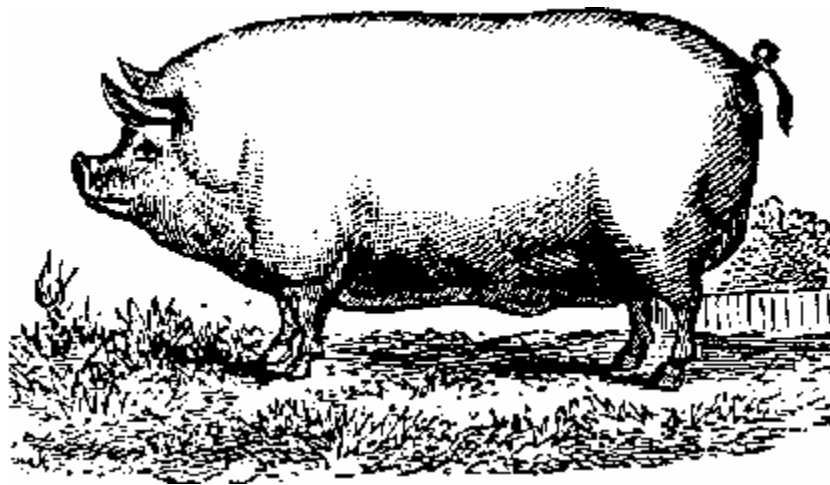


**The Buckeye Institute for
Public Policy Solutions
and
Citizens Against Government Waste**



**2006 OHIO
PIGLET BOOK**

“The Book Columbus Doesn’t Want You to Read”

THE BUCKEYE INSTITUTE FOR PUBLIC POLICY SOLUTIONS

The Buckeye Institute for Public Policy Solutions is a nonpartisan research and educational institute dedicated to the viewpoint of individual liberty, economic freedom, personal responsibility and limited government. Its mission is to represent that viewpoint in the public policy debates of Ohio.

The Buckeye Institute assists policymakers and the public by providing objective analysis and sound solutions to state and local policy questions, particularly in the areas of taxation, government spending, regulation and education.

By offering a compelling vision of prosperity and liberty, the Buckeye Institute seeks to upset the common assumption that government intervention is the default solution to problems that are shared by every society.

The Buckeye Institute neither seeks nor accepts government funding. It is supported by individuals, foundations, businesses and other private entities that either believe in the value of informed debate or share the institute's core vision, or both.

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CITIZENS AGAINST GOVERNMENT WASTE

Citizens Against Government Waste (CAGW) is a private, nonprofit, nonpartisan organization dedicated to educating the American public about waste, mismanagement, and inefficiency in government.

CAGW was founded in 1984 by J. Peter Grace and nationally-syndicated columnist Jack Anderson to build support for implementation of the Grace Commission recommendations and other waste-cutting proposals. Since its inception, CAGW has been at the forefront of the fight for efficiency, economy, and accountability in government. CAGW has more than one million members and supporters nationwide. Since 1986, CAGW and its members have helped save taxpayers more than \$758 billion.

CAGW's official newsletter is *Government WasteWatch*, and the group produces special reports, and monographs examining government waste and what citizens can do to stop it. CAGW is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1954 and is recognized as a publicly-supported organization described in Section 509(a)(1) and 170(b)(A)(vi) of the code. Individuals, corporations, companies, associations, and foundations are eligible to support the work of CAGW through tax-deductible gifts.

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Introduction: Waste is Real, Damaging and Reducible

Ohio government officials have bragged for more than a year now, since the enactment of the biennial operating budget in 2005, that they have state spending under control.

“Our budget is the leanest this state has seen in 40 years,”¹ they say. In this case the quote is from Gov. Bob Taft, but Senate President Bill Harris, Speaker Jon Husted and any number of other legislators are quick to repeat the formulation.

Unexpectedly, there is some truth in what these politicians are saying. As detailed in the *2006 Ohio Piglet Book*, the General Revenue Fund expenditures for Fiscal Year 2006 in fact increased by 0.1 percent, or \$35 million on a budget of more than \$25 billion.

Unfortunately for Ohio taxpayers, however, these politicians are blinded by their pride and self-interest. A single budget cycle of flat spending is fine, but where were they for the previous 40 years? Where were they even one year before, in Fiscal Year 2005, when General Revenue Fund expenditures increased 5.7 percent?² More to the point, where will they be next year, and the year after?

