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Issue 1 lets Ohio buy into companies  
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## GOOD FOR ALL; OR AN UNFAIR BOOST?

What they say about the provision in Ohio's Issue 1 before voters Tuesday that would allow the state and local governments to make direct investments in private companies:

**Supporters:** State and local governments have long invested in companies through grants, loans, tax credits and debt financing. Ohio officials say the state has no intention of becoming a shareholder in a company. If it chooses to do so, the state would pass implementing legislation containing restrictions and safeguards.

**Opponents:** Governmental investment in companies opens the door to corporate welfare and any number of potential conflicts of interest. They say such investments could elevate government's corporate interests over its taxpayer interests. They say backers are ignoring the lessons learned in the 1840s, when Ohio bankrolled private canal projects that went bust, leaving the state deep in debt and leading to the 1850 constitutional amendments that forbid such direct investments.

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State and local governments and the companies they regulate could become virtual business partners under a provision of Issue 1.

Issue 1 calls for the authorization of \$2 billion in bonds for public works and research. One provision allows state and local direct investments in private research and development ventures in Ohio.

The provision has drawn criticism for blurring the boundaries between the public and private sectors and creating the potential for conflicts of interest and scandals. State officials and promoters of Issue 1 have focused on its contributions to jobs.

"A YES vote on Issue 1, the Jobs for Ohio bond issue, will help create and keep more good jobs for Ohioans without raising taxes," says the Web site [www.jobsforohio.com](http://www.jobsforohio.com). The site is posted by Jobs for Ohio, a public/private group set up to promote passage of Issue 1. The group lists former Sen. John Glenn as chairman. The steering committee includes Lt. Gov. Bruce Johnson and state Rep. Tom Raga, R-Mason.

But Bill Schuck, who served 14 years in the Ohio House and was term-limited in 2000, suggests that voters pay closer attention to the direct investment provision. It would reverse a constitutional amendment from 1851, when Ohio banned government investment in private companies after taking a bath on failed canal ventures.

"Look at the way the language is drawn, and it's clear the barn door has been thrown wide open for any government agency to invest in any private venture," said Schuck, a Republican who lives in Columbus.

The direct investment provision comes under the part of Issue 1 that authorizes the issuance of up to \$500 million in bonds for research projects and technology commercialization ventures in need of financial backing. The Ohio Roundtable, a public policy think tank, fears it could result in "pay-to-play" in the form of campaign donations for state investment money. A Quaker social action group called the Northeast Ohio American Friends Service Committee says government investments in companies would politicize public policy decisions.

"For example, if a government agency's budget depends on corporate dividends, how willing will it be to impose environmental controls on, seek taxes from, or examine the labor practices of the company?" wrote Greg Coleridge, AFSC's economic justice director, on the group's Weblog, [www.ohiodemocracy.org](http://www.ohiodemocracy.org). "If the state has a large investment in a company, would that deter the attorney general from suing for antitrust violations, deceptive consumer sales or other legal violations?"

Said Jon Honeck, a research analyst for Policy Matters Ohio, a Cleveland-based think tank that is neutral on Issue 1: "There are conflicts of interest that could occur. Are they going to show favoritism to that corporation versus others in the same line of business? In light of the recent scandals in the state, you need to tread carefully there."

State officials say the fears are unfounded. Johnson said Issue 1 is essential to spur development of new products and create jobs. He said the state already invests in companies through bond-financing programs. Owning pieces of companies, he said, won't be necessary – or pursued.

State Rep. Bill Seitz, R-Green Township, acknowledged the concerns about direct investment in the private sector.

"It's a valid concern," he said. "I don't want this (Issue 1) to be a license for the state to make a bunch of risky stock investments, but I don't think it commands it. We would be able to address the concerns through implementing legislation if the issue passes."

Schuck said voters should not consider Issue 1 an either-or proposition. He said the \$1.35 billion public works portion of the question could be offered again in 2006. He said the state has other means to stimulate economic development without incurring debt or dropping the barrier to public investment in companies.

"Issue 1 permits the state and local governments to invest in high-tech, startup companies that have unproven products, like those that went bankrupt in the dot-com bubble of the 1990s," Schuck wrote in a paper posted on the AFSC blog.

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