THE LEAGUE OF WOMEN VOTERS OF OHIO EDUCATION FUND

Issue 1: Proposed Constitutional Amendment

Issue 1 is the only state issue that will be on the ballot in November 2003. Please note that the League of Women Voters of Ohio has taken no position on this issue. The Education Fund is providing the information below to be published in local voter guides for voter education purposes. The information is available on our Web site at www.lwvohio.org. An overview of bonds—a helpful description for the layperson—is also included for publication, if there is room.

League Explanation

This proposed amendment to the Ohio Constitution is intended to create jobs and stimulate economic growth in Ohio by making The Third Frontier Project a "public purpose" so that grants and loans can be made to private businesses, research organizations and educational institutions for science- and technology-based research and development.

The amendment would allow up to $100 million in bonds to be issued in the first year; then up to $50 million each year after that, up to a total of $500 million. "General obligation" bonds would be guaranteed by the full faith and credit of the state of Ohio (meaning they have to be repaid with general revenue funds). The legislature would be required to pass laws to provide for paying the debt service on the bonds.

This amendment would overrule the prohibition against the state government or any local government investing in private companies.

Pro Arguments

1. The goal of the amendment is to transform Ohio's economy from its emphasis on heavy manufacturing into a new, knowledge-based economy.
2. The bond issue would provide a predictable source of money to attract private funding for research and development.
3. The amendment is written to be flexible and innovative, bringing the research capabilities of higher education together with the business expertise of private industry.
4. Ohio needs to replace its dwindling manufacturing jobs with high-tech, information-based jobs.

Con Arguments

1. This amendment overrides current Constitutional protections against state and local governments giving away public tax dollars to benefit private business interests.
2. In repaying the bonds, legislators lose flexibility in allocating funds for other state services that may be more urgent.
3. The amendment overrides the current Constitutional requirement for a sinking fund to pay off the principal when it comes due after 20 years.
4. Guidelines for setting priorities for funding projects are omitted from the amendment.

An Overview of Bonds

Bonds are interest-bearing loans made to the state. Bonds help to spread the cost of construction or other projects across several years, generally seven to 20 years, thereby making such projects affordable. Bonds are classified by the account that is charged with repayment. Four major classifications exist: general obligation bonds, which are backed by the full faith and credit of the state and therefore can be repaid from any type of state revenue necessary; revenue (special) bonds, which are repaid from revenues, fees or payments received by the state for the use of the facilities; bonds paid from the general revenue fund; and bonds paid from other state funds.

The Sinking Fund Commission and the treasurer of state oversee the issuance of the state's general obligation bonds and provide management control over the state general obligation debt. General obligation bonds issued by the Sinking Fund Commission finance highway construction and improvements, parks, recreation and natural resource projects, and coal research and development projects. The state treasurer issues general bonds that finance local government infrastructure improvement projects. Members of the commission are the governor, auditor, secretary of state, treasurer and attorney general. The timing and size of bond issues are based on authorizations made by the legislature and must comply with constitutional limits on state debt.

A number of authorities have been created by the General Assembly to issue revenue bonds for financing specific types of capital projects. These include the Ohio Turnpike Commission, the Ohio Higher Education Facility Commission, the Ohio Housing Finance Agency, the Ohio Water Development Authority and the Petroleum Underground Storage Tank Release Compensation Board. The bonds issued are payable from the revenues of the facilities rather than tax monies. They are not included in the governor's budget and are not classified as debt under the constitutional limit.

Bonds paid from the general revenue fund are issued and managed by three organizations: the Ohio Public Facilities Commission, the Ohio Building Authority and the Schools Facilities Commission. These bonds are issued to lenders who receive "lease-rental" payments made from the general revenue fund. Bonds of this type are issued to finance capital projects for mental health, higher education, parks and recreation, and for correctional and various office facilities.

Bonds paid from other state funds include: the economic development bond, which is repaid from profits generated through the state's sale of liquor; the highway infrastructure bank, which is repaid from federal highway payments; and the Ohio Bureau of Worker's Compensation Building, which is financed by revenues of the BWC administrative funds.

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