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H.B. 514
134th General Assembly

Bill Analysis

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Version: As Reported by House Higher Education and Career Readiness

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SUMMARY

Higher education financial aid

OCOG supplemental grants

- Requires the Chancellor of Higher Education to award supplemental grants to students who are eligible for an Ohio College Opportunity Grant (OCOG) and who meet other prescribed criteria.

Choose Ohio First loan subprogram

- Requires the Chancellor to establish a Choose Ohio First subprogram to make forgivable loans to eligible students.
- Specifies a student participating in the subprogram must receive a first-time loan of \$10,000, but permits the student to apply for additional loans of \$5,000 for each of the three subsequent academic years.
- Requires the Chancellor to forgive a participating student's outstanding loans under the subprogram if, after graduating, the student is an Ohio resident, as follows:
 - One year after graduating, 33% of any outstanding loans;
 - Two years after graduating, 50% of any outstanding loans; and
 - Three years after graduating, any remaining outstanding loans.

Review of residency rules

- Requires the Chancellor to review and update the rules for determining whether a student qualifies for in-state tuition to make it easier for a nonresident student to establish Ohio residency.

Income tax deduction for recent graduates

- Authorizes a graduate from an Ohio institution of higher education to claim an income tax deduction for up to three years on certain post-graduation income.

Intern hiring tax credit

- Authorizes a refundable income or commercial activity tax credit equal to 30% of the compensation paid by an employer to a student intern.

Governor's Executive Workforce Board

- Requires the Governor to appoint a Department of Higher Education employee to the Governor's Executive Workforce Board.

Appropriation

- Makes an appropriation for the OCOG supplemental grants.

DETAILED ANALYSIS

Higher education financial aid

Supplemental Ohio College Opportunity Grants

The bill requires the Chancellor of Higher Education to award eligible students with a supplemental grant in addition to a grant awarded under the Ohio College Opportunity Grant Program (OCOG). The supplemental grant must equal one-half of the amount a student is awarded under OCOG. Supplemental grants are also subject to the same requirements as OCOG awards under continuing law, including the prohibition against a grant exceeding the total state cost of attendance or being made to a student in a religious course of study that does not lead to an accredited undergraduate degree.

To qualify for a supplemental grant, a student must:

1. Be eligible for OCOG;
2. Be making progress toward completing the student's bachelor's degree program; and
3. Have previously completed an associate's degree program at:
 - a. A community college;
 - b. A state community college;
 - c. A technical college;
 - d. A university branch campus;
 - e. Central State University;
 - f. Shawnee State University; or

- g. A private, nonprofit college or university that is not the institution at which the student is enrolled in a bachelor's degree program.¹

Background – Ohio College Opportunity Grants

OCOG is the state's sole need-based financial aid program for higher education students. Continuing law qualifies Ohio residents pursuing undergraduate or nursing degrees in Ohio for OCOG if they have an expected family contribution of \$2,190 or less and a maximum household income of \$96,000. Students also must be enrolled in a state institution of higher education, a private, nonprofit college or university, or a private, for-profit career college.²

For more information about OCOG, please review LSC's Members Brief [Ohio College Opportunity Grant: Q&A \(PDF\)](#), which may be accessed at lsc.ohio.gov.

Choose Ohio First forgivable loan subprogram

Operation

The bill requires the Chancellor to establish and administer a subprogram to the Choose Ohio First Scholarship Program to make forgivable loans to eligible students. Eligible students must apply for loans in a form and manner prescribed by the Chancellor. The Chancellor cannot approve more than 100 applications for a first-time loan in an academic year. The Chancellor must determine a method to select which applications to approve if more than 100 applications are submitted.

For each student approved to participate in the subprogram, the Chancellor must make a first-time loan of \$10,000. A participating student may apply to receive an additional loan of \$5,000 for each of the three subsequent academic years. The Chancellor is expressly prohibited from making loans to a student for more than four academic years. Each student who receives a loan must sign a promissory note payable to the state. The Chancellor must determine the interest rate and period of repayment under the note.

The bill requires the Chancellor to adopt rules in accordance with the Administrative Procedure Act to administer the subprogram. It also states the General Assembly's intent that general revenue fund appropriations used to award Choose Ohio First scholarships must be used to award subprogram loans.³

Eligibility

To be eligible to receive loans under the subprogram, a student must:

1. Be a resident of Ohio or another state;

¹ R.C. 3333.126.

² See R.C. 3333.122, not in the bill, and Ohio Administrative Code 3333-1-09.1.

³ R.C. 3333.611(B), (C), (D), (F), and (G).

2. Be enrolled at a state university, the Northeast Ohio Medical University, or a nonpublic four-year college or university;
3. Be enrolled as an undergraduate or graduate student in a STEM or STEM education field; and
4. Have been ranked in the top 5% of the student's high school graduation cohort according to grade point average.⁴

Loan forgiveness

The bill requires the Chancellor to forgive a participating student's obligation to repay loans received under the subprogram, if that student resides in Ohio after graduation, as follows:

1. If an Ohio resident one year after graduating, 33% of the graduate's outstanding principal and interest;
2. If an Ohio resident two years after graduating, 50% of the graduate's outstanding principal and interest;
3. If an Ohio resident three years after graduating, any remaining outstanding principal or interest.

In addition to meeting the residency requirements, a student also must do the following to qualify for loan forgiveness:

1. Have graduated from the institution in which the graduate was enrolled while participating in the subprogram;
2. Have outstanding loans under the subprogram; and
3. Be making timely payments on those loans in accordance with the terms of the graduate's repayment schedule.⁵

Background – Choose Ohio First Scholarship Program

Under continuing law, the Choose Ohio First Scholarship Program provides scholarships to students pursuing STEM or STEM education degrees at an Ohio institution of higher education. Specifically, the Chancellor awards funds to institutions selected through a competitive grant process based on their STEM recruitment and retention plans. Recipient institutions then distribute scholarships to students.⁶

⁴ R.C. 3333.611(A)(1).

