



Ohio Legislative Service Commission

Tom Middleton

Fiscal Note & Local Impact Statement

Bill: [S.B. 1 of the 130th G.A.](#)

Date: March 5, 2013

Status: As Introduced

Sponsor: Sens. Beagle and Balderson

Local Impact Statement Procedure Required: No

Contents: Creates the OhioMeansJobs Workforce Development Revolving Loan Program and makes an appropriation

State Fiscal Highlights

- The bill creates the OhioMeansJobs Workforce Development Revolving Loan Program to be administered by the Development Services Agency (DSA). The program is to provide funds to educational institutions for approved workforce training programs. Up to \$100,000 may be awarded to each such program for interest-free loans to eligible program participants. Loans cannot exceed \$10,000 per individual.
- The bill appropriates \$25.0 million in FY 2014 for the program under the new OhioMeansJobs Workforce Development Revolving Loan Fund. The fund is to be capitalized with a cash transfer of \$25.0 million from the Economic Development Programs Fund (Fund 5JC0) under the budget for the Board of Regents.
- Although DSA will have primary responsibility for overseeing the program, the bill requires the Treasurer of State to act as the loan servicer. As a result, both offices will incur some additional costs for administering this new workforce training loan program. These costs will be absorbed within the budgets authorized for each office in the FY 2014-FY 2015 biennium. Overall, the \$25.0 million designated for the OhioMeansJobs Workforce Development Revolving Loan Program is to be used entirely for loans.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Overview

The bill creates the OhioMeansJobs Workforce Development Revolving Loan Program to award funds to educational institutions. Under the program, an institution such as a university or career-technical center may apply to the Development Services Agency (DSA) for approval of a workforce training program. After DSA determines the amount awarded to the institution for the program, which can be up to \$100,000 per program annually, the institution may then award interest-free loans to eligible program participants. The loans are to be repaid to the state within seven years, and cannot exceed \$10,000 per individual. The bill appropriates \$25.0 million in FY 2014 for the program through the OhioMeansJobs Workforce Development Revolving Loan Fund created under the bill. The fund is to be capitalized by a cash transfer of \$25.0 million from the Economic Development Programs Fund (Fund 5JC0) used by the Board of Regents. Fund 5JC0 received one-time revenue of \$200 million from upfront casino license fees during the FY 2012-FY 2013 biennium.

Although DSA will implement and manage most of the program as specified in the bill, the Treasurer of State (TOS) will act as the loan servicer. Both offices will likely incur new administrative costs in implementing and operating the program. These new expenses are to be covered by appropriations provided to DSA and TOS in H.B. 59, the pending main operating budget bill for the FY 2014-FY 2015 biennium. This would leave the \$25.0 million appropriated under S.B. 1 exclusively for workforce training loans.

Program operation

Role of educational institutions

The bill allows an institution to apply to DSA for approval of a workforce training program. Functionally, the institution's approved program becomes a subprogram under DSA's OhioMeansJobs Workforce Development Revolving Loan Program. The bill allows for more than one type of workforce training program to be established within the same institution. Each of these programs can receive up to \$100,000 annually from DSA. See the LSC Bill Analysis for a more detailed description of the requirements under the OhioMeansJobs Workforce Development Revolving Loan Program, including criteria that DSA must use in evaluating the amounts to be awarded to an eligible educational institution's training program.

Loan terms and repayments

Under the bill, an interest-free loan of not more than \$10,000 can be awarded to an individual participating in a workforce training program offered by an educational institution. Specifically, these workforce training loans are to be 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. Thereafter, the bill requires that the Director of Development Services apply an annual interest rate of up to 4.0% on the workforce training loans and establish a loan repayment schedule of up to seven years. These payments would be deposited into the OhioMeansJobs Workforce Development Revolving Loan Fund.

Administrative costs to DSA and TOS

The cost for DSA to implement and operate the OhioMeansJobs Workforce Development Revolving Loan Program will depend on a number of variables, many of which are to be determined by rules prescribed by the Director in establishing the program. There may be, for example, some additional administrative cost of tracking whether a workforce training loan recipient still resides in the state. Additionally, the TOS will incur some costs in serving as DSA's agent in making deposits and withdrawals from the OhioMeansJobs Workforce Development Revolving Loan Fund and servicing the loans.

Nevertheless, the bill allows both the Director of Development Services and the Treasurer to each certify to the Director of Budget and Management the amount of administrative expenses estimated as a result of implementing and operating the program over the FY 2014-FY 2015 biennium. The bill specifies that these certified amounts will be accounted for under the budgets for each agency provided in H.B. 59, the pending main operating budget bill for the FY 2014-FY 2015 biennium. As a result, this presumably leaves the entire \$25.0 million appropriation in FY 2014 in S.B. 1 to be awarded to educational institutions for workforce training program loans to eligible recipients.