who receive a scholarship, but also on the level of scholarship awards for nonresident reservists, the institutions that reservists choose to attend, and state appropriation levels. Generally, if state appropriations are insufficient to meet demand, then ODHE would reduce the amount of a scholarship to less than the full public tuition level in order to fit the appropriation. In this case, each institution would have to cover the reduced scholarship amounts via an institutional grant or a tuition waiver.

Finally, ODHE's administrative costs may increase to implement and operate AFRCSP, including for its reporting requirements under the bill. However, H.B. 33 of the 135<sup>th</sup> General Assembly, the current main operating budget act, appropriates \$1.0 million in each of FY 2024 and FY 2025 from GRF line item 235414, Grants and Scholarship Administration, for ODHE to manage and administer student financial aid programs, including ONGSP.

<sup>2</sup> OSU enrolls the largest number of nonresident students among public universities, accounting for roughly one-quarter of that sector's enrollment of such students in recent years.