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Ohio News | Article published Friday, October 10, 2003

Study equates Issue 1 to financial stake As an investor, public could profit from high-tech startups' successes

By [JAMES DREW](#)
BLADE COLUMBUS BUREAU CHIEF

COLUMBUS - If Ohio voters approve a \$500 million bond issue on Nov. 4, the state and local governments could have more direct financial interest in the success of high-tech businesses, a research group said yesterday.

"As an investor, the public sector could share in any gains that result from its investments, and would be better able to ensure that companies' actions conform to the public interest," said the study by Policy Matters Ohio, a nonpartisan group based in Cleveland.

But among the risks is that public funds could be "wasted in dubious schemes that produce no economic return for the state," the study added.

If approved, Issue 1 would amend Ohio's constitution to give state government, state-supported universities, and local governments more power to support scientific research and high-tech projects.

So far, the debate has focused on whether voters should allow the state to issue up to \$500 million in bonds over 10 years to help fund programs that finance operating expenses related to research and product development.

The bond issue is the final part of Gov. Bob Taft's \$1.6 billion "Third Frontier" program.

Before the Civil War, Ohio and other states helped finance canals, turnpikes, and railroads - but many of the projects failed and the state was saddled with debt, the study said.

As a result, Ohio's 1851 constitution prohibited the state and local governments from becoming a "joint owner or a stockholder" in businesses, and from giving or loaning money to a firm, Policy Matters Ohio said.

At the urging of then-Gov. Jim Rhodes, voters in 1965 amended the constitution to allow the state and certain nonprofit groups to issue revenue bonds, make loans, guarantee loans, and lend money to private businesses for economic development.

Since then, the state has expanded its incentive programs by using grants instead of loans, helping to finance operating costs and intellectual property such as copyrights and patents, and offering grants to venture-capital firms "without expecting any financial return," said Zach Schiller, research director for Policy

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Matters Ohio.

If voters approve Issue 1, the state would be allowed to become a stockholder in private firms that receive "Third Frontier" funds.

Yesterday the Ohio Public Expenditure Council said the initiative would help create 96,000 private sector and state university jobs over 10 years, including 30,000 tied to the bond issue.

The average annual salary would be \$55,000, the Columbus-based nonpartisan group said.

Mr. Taft refers to his high-tech program as the Third Frontier "because it follows the settlers who 200 years ago transformed Ohio wilderness into civilization" and the "pioneers of flight and light" who made Ohio a "powerhouse of the industrial revolution."

"The state must create - and maintain - sources of venture capital to allow continuing development of entrepreneurial ideas and proposals, and it must guard against Ohio-developed technology being exported to other states and countries for production and deployment," said Rick Yocum, president of the Ohio Public Expenditure Council.

The projections are based on a study of 1,000 development projects in Ohio and studies of other states, Mr. Yocum said.

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