⁵ R.C. 3333.611(A)(2) and (E).

⁶ See R.C. 3333.60 to 3333.69, none in the bill.

Review and update of rules regarding Ohio residency

The bill requires the Chancellor to review the Chancellor's rules for determining whether an individual enrolled at a state institution of higher education qualifies as an Ohio resident for in-state tuition purposes. In conducting that review, the Chancellor must determine how to streamline and improve the rules to make it easier for a nonresident student to establish Ohio residency. Based on the review, the Chancellor must update the rules.⁷

Generally, continuing law requires the Chancellor's rules for determining Ohio residency to deny residency status to any individual living in Ohio primarily to attend a state institution.⁸

For more information regarding the Chancellor's rules, please review LSC's Members Brief [Ohio Residency and Higher Education \(PDF\)](#), which also may be accessed at lsc.ohio.gov.

Income tax deduction for recent graduates

The bill authorizes a personal income tax deduction for up to three years of certain post-graduation income earned by an individual who graduates from an institution of higher education in Ohio with a bachelor's degree or a more advanced degree on or after January 1, 2023. A qualifying graduate may deduct the graduate's employee compensation and self-employment earnings; however, if those earnings are eligible for continuing law's business income deduction, the graduate must deduct them under that deduction before taking the bill's deduction.⁹

A graduate must begin claiming the three-year deduction for either the taxable year that includes the graduation date or the following year; the graduate forfeits the deduction if it is not claimed in one of those two taxable years. After the initial year, the graduate may continue claiming the deduction for the next two years. Overall, a graduate may only claim the deduction for a total of three taxable years, regardless of the number of degrees the graduate obtains that may qualify for the deduction.¹⁰

A graduate may defer claiming the deduction for any taxable year during which the graduate is enrolled full time in an Ohio institution of higher education to pursue a more advanced degree.¹¹

Qualifying degrees and institutions

To qualify for the bill's deduction, the graduate must obtain a bachelor's degree or "a more advanced degree." The bill requires the Department of Higher Education to adopt rules to specify what advanced degrees would qualify for the deduction. A graduate, while not required

⁷ Section 3.

⁸ See R.C. 3333.31, not in the bill.

⁹ R.C. 5747.01(A)(36) and 5747.82(B)(1).

¹⁰ R.C. 5747.82(B)(2).

¹¹ R.C. 5747.82(C).

to submit evidence of graduation with the graduate's tax return, is required to retain such evidence for inspection by the Tax Commissioner until four years after the last year the graduate claims the deduction. If the graduate defers the deduction because the graduate is enrolled in a more advanced degree program, evidence of this enrollment must similarly be retained.¹²

A graduate qualifies for the deduction only if the graduate obtains a qualifying degree from a public or accredited private Ohio college or university, a private career school authorized by the State Board of Career Colleges and Schools, or certain other private institutions accredited before 2002 and operated by for-profit corporations.¹³ The Department of Higher Education is required to identify these qualifying institutions and certify a list of them to the Tax Commissioner.¹⁴

Intern hiring tax credit

The bill authorizes a refundable tax credit against the income tax or commercial activity tax (CAT) equal to 30% of the wages and salaries paid by an employer to a student intern on or after January 1, 2023.¹⁵ Qualifying student interns are those who participate in an internship program or a cooperative education program in conjunction with an in-state or out-of-state college or university.¹⁶

To obtain the credit, an employer must apply to the Chancellor of Higher Education between January 1 and January 21 on the basis of compensation paid to interns in the preceding calendar year. If the employer qualifies for the credit, the Chancellor must issue the employer a tax credit certificate within 15 days after receiving the completed application.¹⁷ The Chancellor may obtain from the Tax Commissioner any information that is necessary to verify that the employer qualifies for the tax credit, even if that information would generally be confidential under existing tax information disclosure prohibitions.¹⁸

The employer must file the tax credit certificate with the employer's next tax return to claim the credit against either the income tax or CAT, but not both. The Commissioner may request supporting documentation from the employer as necessary to verify credit eligibility.¹⁹

¹² R.C. 5747.82(B), (C), and (D).

¹³ R.C. 5747.82(A).

¹⁴ R.C. 5747.82(D).

¹⁵ R.C. 3333.612; Section 4.

¹⁶ R.C. 3333.71, not in the bill.

¹⁷ R.C. 3333.612.

¹⁸ R.C. 5703.21.

¹⁹ R.C. 5747.83, 5751.55, 5747.98, and 5751.98.

Governor’s Executive Workforce Board

The bill requires the Governor to appoint an employee of the Department of Higher Education to the Governor’s Executive Workforce Board.²⁰

The federal Workforce Innovation and Opportunity Act (WIOA) requires the Governor to establish a state workforce development board to carry out prescribed functions. WIOA also prescribes specific requirements for the board’s composition, but it permits the Governor to appoint state agency officials responsible for education programs to it.²¹

According to the website of the Governor’s Executive Workforce Board, the Chancellor is currently a member of the Board.²²

HISTORY

Action	Date
Introduced	12-14-21
Reported, H. Higher Education & Career Readiness	05-18-22

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²⁰ R.C. 6301.04(A)(5).

²¹ See 29 United States Code 3111(b)(1)(C)(iii)(II)(dd), not in the bill.

²² The list of Board Members on the Office of Workforce Transformation’s [website](#) includes Chancellor Randy Gardner. The list also may be accessed at <https://workforce.ohio.gov/home>.