Ohio Legislative Service Commission

Mark Harris

Fiscal Note & Local Impact Statement

Bill: H.B. 1 of the 131st G.A.

Date: February 10, 2015

Status: As Introduced

Sponsor: Reps. Schuring and Manning

Local Impact Statement Procedure Required: Yes

Contents: Creates the Workforce Grant Program and a tax credit for certain grant recipients

State Fiscal Highlights

STATE FUND	FY 2016	FY 2017	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	Reduction in income tax revenue in the tens of millions of dollars by FY 2021
Expenditures	- 0 -	Increase of $100 million	Potential increase of $100 million annually

Note: The state fiscal year is July 1 through June 30. For example, FY 2016 is July 1, 2015 – June 30, 2016.

- The bill creates the Workforce Grant Program and appropriates $100 million in FY 2017, which includes $500,000 for the Chancellor of the Board of Regents to use for coordination of a statewide effort to promote workforce grant programs and the remainder for grant awards. This expenditure may continue in future years, depending on appropriations for this purpose.
- The bill establishes a refundable income tax credit for grant recipients. This credit will reduce income tax receipts by approximately $19.1 million to $28.9 million annually for the first cohort of grant recipients, with the reduction in receipts growing as more Ohioans become eligible to claim the tax credit. The revenue loss to the GRF, after accounting for revenue sharing with political subdivisions through the Local Government Fund and Public Library Fund, would be approximately $18.5 million to $27.9 million annually for the first cohort.

Local Fiscal Highlights

- The reduction in income tax receipts will reduce distributions to the Local Government Fund (LGF) by approximately $317,000 to $480,000 annually for the first cohort of grant recipients.

Detailed Fiscal Analysis

The bill creates the Workforce Grant Program to award grants to students in state institutions of higher education who are pursuing degrees or certifications for jobs determined by the Ohio Department of Job and Family Services to be the most "in demand" in Ohio. The bill appropriates $100 million in FY 2017 for the program. Of this amount, $500,000 is set aside for the Chancellor of the Board of Regents to coordinate a statewide effort to promote workforce grant programs. The cost of the program in future years will depend on appropriations of the General Assembly.

The bill also creates a refundable income tax credit for grant recipients who finish their degrees or certifications and become employed in an "in demand" job in Ohio. The credit is equal to 25% of payments on any student loans the grant recipients took out to complete the degrees or certifications. Based on the Survey of Consumer Finance, the Brookings Institution estimates that households with outstanding student loan debt make a mean of $2,904 and a median of $1,920 in total student loan payments annually.[1] If this holds for recipients of the proposed workforce grant program, then the legislation would reduce their annual tax liability by between $480 and $726 annually.

The number of persons eligible for these tax credits in any given year will depend on several factors. The maximum grant award for students is $5,000; if all awardees receive the maximum award, then 19,900 Ohio students would receive grant awards in FY 2017. If the program continues, these students may renew their grants until their degrees or certifications are completed. As funds allow, other students will receive grants and later become eligible for the tax credit.

Assuming that it would take one to four years for students to complete their certificate or degree programs, the reduction in income tax liability would impact the GRF beginning in FY 2018. If all students complete their certificate or degree programs in four years, the revenue loss to the state budget would grow to approximately $19.1 million to $28.9 million, based on 19,900 Ohioans reducing their income tax liability by an average of $480 to $726 annually. This reduction would increase in future years as more Ohioans become eligible to claim the tax credit and eventually level out as grant recipients pay off their student loans.

Personal income tax revenue is deposited into the GRF, so any revenue loss would primarily affect that fund. There would also be an effect on the Local Government Fund (LGF) and the Public Library Fund (PLF), though, as each of those funds receive transfers monthly from the GRF equal to 1.66% of the amount of GRF tax revenue received the preceding month. So the eventual GRF revenue loss from the initial cohort of grant recipients would be approximately $18.5 million to $27.9 million

[1] Akers, Beth. "The Typical Household with Student Loan Debt." 19 June 2014. http://www.brookings.edu/research/papers/2014/06/19-typical-student-loan-debt-akers.

annually. The remaining $634,000 to $960,000 revenue loss would be split between the LGF and the PLF. The revenue loss to the LGF would affect primarily counties, municipalities, and townships, while the revenue loss to the PLF would affect primarily public libraries.

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