Indeed, as discussed in this publication, the General Revenue Fund is only part of the picture, and while these politicians are happy to brag about the General Revenue Fund when the numbers favor them, they are silent about total government spending, which increased last year at the same pace that it has been increasing since 2000 and so does not favor their claims of fiscal restraint.

The *2006 Ohio Piglet Book* is a close examination of some of the budget expenditures in the state of Ohio. While this publication seeks to entertain and amuse the thoughtful reader by the rueful exposure of state government silliness, its true purpose is to inform and stimulate widespread discussion of governing principles.

Individual liberty rather than collective activity is the best basis for public policy, but readers need not share this view to enjoy and benefit from the *Ohio Piglet Book*. Examples of wasteful spending are valuable to all citizens, regardless of viewpoint, who seek to hold their government accountable.

Government waste is ubiquitous and unavoidable, but an informed and focused public can compel government to identify waste, admit its existence, and work to reduce its causes and effects.

¹ Office of the Governor, “Taft orders further cut in income tax withholding,” Press release, July 5, 2006, <http://www.governor.ohio.gov/releases/070506IncomeTax.htm>.

² Office of Budget and Management, *Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2005*, p. 24 <http://www.obm.ohio.gov/finrep/cafr/cafr05/cafr05.pdf>.

About The Buckeye Institute for Public Policy Solutions and Citizens Against Government Waste

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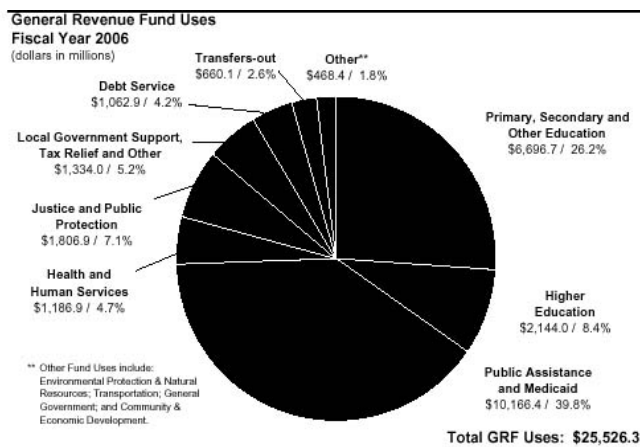
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Citizens Against Government Waste was founded following the lead of President Ronald Reagan in establishing the President's Private Sector Survey on Cost Control, or the "Grace Commission," after Chairman J. Peter Grace, in 1982. In its more than 20 years of existence, CAGW has grown to include more than one million members who have helped reduce government spending by three-quarters of a billion dollars. The work of CAGW has also identified as much as \$200 billion in unrealized one-year savings and more than \$1.6 trillion in five-year savings.

Where The Money Goes

Figure 1



Source: Ohio Office of Budget and Management

As the following chart shows, \$3 out of every \$4 the state spends in its primary operating fund, the General Revenue Fund,³ goes to either education or welfare, which is primarily Medicaid.⁴

Of \$25.5 billion in General Revenue Fund expenditures, which are paid for by both revenues raised from direct state sources along with the federal subsidies received by the state, the largest single category is Public Assistance and Medicaid, at \$10.2 billion or 40 percent of the

³ In addition to the General Revenue Fund, which includes expenditure of approximately \$25.5 billion in Fiscal Year 2006, the state also has various special revenue funds and capital funds, raising total state spending to than \$47 billion.

⁴ Office of Budget and Management, 2006 *Ohio Budgetary Financial Report*, <http://www.obm.ohio.gov/finrep/budgtry/budgtry06.pdf>.

total. Following close behind is education, including both primary and secondary education and colleges, universities and vocational programs, at \$8.8 billion, or 35 percent of total spending. Together, these two areas account for 75 percent of all state General Revenue Fund spending, leaving only 25 percent, or \$6.5 billion, to pay for environmental protection, health and human services, the court system, state police and other emergency response, and every other state function.

Of course, whether the program is large or small, examples of waste can be found in every area of government spending.

