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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

**S.B. 166**  
**134<sup>th</sup> General Assembly**

## **Fiscal Note & Local Impact Statement**

[Click here for S.B. 166's Bill Analysis](#)

**Version:** As Enacted

**Primary Sponsor:** Sen. Reineke

**Local Impact Statement Procedure Required:** Yes

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### **Highlights**

- Authorizing a nonrefundable tax credit against the state personal income tax (PIT) for employers equal to 15% of the total wages paid to a student participating in a career-technical education program would decrease PIT revenue, by up to \$5 million statewide per fiscal biennium. PIT revenue is deposited into the GRF, but a portion is transferred subsequently to each of the Local Government Fund (LGF) and the Public Library Fund (PLF). The LGF and PLF portions are then distributed to counties, municipalities, townships, and public libraries statewide.
- The Ohio Department of Education's administrative costs are likely to increase to process tax credit certificate applications and carry out other duties. In particular, there are likely to be costs to match the information an employer has about a student with the student's unique statewide student identifier (SSID) to protect student privacy. The amount of these costs will largely depend on implementation decisions.
- Affected joint vocational school districts (JVSDs) will gain revenue due to the bill's provision requiring JVSDs to be compensated like a traditional school district for the loss of tax revenue as a result of a tax exemption for the construction or remodeling of commercial or industrial property located within a community reinvestment area, depending on the specific compensation agreement.
- The bill requires the creation of a grant program to improve or expand career-technical education programming and a program to establish financial incentives for businesses to provide work-based learning experiences for students. The amount of state funding

provided to recipients will depend on program guidelines, procedures, and appropriation levels.

- The bill changes the entities that will receive and spend GRF-funded career awareness and exploration funds from individual school districts and other public schools to the lead district of each career-technical planning district (CTPD) but does not impact the statewide total amount of the payments or the purposes for which they may be spent.

## **Detailed Analysis**

### **Financial incentives for work-based learning experiences**

#### **Employers Providing Work-Based Learning Pilot Program**

The bill establishes the Employers Providing Work-Based Learning Pilot Program, which expires two years after the effective date of the bill. The Administrator of the Bureau of Workers' Compensation (BWC), subject to the approval of the BWC Board of Directors, is required to adopt a rule that prohibits the Administrator from charging against an employer's experience any amount with respect to a workers' compensation claim if (1) the employer provides work-based learning experiences for students enrolled in a career-technical education program and (2) the claim is based on a student's injury, occupational disease, or death sustained while participating in the employer's work-based learning experience.

If the required rule is adopted by the BWC Board, during the two-year period of the program, BWC would be prevented from modifying employers' experience-rating if such employers met the conditions above. Currently, employers' premiums that are based on experience-rating (i.e., expected claims cost), may be modified; as a result, their premiums may go up or down depending on their expected claims cost. Thus, this provision may potentially decrease revenue deposited into the State Insurance Fund. In addition, all premiums paid by employers are deposited into and all claims are paid from the fund. A BWC official characterized the financial impact of this provision as not measurable.

#### **Income tax withholding credit**

The bill allows an eligible employer to claim a nonrefundable tax credit against the personal income tax (PIT). Under the bill, an employer may claim a credit equal to 15% of an eligible employee's wages, where an eligible employee is a student under age 20 enrolled in an approved career-technical education program, and employed by the employer in fulfillment of a work-based learning experience, internship, or cooperative education program associated with that career-technical education program. The maximum tax credit is limited to \$5,000 per participant per year. The aggregate total credits that may be claimed by all employers under the program is limited to \$5 million per fiscal biennium. Employers are allowed to claim the credit directly against their own tax liability. In order to receive a credit, employers must apply for a tax credit certificate from the Ohio Department of Education (ODE).

Data relevant to estimating the revenue loss from the tax credit, related to actual amounts of wages and the number of employed Ohio high school students in an approved career-technical education program (see below), suggest the revenue loss is likely to reach the \$5 million per fiscal biennium limit. The GRF would bear 96.64% of any revenue loss that occurs in the

