



Building Ohio Jobs

Investing in Ohio's Prosperity

FAQ on Building Ohio Jobs

- **How much money are you raising with *Building Ohio Jobs*?**

We are raising \$ 1.7 billion. This is all new money, which will be strategically invested in what matters. Of that, \$1.5 billion is in general obligation bonds, backed by the general revenue fund (GRF). \$200 million is in additional bonds backed by profits of the State's liquor enterprise.

- **In total, how many jobs will this package create?**

We have used a number of respected economic models to estimate job creation, and we believe that this package can generate 80,000 jobs for Ohioans. This is a combination of the jobs created through public infrastructure investment based upon work completed by the American Association of State Highway and Transportation Officials and Ohio Public Expenditure Council's research in technology investments.

- **How will *Building Ohio Jobs* improve Ohio's economy and create jobs?**

The Strickland Administration continues to support the implementation of the tax reform enshrined in HB 66, which has the promise of creating long term jobs in Ohio by giving our state a more favorable business climate. *Building Ohio Jobs* provides the resources to our state so that we can create more than 80,000 jobs in the near term. In making the infrastructure investments that we've chosen, Ohio will be first in line to capture new jobs as our economy turns upwards once again. We are not waiting for Washington. We don't need to. The roads, bridges, freight rail infrastructure, bio-medicine, bio-products and advanced energy investments we are making will create jobs for Ohioans and lay the groundwork to assure that Ohio is first in line for jobs when the recovery occurs.

- **How will the money be allocated?**

We will be using a combination of ways to assure that we are held accountable and the money is being spent in the ways we intend, on what is best for Ohio. We do not want to needlessly duplicate current programs, and we respect funding mechanisms that have been proven to work.

Category	Amount	Accountability
Clean Ohio Revitalization Fund and Clean Ohio Conservation Fund	\$ 400 million Clean Ohio	These funds will be administered in the same way in which they are today. We are increasing their capacity and allowing Clean Ohio to continue bonding as their projects are repaid in the future.
Jobs Stimulus fund at the Third Frontier	\$ 250 million Advanced Energy \$ 200 million Biomedicine \$ 100 million Bioproducts	This separate fund will be set up through the enabling legislation and will allow the money to be issued in a quicker, more efficient manner, with a specific focus on near-term job creation.

To be designated by the General Assembly through enabling legislation.	\$ 150 million Logistics and Distribution Industry	We will work with the legislature and stakeholders to create the appropriate means for this money to be distributed. The logistics industry crosses several state agencies and it is imperative that we work to support this unique and important industry.
Ohio Public Works Commission	\$ 400 million Public Works Program \$ 200 million Main Street Renewal	Funding will be made available through the existing Ohio Public Works Commission, allowing for local decision making. New criteria will be created for the Main Street Renewal Money through enabling legislation that ensures the money is spent on its intended purposes.

- **When will implementation begin?**

We expect to be distributing funds from *Building Ohio Jobs* in the spring of 2009. With the cooperation of the legislature, we can pass implementing language immediately following the November 2008 ballot. Our focus has been on using tested methods to assure that funding is in Ohio's cities and towns as quickly as possible. While we need to operate quickly, we also want to assure that we are moving forward with a high level of accountability.

- **In total, how much will this jobs package leverage in private and federal funds?**

Based upon the ability of these programs in the past to attract private and other dollars to projects, we believe that this package may leverage billions of dollars. For example, during the first issue of the Clean Ohio Revitalization Fund, \$200 million attracted over \$2 billion in proposed new investment to the cleaned up properties.

The Third Frontier program has also achieved success in this area. The biomedical research and commercialization projects have leveraged an average of 9.2 dollars of non-state money for every dollar of state money. The pre-seed funds have leveraged an average of 22 to one (not just biomedical). In the cases of major capital investment in the biomedical field to develop our Wright Centers of Innovation and MegaCenters we have averaged 4.9. If we invest in later stage companies (seed round of funding rather than pre-seed) it is possible to see leverage ratios of 45:1.

