



Richard Bloedel

Bill Analysis
Legislative Service Commission

S.B. 157

123rd General Assembly
(As Introduced)

**Sens. Drake, Watts, White, Spada, Prentiss, Oelslager, Schafrath,
Armbruster, DiDonato, Brady**

BILL SUMMARY

Contingent upon the adoption and approval of an authorizing amendment to the Ohio Constitution:

- Provides for the issuance of general obligation bonds, through December 31, 2014, to pay the costs of a program to lend money to eligible Ohio residents who attend an Ohio college or university other than a proprietary school and who are pursuing a degree in a scientific or technological discipline of economic importance to the state.
- Limits the amount of bonds that may be issued to \$25 million for the first 12 months and, for each subsequent 12-month period, \$25 million increased by (1) the percentage increase in tuition and fees at public universities in Ohio for that period and (2) the percentage increase in the number of loan recipients.
- Limits the loans to \$1,000 per academic year (an amount the Board of Regents could increase annually by the average percentage increase in tuition at Ohio public universities) for a full-time student, or half that amount for a part-time student, for not more than four full-time equivalent years of education at a public university in Ohio.
- Requires the repayment of each loan, at 7% annual interest from the date of the loan, within ten years of the last day of eligibility for the loan, but waives repayment if the student is employed in Ohio for five of the six years immediately following graduation and allows the Board of Regents to modify the employment requirement for students who pursue advanced studies.

CONTENT AND OPERATION

Contingent establishment of the Science and Technology Education Loan Program

The bill establishes the Science and Technology Education Loan Program--contingent upon adoption by the General Assembly, and approval by the voters at the general election to be held on November 2, 1999, of a proposal to amend the Ohio Constitution to empower the General Assembly to pass laws authorizing the state to borrow money and issue bonds and other obligations (primarily notes) for the purpose of making loans to Ohio college and university students in scientific and technological disciplines of economic importance to the state (Section 2).

Issuance of general obligations to fund the program

The bill authorizes the Commissioners of the Sinking Fund (consisting of the Governor, Treasurer of State, Auditor of State, Secretary of State, and Attorney General, or any of their designees) to issue and sell--in amounts from time to time authorized by the General Assembly--general obligations for the purpose of financing or assisting in financing the costs of science and technology education loans. These costs include the costs of publicizing, making, and financing the loans, fees, and expenses connected with issuing the obligations, and direct costs of the Commissioners of the Sinking Fund and the Board of Regents related to the loan program. Except for taxes on gasoline to propel motor vehicles and except for fees to obtain a driver's license or motor vehicle registration, the full faith, credit, revenue, and taxing power of the state are pledged to the timely payment of principal and interest due on the obligations. (Secs. 3333.42(E) and 3333.44(A)(1).)

Not more than \$25 million of obligations may be issued and sold during the first 12 months after the effective date of the bill. The limit for each subsequent 12 months is \$25 million increased by (1) the percentage increase of the average cost of qualifying tuition and fees at public universities in Ohio "for that period" and (2) the percentage increase in the number of loan recipients. Both increases are to be as estimated by the Board of Regents. The Commissioners of the Sinking Fund are to provide for "or authorize the manner or agency for determining" the principal maturity or maturities of the obligations (that is, the date when the final cash flow on an issue of obligations is due to be paid). No obligations for the loan program can be issued or sold after December 31, 2014. (Sec. 3333.44(B) and (D).)

Terms of the education loans

The stated purpose of the Science and Technology Education Loan Program is to increase the number of students in scientific and technological disciplines of economic importance to the state and to encourage them to become and remain employed in Ohio after graduation. Under the program, a full-time student can borrow--each academic year for not more than four years--the lesser of (1) \$1,000 or (2) the "qualifying tuition and fees" charged by the college or university in which the student is enrolled. For a part-time student, the maximum loan per academic year is \$500, and the total number of loans cannot exceed the equivalent of four one-year, full-time loans. Each year the Board of Regents may increase these amounts by the percentage increase in the average cost of qualifying tuition and fees at public universities in Ohio. (Sec. 3333.47(A) and (B).) "Qualifying tuition and fees" does not include amounts paid or reimbursed through an employer, scholarship, grant in aid, or other educational benefit program (sec. 3333.42(Q)).

Repayment of a loan is waived for any loan recipient who (1) graduates with a degree in a scientific or technological discipline of economic importance to the state in accordance with a schedule of satisfactory progress and (2) is employed in Ohio for five of the six years immediately following graduation. All other loan recipients must, "within ten years from the last date of eligibility for the loan," repay both the principal and interest, at the rate of 7% per year from the date of the loan. The Board of Regents is authorized to modify the employment requirement for students who pursue advanced studies (not necessarily in science or technology) following graduation. (Sec. 3333.47(E).)

Eligibility for an education loan

To be eligible for a first-time loan under the bill, a new college or university student must have both (1) passed the 12th grade proficiency examination, received a high school diploma or its equivalent, or achieved a high school grade point average of 3.0 on a 4.0 scale, 1200 on the Scholastic Aptitude Test, or 24 on the ACT assessment and (2) formally declared a major in a scientific or technological discipline of economic importance to the state or, if the institution has not yet required such a declaration, declared in writing an intention to major in such a discipline. The Board of Regents is to establish eligibility criteria for a first-time loan to a student who, as of the effective date of the bill, has completed the equivalent of at least one full semester at an eligible institution of higher education. To be eligible to renew a loan, a student must maintain at least a 2.5 grade point average on a 4.0 scale, or its equivalent, and must make satisfactory progress toward a degree in the declared or intended major. (Sec. 3333.47(C) and (D).)

Also to be eligible for a loan, a student must (1) be a resident of Ohio and (2) attend a state university or college, a free-standing state medical school, a community college, technical college, university branch, or state community college in Ohio, or a private, nonprofit college or university in Ohio with a certificate of authorization issued by the Board of Regents. (Sec. 3333.47(B) and (N).) A student enrolled in a proprietary school is not eligible for the loans.

Administration of the program

The Science and Technology Education Loan Program is to be administered by the Board of Regents in accordance with procedures and criteria developed in consultation with representatives of Ohio's colleges and universities and with industry leaders in Ohio in areas of business related to the scientific and technological disciplines for the study of which loans are to be made (sec. 3333.47(A)).

The bill creates two funds in the state treasury for handling money associated with the program: (1) the Ohio Science and Technology Education Fund, which is to receive the proceeds of the bonds that are issued (except for amounts required by the bond resolutions and agreements to be deposited in special funds or amounts deposited in escrow funds for the purpose of refunding outstanding obligations), and (2) the Science and Technology Education Loans Bond Service Fund, from which payments of principal and interest on the bonds, and costs related to "credit enhancement facilities" (any of a number of arrangements--such as lines of credit, insurance, and guarantees--for increasing the security of bondholders), are to be met (secs. 3333.43 and 3333.45(A)).

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	06-22-99	p. 649

S0157-I.123/rss