



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Am. Sub. H.B. 1 of the 129th G.A.

Date: February 16, 2011

Status: As Reported by Senate Finance

Sponsor: Rep. Duffey

Local Impact Statement Procedure Required: No

Contents: Authorizes the creation of the JobsOhio nonprofit economic development corporation

State Fiscal Highlights

- The bill requires the Director of Development and Director of Budget and Management to reallocate \$1 million in FY 2011 GRF appropriations to the Ohio Department of Development (ODOD) to a new line item, 195527, JobsOhio, for the initial transition and start-up costs of the nonprofit JobsOhio corporation. This provision would have no net fiscal effect on ODOD's GRF budget.
- The bill requires ODOD to enter into a contract, subject to Controlling Board approval, with the newly created JobsOhio corporation to provide services or carry out certain ODOD powers, functions, and duties, to be determined after a six-month evaluation of ODOD operations. Any additional costs for the transition of ODOD programs to JobsOhio would depend on the outcome of this evaluation.
- The bill prohibits the commingling of public and private sources of funding for JobsOhio, requires the prompt deposit of public funds received by JobsOhio, and makes officers and employees in possession of public funds liable for the money.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Overview of JobsOhio

The bill authorizes the Governor to create a nonprofit corporation to be named JobsOhio for the purpose of promoting economic development, job creation, job retention, job training, and the recruitment of business to the state. Under the bill, JobsOhio would be governed by a nine-member board of directors, consisting of the Governor as chairperson and eight other members appointed by the Governor. The bill also sets out requirements for articles of incorporation, including the appointment of a Chief Investment Officer, who would be appointed by the Governor and oversee the day-to-day operations of the corporation. For a more detailed breakdown of the specific statutory requirements related to the board of directors and articles of incorporation, please see the LSC bill analysis.

In authorizing the Governor to create this nonprofit corporation, the bill specifies that JobsOhio is not a state agency and its employees are not to be considered state or public employees for the purposes of public retirement systems or collective bargaining agreements. However, JobsOhio is included in the definition of "state employee" for the purposes of the Inspector General's jurisdiction. The bill also establishes the relationship of JobsOhio to the state with respect to legal matters such as public records, open meetings, state procurement, and other issues. The LSC bill analysis describes these aspects in further detail.

As described further below, to provide funding for transition and start-up costs, the bill requires the Director of Development to reallocate \$1 million from existing GRF resources for this purpose. Overall, the fiscal effect of transitioning economic development functions from the Ohio Department of Development (ODOD) to JobsOhio would depend on the outcome of the evaluation of the Department required by the bill.

Ohio Department of Development contract with JobsOhio

The bill requires ODOD to enter into a contract with JobsOhio to provide services or carry out certain functions currently performed by ODOD. This contract, and all other contracts between ODOD and JobsOhio, would be subject to approval by the Controlling Board. Under the contract, ODOD would retain the authority to approve or disapprove financial incentive awards, and any contracts for such grants, loans, or tax incentives would be between the recipient and ODOD. JobsOhio would be prohibited from executing contracts obligating ODOD for loans, grants, or tax incentives recommended by JobsOhio. The bill states that nothing shall prohibit ODOD from contracting with JobsOhio to (1) promote and advocate for the state, (2) make recommendations to ODOD, (3) perform research for ODOD, (4) establish and manage programs or offices on behalf of ODOD, or (5) negotiate on behalf of the state.

Additionally, under the bill, ODOD is authorized to compensate JobsOhio from funds currently appropriated to the Department for the functions listed above.

The bill also requires the Director of Development to evaluate all of ODOD's current powers, duties, and functions within six months of the bill's effective date. Upon completion of this evaluation, the Director is required to submit a report to the General Assembly containing recommendations on statutory changes necessary to improve ODOD's functionality and efficiency and transfer certain functions to JobsOhio or other state agencies, or to eliminate them altogether. In addition, the bill requires the Director to engage in ongoing evaluations of ODOD's functions and continue to recommend potential changes to the General Assembly.

There is likely to be some additional administrative cost to ODOD to carry out this evaluation, which could potentially be covered by the appropriation discussed below. Any additional costs for the transition or elimination of ODOD programs or employees would depend on the outcome of the Director's evaluation and the statutory changes ultimately enacted by the General Assembly.

The bill also requires that ODOD's contract with JobsOhio include a provision requiring certain records to be held by ODOD as public records. These include JobsOhio's tax returns, expenditure reports, employee and officer compensation records, audit reports, and records of executed economic development incentives. This provision would likely require some ongoing administrative cost to ODOD; however, such costs would likely be minimal because ODOD generally already keeps such records for its own programs.

Finally, the bill requires that any contract between ODOD and JobsOhio must not negate, impair, or adversely affect the state's obligations for debt service payments for economic development programs. Programs that would be subject to this requirement include Third Frontier grant programs, the Ohio Enterprise Bond Fund, and 166 Direct Loan Program and other loan programs supported by the Facilities Establishment Fund.

Initial appropriation

In order to provide an initial source of funding for the transition and start-up costs of JobsOhio, the bill requires the Director of Development, in consultation with the Director of Budget and Management, to reallocate up to \$1 million from ODOD's current FY 2011 GRF appropriation to a new appropriation line item, 195527, JobsOhio. This provision requires the directors to identify existing GRF line items with sufficient unexpended and unencumbered appropriations and reduce the appropriations to those line items by a collective amount of up to \$1 million. This amount would then be appropriated to the new line item, which would be used to fund the initial creation and operation of JobsOhio. The bill requires ODOD to submit a report detailing the use of these funds to the Controlling Board within six months of the bill's effective date, and every six months thereafter until the full appropriation has been expended.

Restrictions on use of public funds

The bill prohibits the commingling of public and private sources of funding for JobsOhio. Specifically, the bill requires JobsOhio to maintain and account for public sources of funding independently of any other sources of funding the corporation receives. In addition, the bill requires that if any officer or employee of JobsOhio receives over \$1,000 in public money while acting in an official capacity, then the money must be deposited into the required fund or account the next business day. If the amount received is less than \$1,000, the JobsOhio board of directors is authorized to allow a period of up to three days for making such deposits. Finally, under the bill, any officer or employee of JobsOhio who has custody of public money is liable for the money to the same extent as a public official would be under current law.

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