current biennium. Any reduction in total GRF tax receipts would also reduce the amount distributed to the Local Government Fund (LGF, 1.66%) and Public Library Fund (PLF, 1.70%).<sup>1</sup> Any reduction to the LGF and PLF would decrease distributions from the funds to counties, municipalities, townships, public libraries, and other political subdivisions in the state. Based on data from the American Community Survey (ACS),<sup>2</sup> approximately 113,352 high school students annually worked in the state during recent years and their estimated total earnings were about \$481.4 million per year with average weekly earnings ranging between \$116 and \$248. In addition, in FY 2020, a total of 68,565 full-time equivalent (FTE) students participated in career-technical education programs (33,955 in traditional school districts or community schools and 34,610 in joint vocational school districts); the Ohio Department of Education reports a slightly higher figure of 87,071.<sup>3</sup> If students enrolled in a career-technical education program earn wages similar to those of all employed high school students, the estimated total amount of wages for such students would be between \$262.6 million and \$561.4 million annually.<sup>4</sup> Multiplying the lower figure by 15%, the estimated PIT revenue loss from the proposed tax credit for all eligible employers statewide would be nearly \$40 million per year, well above the \$2.5 million maximum limit per fiscal year (taking the average of the biennium limit over two years).

ODE will likely incur administrative costs to process tax credit certificate applications, but the amount is uncertain. Processing tax credit certificate applications will be a new area of responsibility for ODE. In particular, the Department reports that it will need to determine a method to match the information an employer has about a student with the student's data verification code, also called the statewide student identifier (SSID). The SSID is the only student information available to ODE, as continuing law generally prohibits ODE from having access to a student's name, address, Social Security number, and other personally identifying information (PII). ODE contracts with a vendor that assigns an SSID to each public school student. Using an SSID, instead of the student's name for example, facilitates the collection and tracking of the data, while protecting the privacy of the individual student. ODE could take a number of different approaches to comply with the bill and continuing law's restriction on PII, which may involve contracting with a vendor, information technology system changes, or other solutions. As a result, the cost will largely depend on implementation decisions.

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<sup>1</sup> Under the codified law, the LGF and PLF would each receive 1.66% of GRF tax revenue. An uncoded provision of H.B. 110 of the 134<sup>th</sup> General Assembly temporarily increases the monthly percentage of GRF tax receipts allocated to the PLF in FY 2022 and FY 2023 to 1.70%.

<sup>2</sup> Source: *2015-19 American Community Survey Public Use Microdata Sample (Ohio)*, prepared by the Office of Research, Ohio Development Services Agency.

<sup>3</sup> Source: [FY 2021 Ohio Career-Technical Education Fact Sheet](#) published by the Ohio Department of Education, February 2021.

<sup>4</sup> The estimates are calculated as follows – for the lower range: 87,071 x \$116 x 26 weeks, (assuming employment for half the year) = \$262.6 million, and the upper range: 87,071 x \$248 x 26 weeks = \$561.4 million. The estimates assumed that such students only work for up to 26 weeks per year because according to ACS data, almost half of 113,352 high school students worked less than 26 weeks per year.

## **Other incentives**

The bill requires the Governor's Office of Workforce Transformation (OWT), in collaboration with ODE, the Department of Higher Education (DHE), and JobsOhio to create a program establishing other financial incentives for Ohio businesses providing work-based learning experiences for students enrolled in an approved career-technical program. The amount of state support that participating businesses will receive will depend on the nature of the incentive payments, the degree of program utilization by students and businesses, and appropriation levels if applicable (the bill does not appropriate funds for any additional incentives). The bill may increase the administrative costs of OWT, ODE, and DHE to develop other financial incentives and administer the programs.

These entities may use experience from similar existing programs to create the financial incentive program outlined in the bill. For example, OWT, the Development Services Agency (DSA), and ODE recently developed the High School Tech Internship Pilot Program to provide financial incentives for employers to hire high school interns in technology roles. Under the program, employers will receive reimbursements for part of the cost of providing paid internships to Ohio's high school students or recent graduates 19 years of age and younger in jobs where they gain technological skills and experience. The pilot program will provide reimbursements for 100 internships statewide using \$150,000 in bond proceeds from DSA's Third Frontier Initiative. An intern must be employed for a minimum of 150 hours and be paid at least \$12 per hour. Reimbursements are based on the age of the intern: \$1,250 for interns who are ages 17 years or younger and \$1,000 for interns who are ages 18 or 19. Employers may receive an extra \$100 in reimbursement if they can demonstrate that an intern has earned an industry-recognized credential on the Innovative Workforce Incentive Program list by the time of the reimbursement request.

