



H.B. 326

125th General Assembly
(As Introduced)

Reps. Martin, Husted, Brinkman, Willamowski, Gibbs, Blasdel, Raussen, Aslanides, Webster, Trakas, Calvert, Wolpert, Latta, Kearns, Wagner, Barrett, Schneider, Widener, Faber, Seitz, DeWine, Distel, Allen, Peterson, Schmidt, Gilb, G. Smith, Collier, Schaffer, Clancy, Carmichael, Williams, Domenick, Ujvagi, Daniels

BILL SUMMARY

- Creates the Engineering and Science Job Creation and Retention Loan Program for students enrolled in degree programs in engineering, natural sciences, or mathematics that have been determined by the Ohio Board of Regents to lead to job creation and retention in Ohio.
- Requires the Ohio Board of Regents to administer the program.
- States that the purpose of the loan program is to encourage students to accept employment in Ohio following graduation with a degree.
- Establishes a nonrefundable tax credit against the state income tax for loan recipients making payments on loans provided by the Board of Regents under the bill.
- Subject to sufficient appropriations, requires the Board of Regents to annually award up to 7,000 loans of up to \$5,000 to students enrolled in baccalaureate, master's, and doctoral degree programs, and up to 6,000 loans of up to \$2,500 to students enrolled in associate degree programs.
- Establishes loan qualification, application, and disbursement requirements and requires the Board to adopt rules necessary for the implementation of the loan program.
- Establishes the Engineering and Science Job Creation and Retention Loan Fund to be used by the Board to administer the loan program and specifies that the fund is to consist of moneys appropriated to it by the

General Assembly, loan repayments, and contributions made to it by contributors.

- Allows contributors to the loan fund to earmark their contributions for a specific student or for students enrolled in a specific field of study.
- Establishes refundable tax credits against the corporate franchise tax and state income tax for contributors to the loan fund.

CONTENT AND OPERATION

Engineering and Science Job Creation and Retention Loan Program

(R.C. 3333.51 and 3333.52)

The bill establishes the Engineering and Science Job Creation and Retention Loan Program and requires the Ohio Board of Regents to award loans to qualifying students enrolled in degree programs in approved fields of study at Ohio institutions of higher education.¹ The stated purpose of the program is to encourage students to accept employment in Ohio following graduation with a degree in an approved field of study. Implementation of the program is dependent upon sufficient funding by the General Assembly or from private sources. Under the bill, "an approved field of study" includes a field of study in engineering, natural sciences, or mathematics that the Ohio Board of Regents has determined will lead to job creation and retention in Ohio. In determining approved fields of study, the Board must give priority to those related to information technology, power and propulsion, advanced materials, instruments and controls, electronics, and biotechnology and biosciences. A "student" is defined by the bill to mean an individual, of any citizenship status, enrolled at an Ohio institution of higher education in an associate, baccalaureate, master's, or doctoral degree program in an approved field of study.

Tax credit for loan recipients

(R.C. 3333.57, 5747.82, and 5747.98)

In an effort to achieve the stated goal of encouraging students to accept employment in Ohio following graduation, the bill establishes a nonrefundable tax

¹ Under the bill "Ohio institution of higher education" means: (1) a state university or college, or a community college district, technical college district, university branch district, or state community college, and (2) a private college, university, or career school.

credit against the state income tax for any person who received one or more loans provided under the bill and who is making loan repayments. The credit is required to equal the total amount paid by the taxpayer on such loans during the taxable year. The Ohio Board of Regents must issue a certificate to a taxpayer for each year for which the taxpayer is authorized to claim the tax credit. The certificate must indicate the total amount paid by the taxpayer on such loans during the taxable year for which the certificate is issued. A copy of the certificate must be submitted to the Tax Commissioner for the taxable year for which the credit is being claimed. However, failure to submit a copy of the certificate does not invalidate a claim for a credit.