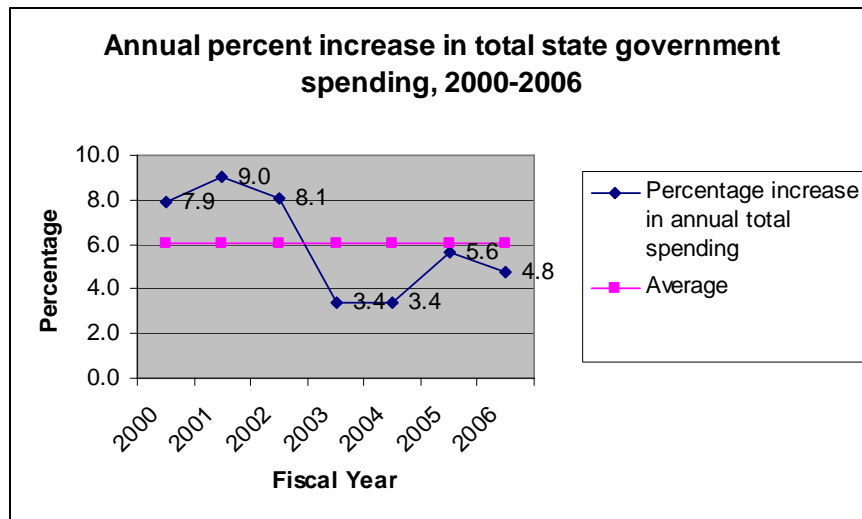
Speaking Out Of Two Sides Of Its Mouth: Did Ohio Government Flatline Its Spending, Or Not?

According to the 2006 Ohio Budgetary Financial Report, the state’s cash-basis, unaudited report prepared at the close of the fiscal year, General Revenue Fund expenditures for FY06 were essentially flat, growing by only 0.1 percent over FY05. On a budget of \$25.5 billion, the growth was \$35 million.

Compared to increases of 4.1 percent in 2005, 5.2 percent in 2004, and 4.7 percent in 2003,⁵ this represents a significant improvement.

However, before Ohioans start celebrating, they should note that the General Revenue Fund is only slightly more than half of total state spending. While the 2006 General Revenue Fund expenditure was \$24.9 billion, total state spending was \$47.1 billion. That resulted in a total spending increase of 4.8 percent. This increase was the second-closest year to the overall average increase of 6 percent from 2005-2006. (See Fig. 2.).

Figure 2



Source: Ohio Office of Budget and Management

⁵ See, Office of Budget and Management, *Budgetary Financial Reports 2003-2005*, <http://www.obm.ohio.gov/finrep/budgtry>.

It is one thing for Ohio's political leaders to keep General Revenue Fund expenditures flat, and they should receive credit for it. But what counts is the total burden on Ohio taxpayers. If that burden is in fact higher than some recent years, then Ohio legislators are playing a disingenuous game.

In his introductory remarks to the cash-basis budget report, Tim Keen, director of the Office of Budget and Management, reported that Ohio had such a successful year collecting higher-than-expected taxes (thanks mostly to adding a business tax that took effect immediately, the "Commercial Activity Tax" [CAT] while only phasing out other taxes that the new taxes were advertised as replacing) it was able to replenish its "rainy day fund" by adding \$394-million to it. This raised the rainy day fund balance to more than \$1 billion. While this amount is still short of state law, which requires 5 percent of the total General Revenue Fund budget, or about \$1.25 billion, this represents good policy of accumulating a cushion, rather than spending all available funds.

There's only one problem: the General Assembly shuffled the books to account for the \$394 billion in the 2007 budget, not the 2006 budget. Had the transfer been accounted for in 2006, the state's reported General Revenue Fund increase in expenditures of 0.1 percent would have been more like 1.7 percent. That is not a large difference, but it does not represent forthright bookkeeping.

Homeland Security: Boys and Their Toys

August was hardly an august month for Ohio's Department of Homeland Security. In addition to a questionable adventure by the state's lieutenant governor (see box, p. 6. "Economic Development: Seeing the Future"), Auditor Betty Montgomery released the state's annual "Single Audit Report," in which the largest questioned expenditure was nearly \$62 million by the Department of Public Safety for the "State Domestic Preparedness Program." This program funnels federal dollars from the U.S. Department of Homeland Security to state and local governments.⁶

The problem, the auditor said, was dumping wheelbarrow loads of cash on the local governments and not knowing what it is used for. Or, in the auditor's words:

The Department of Public Safety had questioned costs of \$61,893,834 related to the State Domestic Preparedness program. This program provides monies from the U.S. Department of Homeland Security through the Department to state and local governments for preparedness equipment support. This was a new federal program and the Department did not have an effective system to monitor its subrecipients. They performed limited site visits but did not maintain adequate documentation. Although their subrecipients were state and local governments, the Department had no