## **Compensation of JVSDs located in enterprise zones**

The bill requires that a joint vocational school district (JVSD) be compensated at the same rate and under the same terms as a school district when a legislative authority of a municipal corporation or county enters into a compensation agreement with the school district for the loss of tax revenue as the result of a property tax exemption for the construction or remodeling of commercial or industrial property located within a community reinvestment area. This will result in increased revenue for affected JVSDs, the amount of which will depend on the specific compensation agreement.

## **Student Pathways for Career Success Grant Program**

The bill requires ODE to establish a Student Pathways for Career Success Grant Program to provide grants to the lead districts of career-technical planning districts (CTPDs) and Ohio Technical Centers to improve or expand career-technical education programming. The amount of state funding these entities will receive will depend on program guidelines and procedures that will be determined in rules adopted by the State Board of Education and appropriation levels (the bill does not appropriate funds for the program). ODE's administrative costs may increase to establish the program.

## **Career awareness and exploration funds**

H.B. 110 of the 134<sup>th</sup> General Assembly, the current main operating budget act, establishes a career awareness and exploration funds payment outside the school funding formula for school districts, community schools, and STEM schools. The payments are based on a per-pupil amount of \$2.50 for FY 2022 and \$5 for FY 2023. The bill modifies the payments by doing all of the following:

- Specifying that ODE must provide the funds to the lead district in each CTPD, rather than to each school district, JVSD, community school, or STEM school, as under current law;
- Requiring that each CTPD use the funds to deliver relevant career awareness and exploration programs to all students within the CTPD, rather than lead districts dispersing funds to each member district or school, as under current law;
- Making a conforming change to the formula for computing the payments so that the funds are computed for each CTPD based on the sum of the enrollment for all districts and schools within the CTPD instead of paid to individual districts and schools based on the district or school's enrollment.

The bill does not change the purposes for which career awareness and exploration funds must be spent. Nor does it impact the statewide total amount of the payments, as all school districts and schools belong to a CTPD. H.B. 110 earmarks \$4.2 million in FY 2022 and \$8.4 million in FY 2023 from GRF line item 200545, Career-Technical Education Enhancements, to make the payments.

## **Driver education course and industry-recognized credential**

The bill provides more options for a high school student to meet graduation requirements by permitting a student to obtain up to one-half unit of credit towards high school elective requirements or an approved industry-recognized credential upon completion of a driver education course offered by the student's school district or through any agency or organization that the district contracts with to offer a driver education course. Students choosing the latter may earn up to two points of credit toward a high school diploma through the workforce readiness graduation pathway (currently, students who select this pathway must earn 12 points of industry-recognized credentials to qualify for a high school diploma). The bill permits a CTPD to use a portion of career-technical education funds to provide a driver education course to high school students enrolled in the district.

The administrative duties of ODE and OWT will increase to assist the Superintendent of Public Instruction's industry-recognized credential committee in updating its list of industry-recognized credentials and licenses that may be used to qualify for a high school diploma to include a driver's license obtained by a student through a driver education course offered by a school district.

Under continuing law, traditional districts and JVSDs may make a driver education and training course available to high school students. High school students may enroll in their district's course, if offered, or a course from a private provider. Driver education and training is

regulated by the Ohio Department of Public Safety. School districts offering driver training and the course instructors must each be licensed.

## **Report card postsecondary readiness measure**

Current law requires ODE to include on the state report cards for the 2021-2022 school year and thereafter a postsecondary readiness measure under the revised rating system established by H.B. 82 of the 134<sup>th</sup> General Assembly. In general, this measure will display the percentage of students in a district or school's four-year adjusted graduation rate cohort that meet any of certain criteria that demonstrate readiness for college or careers. One of the criteria under current law permits students to demonstrate readiness by securing an OhioMeansJobs-Readiness Seal on their high school diploma and completing 250 hours of an internship or other work-based learning experience that is approved by the business advisory council that represents the student's district. The bill permits the internship or work-based learning experience to either be aligned to the career-technical education pathway approved by ODE in which the student is enrolled or, as under continuing law, approved by the business advisory council that represents the student's district.

ODE indicates that this provision will not impact its report card system costs, as the change aligns with structures ODE already has in place. Allowing additional types of internships or work-based learning experiences to count towards the postsecondary readiness measure may increase a district or school's performance on that measure.<sup>5</sup>

## **Dental assistants**

The bill allows a dental assistant who is certified by the American Medical Technologists to: (1) perform additional dental services, (2) be eligible to receive a dental x-ray machine operator certificate, and (3) take the examination to practice as an expanded function dental auxiliary (EFDA). Continuing law gives a dental assistant the option of being certified by two other private organizations for these purposes. The State Dental Board could realize an increase in fee revenue if these provisions result in additional individuals becoming eligible for a dental x-ray machine operator certificate (\$32 biennial fee) or EFDA registration (\$25 biennial fee); however, any increase is likely minimal. These fees would be deposited in the Occupational Licensing and Regulatory Fund (Fund 4K90).