Loan qualification, application, and disbursement requirements

(R.C. 3333.52(B) and 3333.53)

Under the bill, the Board of Regents is required to annually award loans on a competitive basis to qualifying students who apply pursuant to procedures, deadlines, and conditions established by the Board and by the bill. The bill provides that, on an annual basis, up to 7,000 loans in amounts of up to \$5,000 each may be made to students enrolled in baccalaureate, master's, or doctoral degree programs, and up to 6,000 loans in amounts of up to \$2,500 each may be made to students enrolled in associate degree programs. The bill provides that all loans made under the Engineering and Science Job Creation and Retention Loan Program are interest free.

To qualify for a loan, a student must submit an application to the Board of Regents that demonstrates current enrollment or acceptance for enrollment in an Ohio institution of higher education on a full-time basis for the purpose of pursuing a degree in an approved field of study, attainment of a minimum cumulative grade point average in high school comparable to 2.8 on a 4.0 scale, and, if currently enrolled, a status of good standing with the Ohio institution of higher education and maintenance of a minimum grade point average comparable to 2.8 on a 4.0 scale. Further, a student must submit evidence satisfactory to the Board describing how the student's completion of a degree in an approved field of study will lead to creation or retention of jobs in Ohio. All loan applications must be submitted in the form and manner prescribed in rules adopted by the Board under the bill (see "**Rules of the Board**," below), and must be accompanied by any additional materials required by the rules.

Loan proceeds must be disbursed to students in equal amounts over an academic year, in a manner determined by rules of the Board. A student who receives a loan in one academic year has priority to receive additional loan amounts in subsequent academic years, provided the student continues to satisfy the loan qualification requirements established under the bill. The maximum

number of academic years for which a student may receive a loan under the program is two years if the student is pursuing an associate degree, four years if the student is pursuing a baccalaureate degree, and, if the student is pursuing a master's or doctoral degree, the minimum number of academic years prescribed for earning that degree by the Ohio institution of higher education. A student may receive loans under the program toward more than one degree as long as the degrees are not earned concurrently. A student may not receive a loan toward a degree if the student has previously received a loan under the program for another degree of the same level.

Loan repayment and deferments

(R.C. 3333.54)

The bill specifies that the repayment of loan amounts are deferred while a student continues to satisfy the loan qualification requirements established under the bill, and for three months following the student's completion of a degree from an Ohio institution of higher education in an approved field of study. However, if the student has been awarded a subsequent loan under the program for completion of another degree higher than the one just completed, loan repayment will continue to be deferred as long as the student satisfies the loan qualification conditions for that subsequent loan. Further, if, within three months after a loan recipient is awarded a degree from an Ohio institution of higher education in an approved field of study, the recipient enrolls full-time in another institution of higher education in this state, regardless of whether the recipient's new course of study is in an approved field of study, the loan amounts are required to be deferred while the recipient is so enrolled and during the three months after the student ceases to be so enrolled.

A loan recipient who does not qualify for a deferment of loan repayment must repay one-tenth of the total amount of all loans received in the year in which the recipient ceases to qualify for a deferment and must repay one-tenth of such total amount in each year thereafter until the total amount is repaid in full. A loan recipient's obligation to repay a loan awarded under the bill is required to be canceled if the recipient dies or becomes totally and permanently disabled.

Rules of the Board

(R.C. 3333.04 and 3333.58)

The bill requires the Ohio Board of Regents to adopt rules necessary for the implementation of the loan program. Further, the bill authorizes the Board to perform any other administrative functions assigned to the Board by the bill. Rules adopted by the Board must include the definition of "academic year," the

manner in which the Board will determine whether a student's field of study will create or retain jobs in Ohio, and deadlines and procedures for applying for loans.

Creation of and contributions to the Engineering and Science Job Creation and Retention Loan Fund

(R.C. 3333.53(F) and 3333.55)

The bill creates in the state treasury the Engineering and Science Job Creation and Retention Loan Fund and authorizes the Ohio Board of Regents to accept contributions of money from a contributor or from any other source for deposit in the fund. A "contributor" is defined to mean any person, including an S corporation² and limited liability company, that contributes money to the fund. The fund also is to consist of loan repayments and any money the General Assembly appropriates for the purposes of providing loans under the bill. The Board must use all money in the fund for implementation and administration of the Engineering and Science Job Creation and Retention Loan Program.