⁶ Ohio State Auditor, "State Of Ohio Single Audit Report For The Year Ended June 30, 2005," p. ii, http://www.auditor.state.oh.us/AuditSearch/Reports/2006/State_of_Ohio_Single_Audit_05_Franklin.pdf.

established procedures for tracking A-133 audits completed by their auditors.⁷

Economic development: Seeing the future

Ohio Lt. Gov. Bruce Johnson made headlines in August 2006 for a little fly-by action over the state Capitol.⁸

Johnson, who is also Ohio's director of development, enjoyed the thrill of riding shotgun in an F-16 owned by the Ohio Air National Guard. Unfortunately for Ohio taxpayers, the \$5,000 an hour it costs to keep a fighter aloft isn't cheap.⁹

Nor, presumably, is the Federal Aviation Administration inquiry that followed, to determine whether the flight violated regulations by flying too low over downtown Columbus. One can only hope the pilot isn't cashiered, costing taxpayers to lose the value of his years of training and experience, too.

In newspaper reports, Johnson denied that anyone planned the downtown fly-by ahead of time. He did, however, acknowledge that his staff had left their desks to go outside and wave to him.

How did they know to do that, when it wasn't planned? Maybe the state hires them for their psychic abilities—which are doubtless particularly valuable for economic development.

Why does the auditor consider the failure to keep track of the money spent to be a problem? Because it might interfere with the federal government's dumping even more wheelbarrow loads of cash on the state:

“Without proper monitoring procedures in place during the period of the grant award to specifically ensure that subrecipients are in compliance with applicable Federal rules and regulations, management may not be reasonably assured their subrecipients are expending Federal funds for allowable

activities and that other significant compliance requirements are being met, thereby putting management at risk of noncompliance with Federal subrecipient monitoring requirements. This could result in reduced Federal funding or termination of future Federal awards.”¹⁰

The auditor's report also sheds light on bureaucratic turf wars. While the auditor has its views, Ohio Department of Homeland Security (DHS) officials appear to believe government accountability should not apply to them. As the auditor put it, “they felt the

⁷ Idem.

⁸ See, Aero-News.net, “Maverick, were you cleared to buzz the Statehouse?”, August 21, 2006, <http://www.aero-news.net/index.cfm?ContentBlockID=75e5eb67-e28e-471f-a49a-03e461359e78>.

⁹ National Training and Simulation Association “Relative cost of simulated versus actual flight hour,” http://www.trainingsystems.org/publications/simulation/roi_effici.cfm.

¹⁰ Ohio State Auditor, “State Of Ohio Single Audit Report For The Year Ended June 30, 2005,” p. 300, http://www.auditor.state.oh.us/AuditSearch/Reports/2006/State_of_Ohio_Single_Audit_05_Franklin.pdf.

procedures they had in place for these programs were sufficient for them to rely on.” Even so, the auditor required corrective action:

Based on discussions with various DHS personnel, it appears they felt the procedures they had in place for these programs were sufficient for them to rely on. We recommend DHS review OMB Circular A-133 requirements and implement the necessary monitoring procedures over subrecipients in order to provide reasonable assurance that all subrecipients are in compliance with program laws and regulations. These procedures should at a minimum include the performance of regular and on-going site visits, maintaining the proper supporting documentation to evidence the site visit and any review procedures performed, and the implementation of an effective tracking system to provide reasonable assurance that A-133 audit reports are received, reviewed and that appropriate corrective action is taken when required.¹¹

The questions raised by the auditor seem self-evidently sensible. Being able to audit spending is certainly a minimum requirement of any enterprise, including basic government services, and that cannot be done without competent recordkeeping.

But for all that, the Single Audit Report only goes to show that the government’s most sophisticated procedures sometimes fail to examine the most commonsense of questions: Even assuming the money could be properly tracked and audited, what is the money being spent to accomplish?