## **Commercial Truck Driver Student Aid Program**

The bill makes several changes to the Commercial Truck Driver Student Aid Program, which was established in H.B. 110 to provide a combination of a grant and loan to eligible

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<sup>5</sup> Under continuing law, for the 2021-2022, 2022-2023, and 2023-2024 school years, the postsecondary readiness measure is not assigned a performance rating, nor is it factored into the overall report card rating. Rather, for those school years, the data is reported only. In general, a rating for the College, Career, Workforce, and Military Readiness (CCWMR) component, of which this measure is a part, will not be used to calculate the overall rating until the report cards for the 2024-2025 school year if, under continuing law, the Joint Committee on Agency Rule Review (JCARR) approves rules that ODE will develop to assign a performance rating to the component. However, if JCARR does not approve the rules, the component must remain a report-only component and cannot be factored into the overall rating.

students enrolled in a certified commercial driver’s license program and committing to reside and be employed in Ohio for at least one year after completion of the program. Most notably, the bill makes the following changes to the program:

- Clarifies that eligible course providers under the program include commercial driver training schools certified by the Director of Public Safety and other approved programs offered at state institutions of higher education; private, nonprofit and for-profit institutions; and career centers and joint vocational school districts;
- Modifies how awards are distributed by requiring the Chancellor of Higher Education to make awards to eligible schools that, in turn, will distribute the funds to eligible students (instead of paying awards directly to the students);
- Requires the Chancellor to determine the grant and loan amount awarded to an eligible student, instead of specifying that the grant amount equal 50% of the student’s remaining cost of attendance after the student’s Pell Grant and expected family contribution (EFC) are applied to the student’s instructional and general fees;
- Prohibits a loan received under the program from exceeding \$10,000 and the total grant and loan amount awarded to a student from exceeding the costs of tuition and related expense of a commercial driver training program;
- Eliminates the requirement that the amount of a grant and a loan awarded to an eligible student be in addition to what the student receives under the Ohio College Opportunity Grant (OCOG) need-based student aid program.

These modifications appear to be mostly clarifying in nature prior to implementation of the program. The bill declares an emergency with respect to these changes, which, therefore, will go into effect immediately. H.B. 110 provides GRF appropriations, unchanged by the bill, of \$2.5 million in each of FY 2022 and FY 2023 for the program, with earmarks of \$1.25 million in each of those fiscal years to be distributed by the Chancellor, separately, as grants and loans.

## **Northeast Ohio Medical University (NEOMED) provisions**

### **“State university” definition**

The bill adds NEOMED to the list of 13 public universities defined as a “state university.” The definition of “state university” appears to apply to several other laws that currently do not apply to NEOMED. Some of these potential new responsibilities include, but are not limited to, the following:

- Entering into a regional compact with other state institutions of higher education to examine unnecessary duplication of academic programming and to develop strategies to address regional workforce education needs (R.C. 3345.59);
- Permitting senior citizens to attend nontuition, noncredit classes (R.C. 3345.27);
- Issuing a report including certain data on student remediation (R.C. 3345.062); and
- Establishing an undergraduate tuition guarantee program (R.C. 3345.48).

To the extent that it is not currently performing these and other required duties, NEOMED may incur additional administrative costs. However, it is likely that some of these provisions will not impact NEOMED. For example, because NEOMED is a stand-alone public medical university, it would not establish an undergraduate tuition guarantee program.

### **Insurance option for treasurer**

Under current law, NEOMED's treasurer, prior to conducting the office's official duties, must give bond to the state for the faithful performance of the treasurer's official duties and a proper accounting for all of the moneys coming into the treasurer's care for an amount no less than the estimated amount in the treasurer's sole control. The bill permits, as an alternative to bonding, the NEOMED treasurer to be insured for faithful performance and modifies the amount of bonding or insurance for the treasurer to permit subtracting a "reasonable deductible" from the total bonded or insured amount. This alternative method appears to align NEOMED's treasurer bonding or insurance process with most, if not all, other state institutions of higher education.