A contributor may specify that all or a portion of the money contributed by the contributor to the fund be used exclusively for making loans to students enrolled in a specific approved field of study. Further, a contributor to the fund may specify that all or a portion of the money contributed be used exclusively for making one or more loans to a specific student. Any money in the fund that has been earmarked by a contributor for a specific student or for students enrolled in a specific field of study may only be used to make loans to that particular student or to students enrolled in the specific field of study for which the money was earmarked. However, any money earmarked for a specific student who does not satisfy the loan application requirements established under the bill may be loaned to any other student eligible for a loan under the bill. The total amount of money loaned to a student for whom money has been earmarked must not, for any academic year, exceed the maximum loan amount allowed for that student under the bill. A loan to a student that is comprised exclusively of moneys earmarked for that student does not count toward the applicable limitation on the number of loans that the Board of Regents is authorized to award each year. The Board may make one or more loans to a student for whom money has been earmarked in excess of the total amount that has been earmarked for that student, provided that, for any academic year, the total amount of money loaned to the student does not exceed the maximum loan amount allowed for that student under the bill, and a loan to a student in excess of the amount earmarked for the student counts toward

² Under the bill, "S corporation" means a corporation that has made an election under subchapter S of Chapter 1 of subtitle A of the United States Internal Revenue Code for its federal taxable year.

the applicable limitation on the number of loans that the Board is authorized to award each year.

Tax credits for contributions to the loan fund

(R.C. 3333.56, 5733.50, 5733.98, 5747.81, and 5747.98)

The bill creates a refundable tax credit against the corporation franchise tax and the state income tax for persons who contribute to the Engineering and Science Job Creation and Retention Loan Fund. Because each of the credits is refundable, a contributor who qualifies for a tax credit is entitled to a tax refund if the amount of the credit exceeds the contributor's tax liability. In order to qualify for a tax credit under the bill, the Ohio Board of Regents must authorize a contributor to the fund to claim the credit. A tax credit for a contributor must be authorized through a written agreement entered into between the Board and the contributor. The agreement is required to specify all of the following:

- (1) The total amount of the credit to which the contributor is entitled, which is equal to the amount of money contributed by the contributor to the fund;
- (2) Any specific student or any specific field of study for which the contribution is earmarked;
- (3) If the contribution is earmarked for a specific student, the Ohio institution of higher education at which that student is or will be enrolled;
- (4) That the term of the credit is 15 years;
- (5) That the amount of the credit that may be claimed by the contributor for any tax year under the Corporate Franchise Tax Law, or taxable year under the Income Tax Law, must not exceed one-fifteenth of the total amount of the credit.

The Board is required to issue a tax credit certificate to a contributor for each year for which the contributor is authorized to claim a credit under the bill. The certificate must state the amount of the credit and the tax year or the taxable year, as applicable, for which the credit may be claimed. A contributor claiming a tax credit must submit a copy of the tax credit certificate issued by the Board to the Tax Commissioner for the tax year or taxable year for which the credit is being claimed. However, failure to submit a copy of the certificate does not invalidate a claim for a credit.

Selective Service and ineligibility due to certain criminal offenses

(R.C. 3333.38 and 3345.32)

The bill provides that no male born after December 31, 1959, is eligible to receive a loan under the Engineering and Science Job Creation and Retention Loan Program unless he has filed a statement of selective service status with his institution of higher education in compliance with federal military requirements. The bill also prohibits loans to be made to students who have been found guilty of certain criminal offenses related to rioting and disorderly conduct. Under existing law, these offenses also disqualify students from participating in the state's other financial aid programs. Regarding the rioting offenses, the bill corrects an apparent error in a reference to the statute creating the offense.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	11-06-03	p. 1054

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