One example of what the money is spent on long predates the terrorist attacks of September 11, 2001. Seemingly, every sheriff and police department in America lusts after its own armored personnel carrier, and Ohio’s civilian police are no different. Here are only a few of the instances where Ohioans, if not their tax dollars, are “protected” by military or paramilitary equipment:

- In December 2005, Lucas County Sheriff James Telb rolled out his department’s “tank-like” vehicle during a neo-Nazi demonstration in Toledo. Oddly, despite deploying the thing, Sheriff Telb said the vehicle “was not used.” One fears to know what he would consider “using” such a vehicle to mean.¹²
- In March 2006, Delaware County Sheriff Al Myers argued with county commissioners over a \$50,000 federal Homeland Security grant, to be combined with more than \$80,000 in seized “drug money,” over an opportunity to buy a “command center” mobile unit to respond to emergencies.¹³ Myers lost the argument, but he shouldn’t be too upset, since, in June 2005, commissioners

¹¹ *Idem.*

¹² James Ewinger, “Police keep the peace at Ohio Nazi rally,” *Cleveland Plain Dealer* Dec. 12, 2005, as republished by Law Enforcement News, <http://www.officer.com/article/article.jsp?id=27375&siteSection=1>.

¹³ “Inaction on command vehicle irks sheriff,” *ThisWeek in Delaware*, March 19, 2006.

appropriated \$187,000 of DHS grant money to buy Myers an “armored tactical vehicle.”¹⁴

- Not to be outdone by its neighbor Delaware County, the city of Columbus in August spent \$1.1 million for its own command center, also purchased with DHS money. Presumably this one is better than the \$130,000 model sought by Delaware.¹⁵

Maintaining order is one thing, but does every civil police department in America really need to arm itself as if it were the National Guard? Or is DHS simply another opportunity for self-important government officials to play with jets and tanks on the taxpayer’s dollar?

Education: If You Build it, Will they Come?

One reason Ohio’s General Revenue Fund budget looks good compared to past years is that some agencies spent less than they had expected. For example, the Ohio Department of Education (ODE) reported spending \$119 million less than it had projected.¹⁶

Such a reduction in spending should be welcomed by every Ohio taxpayer. It is certainly better than a systematic bias upward, in favor of ever-increasing expenditures.

However, before taxpayers become too sanguine about ODE’s having saved money this year, they should consider the chief source of the savings. According to documents from the Ohio Legislative Service Commission, the largest component of the \$119 million savings, \$58.6 million, is that ODE guessed wrong on how many students there are in Ohio: It was off by 15,000 kids.¹⁷

ODE records indicated that more than 1.8 million students were enrolled in Ohio schools in the 2005-2006 school year,¹⁸ so a variation of 15,000 is only about 1 percent. It seems reasonable, in the absence of other information, to consider a 1 percent variance to be ordinary.

But what if the numbers represent something other than random variation? What if parents, having become frustrated with public school systems, are increasingly opting to put their children into private school environments, or are homeschooling them? What if the state’s overall demographics are such that public school districts cannot take for granted growing, or even stable, student populations?

¹⁴ “County to use grant to buy armored vehicle,” *ThisWeek in Powell*, June 23, 2005.

¹⁵ “Homeland Security Grant: City to purchase regional mobile command center,” *ThisWeek in Delaware*, Aug. 10, 2006.

¹⁶ Steve Mansfield, “Budget Footnotes, Disbursements”, p. 254. newsletter, Ohio Legislative Service Commission, July 2006, <http://www.lbo.state.oh.us/fiscal/publications/periodicals/bfn/V29N11.pdf>.

¹⁷ *Ibid.*

¹⁸ Ohio Department of Education, “Enrollment by District,” 2005-2006, <http://ilrc.ode.state.oh.us>.

This is more than an incidental question. One of the state's major education initiatives of the past two decades, the Ohio School Facilities Commission, is predicated upon an immense investment of public resources into fixed, long-term assets that have no other use. What if Ohio is sinking billions of taxpayer dollars into white elephants for which students will have no use?

The Ohio School Facilities Commission (OSFC) was created in 1997 as an offshoot of high-stakes politicking between the Ohio Supreme Court and the Ohio General Assembly. Since its creation, the commission and Ohio's politicians have proudly and repeatedly proclaimed that the state spends \$2 million every day to build new school buildings in Ohio.¹⁹ For Fiscal Year 2006, this estimate was nearly spot on, as OSFC disbursed \$743 million, its second-highest total ever.²⁰

In 2001 State of the State address, Gov. Bob Taft joked, "In fact, we have so many school projects planned that when I leave office, I may go into the school construction business. I know it's steady work."²¹ It's no joke for Ohio's taxpayers, however, since they are going to be left with the bill.

