Fiscal Note & Local Impact Statement

123 rd General Assembly of Ohio

BILL: **Am. S.B. 53** DATE: **May 3, 1999**

STATUS: **As Reported by Senate Finance and Financial Institutions** SPONSOR: **Sen. Carnes**

LOCAL IMPACT STATEMENT REQUIRED: **No — Offsetting savings**

CONTENTS: **The bill would grant in-state tuition rates and subsidies at certain public institutions of higher education to residents of contiguous states who are employed in Ohio and whose employers contract to pay their tuition and fees.**

State Fiscal Highlights

STATE FUND	FY 2000	FY 2001	FUTURE YEARS
General Revenue Fund			
Revenues	Minimal increase	Minimal increase	Minimal increase
Expenditures	Minimal increase	Minimal increase	Minimal increase
State Colleges and Universities			
Revenues	Minimal increase	Minimal increase	Minimal increase
Expenditures	Minimal increase	Minimal increase	Minimal increase

Note: The state fiscal year is July 1 through June 30. For example, FY 2000 is July 1, 1999 – June 30, 2000.

- The effect on the Board of Regents' Instructional Subsidy payments to the state's institutions of higher education would be minimal.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Summary of bill

Current law (sections 3345.01, 3354.09, 3355.06 and 3357.09 of the Revised Code) allows community colleges, university branches, and technical colleges to "charge reasonable tuition for the attendance of pupils who are nonresidents of Ohio". However, it also imposes the restriction that "Students who are nonresidents of Ohio shall be required to pay higher rates of fees and tuition than the rates required of students who are residents of Ohio . . .".

The bill would create new language regarding the tuition and fees that these institutions charge for a subset of their nonresident student population: those nonresident students in courses taught under contract with Ohio employers.

Specifically, the bill would add a new section to the Revised Code (section 3333.32) that would provide "resident status" for a student at one of the institutions if the student (1) resides in a contiguous state, (2) is employed in Ohio by a business, organization or government agency located in Ohio and (3) the student's employer contracts with the institution to pay all of the student's tuition without seeking reimbursement from the student.

Further, the institution would be allowed to charge the employer a fixed group rate for tuition and fees under such a contract. The allowed level of this group rate would depend on the compositions of the groups of students taking the courses. In the case of courses in which "only students who are covered by the contract are enrolled", the group rate would be allowed to be less than the institution's per-student resident rate for tuition and fees.

However, in the case of courses in which "students who are not covered by the contract as well as students who are covered by the contract are enrolled", the group rate would not be allowed to be less than the institution's per-student resident rate for tuition and fees.

The bill would also specifically exempt nonresident students taking such contract courses from the requirement that the institution must charge nonresident students higher tuition and fees.

Finally, the bill would specifically exempt nonresident students taking such contract courses from the requirement that the Board of Regents (BOR) exclude all undergraduate nonresidents from the definition of full-time equivalent (FTE) students for state subsidy purposes. Thus, such students would be included in the FTE definition when the BOR calculates an institution's subsidy. This provision should apply to a small fraction of the students covered by the bill.

It should be noted that the BOR has entered into reciprocal agreements with contiguous states whereby financial aid from the funds of each state may be used by qualified students to attend higher education institutions in the other state. However, the language governing such agreements (section 3333.18 of the Revised Code) requires the BOR to ensure that the total cost to Ohio "approximates the total cost to the contiguous state". This reciprocity language would govern the costs incurred under the contracts allowed by the bill.

Fiscal effects of bill

It is estimated that the direct fiscal effect of the change would be minimal. The Board of Regents estimates that the bill would have little effect on the Instructional Subsidy and other expenditures. Any such effect would be incremental and minor and would be phased in over two or five years in the Instructional Subsidy's enrollment calculations (the formula uses the larger of the two-year and five-year enrollment amounts for each institution).

Two other potential effects should be noted. First, the ability to reduce tuition and fees rates for such nonresident students could assist the institutions in their efforts to become more competitive in each two-state higher education market and, therefore, enable them to generate increased interest among Ohio's border employers to make greater use of the institutions' services. Thus, the effect of the reduced rates of tuition and fees might be offset by incremental revenues from additional training contracts. However, since the different institutions have their own (and, probably, different) policies regarding such contracts, especially with respect to the tuition and fees rates they charge, a definitive estimate of the bill's effect on costs, as well as on the amount of new business revenue such a potential rate reduction might generate, would require a survey of the relevant institutions.

Second, the bill might provide some small assistance to the state's economic development. The courses and training provided by the institutions could contribute to the businesses' growth and longevity by enabling them to become more competitive through a better-trained work force.

Other considerations are the following:

(a) Given the fact that most of the relevant employers are near the Ohio border, the application of the bill's provisions would be limited geographically.

(b) Most of the employer-motivated education provided by Ohio's higher education institutions is in the form of non-credit training courses. State subsidy is not provided for non-credit courses. This will further limit the impact on state subsidy cost from the bill.

(c) The bill's provisions would not be applicable to Ohio's public-university main campuses.

(d) The institutions are required to operate on a financially sound basis and would not be expected to incur significant incremental costs without concomitant revenues.

(e) A related effect of the bill would be provided by the current reciprocal-agreement language of section 3333.18, which, as noted above, requires that the cost incurred by Ohio in providing financial aid to students of a contiguous state should approximate the total cost to the other state. Under this requirement, it might be expected that Ohio's students attending higher education institutions in contiguous states would see some, although probably minimal, reduction in their tuitions as a mirror of the reductions afforded by the bill to Ohio nonresidents attending Ohio institutions.

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