



Ohio Legislative Service Commission

Resolution Analysis

Monica Baker

Sub. H.J.R. 12*

128th General Assembly

(As Reported by H. Economic Development)

Reps. S. Williams and Goyal, Belcher, Bolon, Book, Boyd, Brown, Budish, Carney, Celeste, Chandler, DeBose, DeGeeter, Dodd, Domenick, Driehaus, Dyer, Fende, Foley, Garland, Garrison, Gerberry, Hagan, Harris, Harwood, Heard, Koziura, Letson, Luckie, Lundy, Mallory, Moran, Murray, Newcomb, Okey, Otterman, Patten, Phillips, Pillich, Pryor, Sayre, Schneider, Skindell, Slesnick, Stewart, Sykes, Szollosi, Ujvagi, Weddington, B. Williams, Winburn, Yates, Yuko

RESOLUTION SUMMARY

- Proposes to amend Section 2p, Article VIII, of the Ohio Constitution to increase the state general obligation bond authority for research and development ("Third Frontier") purposes from \$500 million to \$1.45 billion.

CONTENT AND OPERATION

State research and development bond authority

Background

Section 2p, Article VIII, of the Ohio Constitution, approved by Ohio electors in November 2005, authorizes the state to issue general obligation bonds and other state obligations to finance "[r]esearch and development in support of Ohio industry, commerce, and business . . ." ¹ (Division (A)(2).) "Research and development" is stated to include any and all research and development-related matters and activities, such as attracting researchers and research teams by endowing research chairs or otherwise; activities to develop and commercialize products and processes; intellectual property matters such as copyrights and patents; property interests, including time sharing

* This analysis was prepared before the report of the House Economic Development Committee appeared in the House Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

¹ Section 2p also authorizes bond issuances for public infrastructure and development of sites and facilities, but the resolution does not affect issuances for those purposes.

arrangements; and financial rights and matters such as royalties, licensing, and other financial gain or sharing resulting from this research and development. (Division (D)(2).) Bond proceeds may be used to support capital formation; direct operating costs; costs of research and facilities, including interests in real property; and support for public and private institutions of higher education, research organizations and institutions, and private sector entities. Funds may be issued in any manner, such as through grants, loans, subsidies, contributions, or direct investments.²

Section 2p's research and development provisions were implemented by S.B. 236 of the 126th General Assembly. (See, generally, Chapters 151. and 184.) R.C. 151.10 requires the Ohio Public Facilities Commission (OPFC) to issue bonds for research and development purposes, the net proceeds of which must be credited to the Third Frontier Research and Development Fund. The Third Frontier Commission in the Department of Development is charged with the duty of awarding Fund money, with the approval of the Controlling Board, through a competitive process. Funds may be awarded to individuals; public and private entities, agencies, and institutions; private companies or organizations, partnerships, business trusts, or other business entities or ventures; or research organizations. (R.C. 184.11.) Generally, only those with a "substantial presence in Ohio" are eligible to receive support. (R.C. 184.10 and 184.111.) Persons receiving funds are required to enter into an agreement with the Commission governing fund use. (R.C. 184.113.)

Bond issuance limits

Currently, Section 2p limits the state's bond issuing authority for research and development purposes to not more than \$500 million in principal. Not more than \$100 million in principal may be issued in each of the first three fiscal years of issuance (2006, 2007, and 2008), and not more than \$50 million in principal may be issued in any other fiscal year. If annual limits are not reached, the amount not issued may be issued in a subsequent year and does not count towards that fiscal year's limit.

The resolution increases the total bond issuance limit to \$1.45 billion, not more than \$500 million of which may be issued in fiscal years 2006 through 2011. Beginning in fiscal year 2012, not more than \$190 million may be issued per fiscal year.

² Section 2p exempts the state and local governments from the general constitutional prohibition against investing public money in, or loaning public money to, individuals and private entities. R.C. 184.13, however, prohibits the state from possessing an ownership interest in any entity that has received support for a research and development project, or assuming a shared risk or liability.

Independent reviewers

When implementing the research and development purposes of section 2p, the resolution requires the utilization of independent reviewers to review the merits of proposed research and development projects and to make recommendations concerning which proposed projects should be awarded financial assistance.

Award limits

The resolution limits the amount of research and development support to be awarded in each year. Not more than \$500 million may be awarded or otherwise committed from fiscal years 2006 through 2011, and not more than \$190 million may be awarded or otherwise committed in any other fiscal year beginning in fiscal year 2012. If annual limits are not reached, the amount not awarded may be awarded in a subsequent year and does not count towards that fiscal year's limit.

HISTORY

ACTION	DATE
Introduced	12-07-09
Reported, H. Economic Development	---

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