Even these figures are likely to understate the amount of taxpayer dollars being invested by the state in its public school buildings, because the OSFC program is running up its promises by about 50 percent more than it admits spending. When OSFC reports that it spent \$743 million in FY 2006, it is reporting the amount spent under its main program, Classroom Facilities Assistance (CFAP). Under this program, and others, Ohio school districts are ranked according to their wealth, from poorest to wealthiest.²² The state then takes each year's available building fund money and grants it to the poorest districts first.

However, this approach creates a gap. Many relatively wealthy districts also happen to be fast-growing districts, adding new students every year. This is particularly true in central Ohio and in many of the suburbs around the major cities. These wealthier districts would like to receive their share of OSFC funding, too, but cannot wait three, five or 10 years for OSFC to work its way up the funding list.

To address this problem, OSFC has developed the Expedited Local Partnership Program (ELPP).²³ Under this program, the school districts enter a contract with OSFC, just as schools under the CFAP program do. These districts then construct the buildings they need, using their own funds. The difference between ELPP and CFAP is that, while these wealthier districts do not receive cash today from OSFC, they do receive a promise of payment later.

¹⁹ Governor's Year in Review 2001, introductory letter, http://www.governor.ohio.gov/YIR_2001.pdf#search=%22taft%20%242-million%20every%20day%22.

²⁰ "Budget Footnotes," p. 266.

²¹ State of the State Address, 2001, <http://governor.ohio.gov/MajorSpeeches/sos1242001.htm>.

²² School Eligibility Ranking List, Fiscal Year 2007, p. 51, <http://www.osfc.state.oh.us/Documents/Equity%20List%20FY07.pdf>.

²³ Ohio School Facilities Commission, <http://www.osfc.state.oh.us/Programs/Elpp/ELPP.htm>.

To date, 88 districts around Ohio have accumulated \$1.8 billion in credits toward ELPP.²⁴ Given that the ELPP program has been in existence for only five fiscal years, that amounts to \$360 million yearly that OSFC will be obligated to pay. Indeed, if the early years of the program spent less than the program is likely to spend when mature, as is likely, this average figure will be understated. Thus, when OSFC reports expenditures of \$743 million, it is not counting its accrued promises of more than \$360 million each year. Taken together, OSFC is looking at accrued expenses of \$1 billion or more annually, but it is borrowing from the future to do it. This will place further burdens on future state budgets.

Even more ominously, Ohio has had significant growth in its charter or community school program. Since only public school districts are eligible to receive OSFC funding, movement of students out of public schools and into charter or community schools means that buildings are being built for districts that are losing population. ODE documents show 300 community schools in Ohio, up from 70 at the start of the 2000-2001 school year.²⁵ If this trend continues, Ohio will have found itself committed to billions for new public school district buildings for which students will have left in favor of a program for which the state does not provide building funds. Ohio taxpayers could well be left holding billions of dollars worth of empty white elephants.

Medicaid: A Prescription For Debt And Poor Service

Medicaid is a problem that affects every state. It consumes such a large share of state budgets—more than \$10 billion in Ohio, nearly 40 percent of the total operating fund budget—that when the Medicaid population sneezes, the state budget contracts pneumonia.

Unexpectedly, Medicaid costs were under control in FY 2006. Total disbursements decreased, in absolute terms, from FY 2005, at \$9,446,178, to FY 2006, \$9,260,644, for an actual dollar decrease of \$185 million.²⁶

Again, however, Ohio taxpayers should not conclude that this is anything other than an interlude in ever-increasing government expenditures that serve mostly to crowd out private innovation and market response to human need. As the Buckeye Institute's Director of Health Care Policy, Dr. Michael Bond, puts it, Medicaid costs much and delivers little: "Financed by federal funds along with state money, its growth rate is unsustainable and threatens to place most state budgets, including Ohio's, in a precarious

²⁴ "Budget Footnotes," p. 266.

²⁵ See, ODE,

<http://www.ode.state.oh.us/GD/Templates/Pages/ODE/ODEDetail.aspx?page=3&TopicRelationID=1168&Content=14473> and Legislative Office of Education Oversight, "Community Schools in Ohio: Second-year Implementation Report,"

<http://www.loeo.state.oh.us/reports/PreEleSecPDF/commschools1.pdf#search=%22number%20%22community%20schools%22%20ohio%22>.

