



Ohio Legislative Service Commission

Bill Analysis

Max Gakh

S.B. 5

128th General Assembly
(As Introduced)

Sen. Buehrer

BILL SUMMARY

- Creates the Grants for Grads Program, administered by the Ohio Housing Finance Agency (OHFA), to provide a limited number of grants for the purchase of qualifying first homes to Ohio residents receiving an associate, baccalaureate, master's, doctoral, or other postgraduate degree.
- Awards the grants, through means of an annual lottery conducted by OHFA.
- Provides for the recapture of grant money by the state for failure of a grantee to comply with certain program criteria.
- Requires OHFA to establish an annual internal audit program for the grant program and requires an audit report to be provided to the Auditor of State.
- Requires OHFA to prepare and submit an annual report to the Governor, Director of Development, Chancellor of the Ohio Board of Regents, President of the Senate, and Speaker of the House of Representatives regarding the number and dollar amount of awards granted and other program activities for the prior calendar year.
- Requires OHFA to adopt rules under R.C. Chapter 119. to run the program.

CONTENT AND OPERATION

Creation of the Grants for Grads Program

(R.C. 175.31(A))

The bill creates the Grants for Grads Program, administered by the Ohio Housing Finance Agency (OHFA), to provide grants to Ohio residents who have

received an associate, baccalaureate, master's, doctoral, or other postgraduate degree. A grant made pursuant to this program must be used to pay for the down payment or closing costs on the purchase of a first home.

Program grant

(R.C. 175.32 (D) and (E))

A grant under the program must be provided as a cash payment to a grantee when the grantee obtains a mortgage loan. The cash payment must be applied in full only to pay (all or a portion of) the closing costs or down payment on the purchase of a grantee's first home. The amount of each grant award must be the following:

- \$2,500--for a grantee who received an associate degree.
- \$5,000--for a grantee who received a baccalaureate degree.
- \$10,000--for a grantee who received a post-graduate degree.

The bill provides that at the time of the closing, the grantee may not receive any cash back. It further provides that the grantee must receive the grant within the award period designated in the notification, after which the grant will expire.

Program eligibility

(R.C. 175.30 (A) and (F); 175.31(B) and (E))

Under the bill, a graduate is eligible to participate in the program if the graduate meets all of the following conditions:

(1) The graduate received an associate, baccalaureate, master's, doctoral, or other postgraduate degree from an institution of higher education.

(2) The graduate is able to provide OHFA evidence documenting Ohio residency and graduation from a high school and institution of higher education.

(3) The graduate intends to live and work in Ohio for at least five years after graduation or completion of a postgraduate degree.

(4) The graduate intends to purchase a first home in Ohio.¹

¹ The bill defines "graduate" as an individual who graduated from an institution of higher education and who is eligible for the program. It defines an "institution of higher education" as a state university or college located in Ohio, a private college or university located in Ohio that

Married graduates may both apply for grants under the program, and both individuals will be included in the lottery pool (discussed in "**Lottery selection process**" below).

Ineligible graduates

The bill specifies that a graduate who, at any time during the period from filing the application for a grant until a grant is awarded, has been found by the state to be delinquent in the payment of individual income taxes is not to receive a grant. A graduate who is married to an individual who has previously received a grant under the program is also not eligible to apply. The bill further provides that an individual filing an application for a grant is not eligible to apply for a grant in any other year.

"First Home" criteria

Under the bill, a "first home" or "home" is the first residential real property located in Ohio to be purchased by a grantee to serve as the grantee's primary residence for not less than five years after acquisition. Excluded from the definition is a home purchased from a grantee's immediate family member or from a business in which a grantee's immediate family member owns more than a 10% interest.

"Ohio resident" criteria

Under the bill, an "Ohio resident" is any of the following: (1) An individual who was a resident of Ohio at the time of the individual's graduation from an Ohio public or nonpublic high school that is approved by the State Board of Education, and who is a resident of Ohio when applying for the program, (2) an individual who was a resident of Ohio at the time of completing, through the 12th grade-level, a home study program approved by the State Board of Education, and who is a resident of this state when applying for the program, (3) an individual who attended an out-of-state high school that was accredited by a regional accrediting organization recognized by the U.S. Department of Education and met standards at least equivalent to those adopted by the State Board of Education for approval of nonpublic schools in Ohio, or from a high school approved by the U.S. Department of Defense and whose parent was a resident of Ohio at the time of the individual's graduation from such high school, and who is a resident of Ohio when applying for the program.

possesses a certificate of authorization issued by the Ohio Board of Regents, or an accredited college or university located outside Ohio accredited by an accrediting organization or professional accrediting association recognized by the Board of Regents.

