



# Ohio Legislative Service Commission

## Bill Analysis

Nicholas A. Keller

### Sub. S.B. 1\*

130th General Assembly

(As Reported by S. Workforce and Economic Development)

**Sens.** Beagle and Balderson, Faber, Bacon, Eklund, Gardner, Hite, LaRose, Lehner, Manning, Oelslager, Seitz, Uecker, Widener, Peterson, Obhof

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## BILL SUMMARY

- Creates the OhioMeansJobs Workforce Development Revolving Loan Program and Fund.
- Requires the Chancellor of the Ohio Board of Regents to administer the program and to award funds to specified educational institutions so that the institutions may award loans to participants in approved workforce training programs.
- Requires the Chancellor to give preference to a workforce training program in which an educational institution partners with a business to repay all or part of the program participant's loan or partners with a business that also provides funding for the program over a program that does not have such a partnership.
- Requires the Chancellor to consider a program that has employment opportunities in areas that are in demand, including energy exploration.
- Requires the Chancellor to consider several additional factors in determining whether to award funds to an institution for a workforce training program.
- Requires the Chancellor, in awarding additional funds to educational institutions after the initial funds have been awarded, to give greater weight to the success rate of the institution's program than to any of the other additional factors.

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\* This analysis was prepared before the report of the Senate Workforce and Economic Development Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

- Requires an institution receiving funds under the Program to establish eligibility requirements that a participant in a workforce training program must satisfy to receive a loan.
- Requires an institution to disburse loans of up to \$10,000 each to program participants who satisfy eligibility requirements.
- Requires the Chancellor to adopt rules to prescribe procedures necessary to carry out the Program.
- Requires the Treasurer of State to serve as the Chancellor's agent in making deposits and withdrawals and maintaining the records of the Fund.
- Requires the Treasurer of State, a third party chosen by the Chancellor, or a third party chosen by the Treasurer, to service loans disbursed under the Program.
- Requires the Chancellor to prepare and submit to the Governor, the Speaker and Minority Leader of the House of Representatives, and the President and Minority Leader of the Senate a report outlining the awards made under the Program.
- Makes an appropriation.

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## **CONTENT AND OPERATION**

### **OhioMeansJobs Workforce Development Revolving Loan Program**

The bill creates the OhioMeansJobs Workforce Development Revolving Loan Program for the purpose of assisting with job growth and advancement through training and retraining. The Chancellor of the Ohio Board of Regents must administer the Program and must award Program funds from the OhioMeansJobs Workforce Development Revolving Loan Fund to an "institution."<sup>1</sup> Any of the following entities is an institution for purposes of the bill:

- A state institution of higher education;
- A private career school that holds a certificate of registration from the State Board of Career Colleges and Schools (that is, a for profit private institution or "proprietary school");

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<sup>1</sup> Section 2(B) and (C).



- A private for profit institution (such as DeVry University) that is exempt from such regulation by the State Board of Career Colleges and Schools as prescribed under continuing law;
- A private, nonprofit institution that holds a certificate of authorization from the Ohio Board of Regents (a private university);
- A career-technical center, joint vocational school district, comprehensive career-technical center, or compact career-technical center offering adult training.<sup>2</sup>

The Fund, which the bill creates in the state treasury, is to consist of proceeds from the upfront license fees paid for the casino facilities authorized under Article XV, Section 6 of the Ohio Constitution. The bill appropriates \$25 million in fiscal year 2014 to the Fund and transfers that amount to the Fund from the existing Economic Programs Development Fund, which must be used to fund state economic development programs which support regional job training efforts. The investment earnings of the Fund must be credited to the Fund. The bill also allows the Chancellor and the Treasurer of State to each use up to \$250,000 of the appropriation in each fiscal year for administrative expenses of the Program.<sup>3</sup>

An institution receiving Program funds under the bill must use those funds to award loans to individuals participating in a workforce training program that is administered by the institution and that has been approved by the Chancellor. For purposes of the bill, a workforce training program includes courses, programs, or a degree from an institution, vocational classes offered to adult learners, or any other training program that is designed to meet the special requirements of a particular employer.<sup>4</sup>

### **Preference in awards**

In awarding funds under the Program, the bill requires the Chancellor to give preference to an institution for a workforce training program in which the institution partners with a business that is willing to repay all or part of a program participant's loan or partners with a business that also provides funding for the program over a program that does not have such a partnership. The Chancellor must consider a

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<sup>2</sup> Section 2(A)(1).