- **How is this different from the Third Frontier?**

Today, the Third Frontier is rightfully focused on funding critical research and development. The *Building Ohio Jobs* investment will focus on immediate job creation and on moving companies from the research phase to the market.

- **Why is so much going into public works?**

With its strong partnerships with Ohio's local communities, the Public Works Commission has proven to be successful at making needed resources available to local communities very quickly, and in a tested and fair way. This funding will help meet critical infrastructure needs throughout the state that will support business development. The Public Works Commission exhibits the best in local decision-making and state accountability, with project priorities set in a "bottom up" fashion.

Economists have said public capital contributes the most to private productivity and growth. Alicia Munnell with the Federal Reserve Bank of Boston wrote, "states that have invested more in infrastructure tend to have greater output,

more private investment, and more employment growth.”¹

- **How much does the bond issue cost?**

The term of the bonds for each specific purpose will be based on the useful life of the assets being financed. For example, bonds issued for purposes with an applied research and commercialization focus such as biomedical will be amortized over 10 years, while bonds issued for long-lived capital assets such as logistics and transportation infrastructure will be amortized over 25 years. This rapid amortization helps keep the total cost of the bond issue low.

- **How can the state afford the bond issue?**

The bond issue does not result in any additional costs in the current biennium. In the next biennium (FY 2010-11) we will need to set aside an additional \$152 million in GRF for debt service. This \$152 million equals about one-fourth of one-percent of the projected FY 2010-11 GRF budget. Even with this additional debt service, total debt service spending as a percent of the budget will remain well under the state’s 5% debt limit. It’s a small investment for a big payoff of 80,000 jobs. We believe this reallocation to invest in jobs today is critical to getting Ohio’s economy moving again.

- **What will the impact of the Building Ohio Jobs proposal be on the 5% debt limit and upcoming capital bills?**

The Building Ohio Jobs program is affordable within the 5% debt limit. Annual GRF debt service on the authorized bonds accounts for less than one-half of one-percent of future GRF budgets. The use of tobacco bonds in lieu of GRF bonds to fund the State’s share of construction of elementary and secondary school facilities over fiscal years 2008-2010 alleviated significant funding pressure on the current and future capital bills.

The following table shows the State’s position relative to the 5% debt limit including the impact of the Building Ohio Jobs bond proposal and future capital bills. While the actual size of future capital bills will be proposed by the Governor and set by the General Assembly based on then current circumstances, this forecast indicates that we have adequate capacity under the 5% debt limit to accommodate the *Building Ohio Jobs* program and reasonably-sized future capital bills. In comparison, the 3rd Frontier funds were exempted from the 5% debt limit.

GRF Debt Service Percent of GRF Budget + Net Lottery	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Existing & Authorized Debt	4.26%	4.54%	4.46%	4.03%	3.99%	3.69%	3.45%	3.08%	2.71%	2.44%	2.15%
\$1.50 B Building Ohio Jobs ¹	--	--	--	--	0.19%	0.33%	0.43%	0.46%	0.44%	0.43%	0.42%
Sub-Total	4.26%	4.54%	4.46%	4.03%	4.18%	4.02%	3.88%	3.54%	3.15%	2.87%	2.57%
\$1.15 B FY 2009-10 Cap Bill	--	--	--	0.13%	0.27%	0.35%	0.34%	0.33%	0.32%	0.30%	0.29%
\$2.40 B FY 2011-12 Cap Bill	--	--	--	--	--	0.22%	0.53%	0.68%	0.66%	0.63%	0.61%
\$2.50 B FY 2013-14 Cap Bill	--	--	--	--	--	--	--	0.21%	0.52%	0.66%	0.64%
\$2.65 B FY 2015-16 Cap Bill	--	--	--	--	--	--	--	--	--	0.21%	0.51%
TOTAL	4.26%	4.54%	4.46%	4.16%	4.45%	4.60%	4.75%	4.76%	4.65%	4.67%	4.62%

¹ Alicia H. Munnell with the assistance of Leah M. Cook. "How Does Public Infrastructure Economic Performance?" Is there a Shortfall in Public Capital Investment?, Federal Reserve, 1990.