Grant application, selection, and award processes

(R.C. 175.31(C) and (D) and 173.32(A) to (C))

The bill requires OHFA to provide for the content and format of the program application. Each application must include the information OHFA determines by rule, but must include evidence that a graduate meets the bill's eligibility requirements.

An eligible graduate must apply for the program with OHFA not later than the 60th day after the date of graduation or of completion of the degree. Married graduates that are both eligible must apply separately. The bill requires OHFA to review each application for compliance and accuracy, determine whether a graduate is eligible to receive a grant, and determine the grant's amount based on the application information submitted. If OHFA finds an application insufficient, the graduate may resubmit it within the 60 day period within which the graduate may apply for a grant.

Lottery selection process

The bill provides for a lottery system to select grantees; the lottery pool includes all applications filed within the calendar year immediately preceding the year in which the lottery is conducted. The lottery process, which OHFA must conduct by January 31 of each year, must randomly select 300 grantees from the graduates whose applications OHFA has determined meet program eligibility requirements and are timely and complete.

The bill also requires 100 alternate grantees to be selected in the random lottery if additional moneys are available after grants are awarded to the initial 300 grantees selected for that calendar year. Alternative grantees must receive grants in the order they were selected in the lottery until moneys for the year are exhausted. If there are less than 300 applicants in a given calendar year, the lottery must be dispensed with and all applicants the agency determines to be eligible must be awarded grants.

Awarding of grants

The bill requires the awarding of a grant to be evidenced by written notification to the grantee within 60 days after completion of the lottery. The notification must clearly state the amount of the grant and the starting and ending dates of the award period, which must be from the start date through the last day of the 12th month thereafter.

Recapture of grant money

(R.C. 175.33)

The bill allows recapture of the grant money under certain circumstances by authorizing increases to the grantee's state tax income tax liability for the applicable period by an amount necessary to recapture the money. An action to recapture grant money must be initiated within three years from and after December 31 of the year in which the grant was awarded.

Failure to comply with first home ownership criteria or use of fraudulent information

The bill authorizes recapture if OHFA finds that a grantee failed to comply with the first home ownership criteria of the bill or otherwise applied for a grant using fraudulent information.

Failure to reside in first home for at least five years

The bill authorizes recapture if a grantee becomes a resident of another state and does not reside at least five years in a first home purchased using grant money. The amount of recapture in such a circumstance is a function of the time the grantee resided in the first home. If a grantee has resided in the first home for less than 12 months, the bill requires 100% recapture. If a grantee has resided in the first home for 12 months and a day to 24 months the bill requires 80% recapture. If a grantee has resided in the first home for 24 months and a day to 36 months, the bill requires 60% recapture. If a grantee has resided in the first home for 36 months and a day to 48 months, the bill requires 40% recapture. And if a grantee has resided in the first home for 48 months and a day to 60 months, the bill requires 20% recapture. However, a grantee is not liable for recapture under this provision if the grantee, within the five-year period, moves to another residence in Ohio.

OHFA authority

(R.C. 175.01, 175.04(H), and 175.34)

Rulemaking

The bill requires OHFA to adopt administrative rules under Chapter 119. of the Revised Code to carry out the program's purposes.

Internal audit program

The bill requires OHFA to establish an internal audit program for the Grants for Grads Program and for the Grants for Grads Fund before the beginning of each

calendar year, subject to approval of the Auditor of State. At the end of each calendar year, OHFA must prepare and submit an annual report to the Auditor for review and approval. The report must specify the internal audit work completed by the end of that calendar year and report on compliance with the annual internal audit program. The Auditor must prescribe the form and content of the report.

Annual report

The bill requires OHFA to prepare an annual report regarding the program, describing the number and dollar amount of grants awarded and OHFA activities related to the program during the previous calendar year. OHFA must submit the report to the Governor, Director of Development, Chancellor of the Ohio Board of Regents, President of the Senate, and Speaker of the House of Representatives.

Grants for Grads Fund

(R.C. 175.32(B) and 175.35)

The bill specifies that program grants must be provided from moneys in the Grants for Grads Fund, which the bill creates in the state treasury. The fund must consist of appropriations, other sources of contributions, and any earning on investments. The fund must be administered by OHFA to provide program grants and for program implementation and administration. Fund moneys are to be invested by the Treasurer of State in the same manner as General Revenue Fund money. Investment earnings of the fund must also be deposited into the fund.

HISTORY

ACTION	DATE
Introduced	02-10-09

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