<sup>3</sup> R.C. 6301.14 and Section 3; and Article XV, Section 6 of the Ohio Constitution and R.C. 3772.17(A) (not in the bill).

<sup>4</sup> Section 2(A)(2) and (B)(1).



program that has employment opportunities in areas that are in demand, such as energy exploration.<sup>5</sup>

The bill requires the Chancellor to also consider all of the following factors in determining whether to award funds to an institution, to the extent these factors apply to the program:

- The success rate of the workforce training program offered by the institution;
- The cost of the workforce training program based on a comparison of similar workforce training programs offered in Ohio;
- The rate that participants in the workforce training program obtain employment in the field in which they receive training under the program;
- The willingness of the institution to assist a participant in paying the costs of participating in the workforce training program;
- The extent to which the program has demonstrated support from business partners.

After the initial funds are awarded, the bill requires the Chancellor to give greater weight to the success rate of the workforce training program than to the other prescribed factors. However, the greatest weight must be given to an institution's business partnerships for the repayment or funding of the workforce training program.<sup>6</sup>

## **Disbursements**

The bill requires the Chancellor to award Program funds to an institution offering a workforce training program that has been approved by the Chancellor, but the Chancellor may not award an institution more than \$100,000 per year for each approved program. An institution receiving Program funds under the bill must, in consultation with the Board of Regents, establish eligibility requirements that a participant in the workforce training program must satisfy in order to receive a loan. The institution must disburse loans to program participants who satisfy those

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<sup>5</sup> Section 2(B)(2).

<sup>6</sup> Section 2(B)(3) and (4).



requirements. A loan awarded by an institution to a program participant may not exceed \$10,000 per program in which the participant participates.<sup>7</sup>

## Repayment

Except as discussed under "**Rules**" below, under the bill, a loan to a program participant is 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. After the interest-free period, the Chancellor must assess interest on the outstanding principal balance of the loan, at a rate of 4% or less per year. The Chancellor may not assess a 0% interest rate after the interest-free period. The bill also requires the Chancellor to establish a payment schedule of seven years or less after a participant successfully completes the workforce training program.<sup>8</sup>

## Rules

The bill requires the Chancellor to adopt rules in accordance with the Administrative Procedure Act prescribing the procedures necessary for the administration of the Program, including all of the following:

- Application procedures for institutions seeking funds under the Program, including a description of the workforce training program for which the institution intends to award loans and the number of individuals who will be participating in the program;
- Terms for repayment of a loan disbursed under the Program;
- Assessment of interest on a loan for a participant who fails to comply with continuing eligibility requirements, who fails to complete the workforce training program for which the participant received the loan, or whose participation in the program is on a staggered basis;
- A method to determine the amount of funds to be awarded to an institution based on the costs of the workforce training program for which the program participant receives a loan and the number of individuals the institution estimates will participate in the program;
- A procedure for the disbursement of funds to an institution;

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<sup>7</sup> Section 2(C).

<sup>8</sup> Section 2(D).



- The process by which the Chancellor approves workforce training programs under the Program.<sup>9</sup>

## Servicing

The Treasurer of State must serve as an agent of the Chancellor under the bill in the making of deposits and withdrawals and maintenance of records pertaining to the Fund. The bill allows the Chancellor to designate either the Treasurer of State or a third party to service loans issued pursuant to the Program and authorizes the Treasurer of State or the third party to take any actions, enter into any contracts, and execute all instruments that are necessary or appropriate to service loans issued pursuant to the Program. If Treasurer of State is designated as the agent, the bill allows the Treasurer to adopt 111 rules (under R.C. 111.15) to implement this requirement and to designate a third party to serve as an agent of the Treasurer of State in servicing the loans. The bill authorizes the third party designated by the Treasurer of State to take such actions, to enter into such contracts, and to execute all instruments that are necessary or appropriate to service the loans.<sup>10</sup>

## Annual report

The bill requires the Chancellor to prepare and submit a report each year beginning July 1, 2014, to the Governor, the Speaker and Minority Leader of the House of Representatives, and the President and Minority Leader of the Senate that outlines the amount of funds each institution received from the Fund and the amount awarded to each workforce development program during the previous year. The Chancellor also is permitted to include in the report any recommendations for legislative changes to the Program that the Chancellor determines are necessary to improve the functioning and efficiency of the Program.<sup>11</sup>

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## HISTORY

ACTION	DATE
Introduced	02-12-13
Reported, S. Workforce & Economic Development	---

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<sup>9</sup> Section 2(E).

<sup>10</sup> Section 2(F) and (G).

<sup>11</sup> Section 2(H).

