



Ohio Legislative Service Commission

Resolution Analysis

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Sub. H.J.R. 12*

128th General Assembly

(As Reported by S. Finance and Financial Institutions)

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, Amstutz, Grossman, Hottinger, Martin, Snitchler, Batchelder, Blessing, Combs, Derickson, Dolan, Hackett, McGregor, Mecklenborg, Oelslager, Stautberg

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 billion and to increase the state general obligation bond authority for public infrastructure capital improvements from \$1.35 billion 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, among other things, "[r]esearch and development in support of Ohio industry, commerce, and business . . ." (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

* This analysis was prepared before the report of the Senate Finance and Financial Institutions Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

chairs or otherwise; activities to develop and commercialize products and processes; intellectual property matters such as copyrights and patents; property interests, including time sharing 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.¹

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 billion. It retains the current limit of not more than \$100 million principal amount in each of the first three fiscal years of issuance (2006, 2007, and 2008). In each of the next three fiscal years of

¹ 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.

issuance (2009, 2010, and 2011), not more than \$50 million principal amount may be issued. In the next fiscal year of issuance (2012), the limit is increased to not more than \$175 million principal amount. And in any other fiscal year of issuance, the limit is not more than \$125 million in principal amount. (Division(B)(2).)

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. Prior to the utilization of an independent reviewer, however, the state agency proposing to award the financial support for a project must provide the name and other descriptive information regarding the reviewer to the Governor, the President and Minority Leader of the Senate, and the Speaker and Minority Leader of the House of Representatives. Additionally, if the recommendations of an independent reviewer with respect to a proposed project are not adopted by the state agency, the agency is required to notify the persons listed above and explain the reasons for not adopting the recommendations. (Division (D)(2)(b).)

Award limits

The resolution states that, from the proceeds of the sale of obligations issued for research and development purposes in fiscal year 2012 or thereafter, no amount of money may be awarded, promised, or otherwise committed for any proposed research and development project prior to the beginning of fiscal year 2012. (Division (D)(2)(c).)

State bond authority for public infrastructure capital improvements

Background

Section 2p, Article VIII, of the Ohio Constitution, also authorizes the state to issue general obligation bonds and other state obligations to finance or assist in the financing of capital improvement projects of local subdivisions. Such improvements are limited to roads and bridges, waste water treatment systems, water supply systems, solid waste disposal facilities, and storm water and sanitary collection, storage, and treatment facilities, including real property, interests in real property, facilities, and equipment related to or incidental to them. The cost of acquisition, construction, reconstruction, expansion, improvement, planning, and equipping are specifically included. (Division (A)(1).) The state is authorized to participate in these capital improvements with municipal corporations, counties, townships, or other governmental entities by providing grants, loans, or contributions (Division (D)(1)).

Section 2p's capital improvement provisions were implemented by Am. Sub. H.B. 119 of the 127th General Assembly. (See R.C. 151.08, 164.03, and 164.08.) The bonds are issued by Ohio Public Facilities Commission. The bond proceeds are allocated among the state's district public works integrating committees by the Public Works Commission.

Bond issuance limits

Currently, Section 2p limits the bond issuing authority for public infrastructure capital improvements to not more than \$1.35 billion. Not more than \$120 million principal amount of obligations may be issued in each of the first five fiscal years of issuance, and not more than \$150 million principal amount may be issued in each of the next five fiscal years of issuance. 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. It retains the current limit of not more than \$120 million principal amount in each of the first five fiscal years of issuance. It increases the limit, from \$150 million to \$200 million, for each of the next two fiscal years of issuance. The limit for the next three fiscal years of issuance is \$150 million per fiscal year.

Election and effective date

The resolution provides that the proposed constitutional amendment will be submitted to the electors at the special election to be held on May 4, 2010. If approved by a majority of the electors voting on the proposal, the constitutional amendment will take effect immediately.

HISTORY

ACTION	DATE
Introduced	12-07-09
Reported, H. Economic Development	01-13-10
Adopted House (85-13)	01-13-10
Reported, S. Finance & Financial Institutions	---

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