²⁶ "Budget Footnotes," p. 247.

position. Just as serious are the major quality issues that plague the program. No one in the U.S. receives worse health care on average than Medicaid beneficiaries.”²⁷

In fact, much of Ohio’s reduced 2006 expenditures were one-time events. Payments to nursing facilities were \$125 million below estimates, not because of any practical change, but only because of “a one-time cash flow correction.”²⁸ Similarly, payments to HMOs were lower by \$120 million, but only because there were delays in bringing more HMOs, which the state expects to suppress future costs, into service. Finally, spending on Medicare Part D, the prescription drug benefit, was \$65 million below projections because the state floated a check: “Only five payments (to the federal government) were made instead of the planned six . . . the result of the timing of invoices”²⁹

A lesson can be learned from South Carolina, where Gov. Mark Sanford is using free-market techniques to drive down Medicaid costs, based in part upon ideas promoted by Dr. Bond and researchers at the Heritage Foundation.³⁰ Using the principles of competition, choice, and stability, Sanford would introduce competition by requiring providers to compete for enrollees, who would benefit from education programs to help them choose the best plans, and who could also receive direct, voucher-like individual subsidies. This allows more freedom for the market to function as it does best, and limits fluctuations in state budget expenditures.

Promises To Keep: Why Ohio’s Pensions are Digging a Hole in Tomorrow’s Economy Today

Few government expenditures better illustrate the problem of taking money from one class of citizen and paying it to another than does the expenditure for public pensions.

One of the biggest financial stories of 2006 was the shift in the private economy away from defined benefit plans toward defined contribution plans.³¹ It is not hard to figure the reason: It is much easier to promise today than to pay today, and when the time comes to fulfill that promise, the hoped-for “excess” funds that would meet that obligation simply are not available. This conflict threatened to sink General Motors, many U.S. airlines, and the federal Pension Benefit Guarantee Corporation.³²

²⁷ Dr. Michael Bond, “Viewpoint: Ohio Should Follow Florida’s Lead on Medicaid,” June 24, 2005, <http://www.buckeyeinstitute.org/article.php?id=456>.

²⁸ “Budget Footnotes,” p. 249.

²⁹ “Budget Footnotes,” p. 250.

³⁰ Nina Owcharenko, “Florida and South Carolina: Two Serious Efforts to Improve Medicaid,” The Heritage Foundation, November 18, 2005, <http://www.heritage.org/Research/HealthCare/wm920.cfm>.

³¹ “Delta gets OK to end pilots pension plan,” *Portland Business Journal*, Sept. 6, 2006, <http://washington.bizjournals.com/portland/stories/2006/09/04/daily10.html>.

³² U.S. House Committee on Transportation, “Growing Commercial Airline Pension Crisis Outlined At Congressional Hearing,” June 22, 2005, <http://www.house.gov/transportation/press/press2005/release85.html>.

Why should government be any different? A May 2006 study by the Cato Institute reported that federal pay outpaces private sector pay, and noted that one of the main components of that pay was “superior benefits paid by the government,” including “a retirement plan with a very generous match.”³³

The same dynamic is at work in Ohio, which maintains five primary public sector, defined benefit pension plans, holding a total of \$138 billion in assets, according to a January 2006 report.³⁴ These are PERS (Public Employees Retirement System), STRS (State Teachers Retirement System), SERS (School Employees Retirement System), OP&F (Ohio Police & Fire Pension Fund) and OHP (Ohio Highway Patrol Pension Fund).

A short legislative vignette illustrates the problem of how these narrow interest groups—current employees and retired beneficiaries—increase their benefits at direct cost to Ohio taxpayers.

Among the provisions of the main budget bill for Fiscal Years 2006 and 2007 was a proposal to make municipal public safety directors eligible for the OP&F. The chief oversight body for the Ohio pension system, the Ohio Retirement Study Council (ORSC), found few reasons in favor and many reasons against the proposal to give municipal safety directors access to the state’s OPF:³⁵

Municipal public safety directors are **not** employed in a position that requires Ohio peace officer training certification, one of the criteria used to determine eligibility for the PERS-LE program. Eliminating this criteria that has been historically applied to the PERS-LE [PERS Law Enforcement Program] program could set a costly precedent by opening up the door for numerous other groups of employees seeking participation in the PERS-LE program due to its higher benefit formula and earlier retirement age. Under the PERS-LE program, members are eligible to retire as early as age 48 with 25 years of law enforcement service (or age 52 with 25 years of service if member’s primary duties are other than to preserve the peace, protect life and property, and enforce the laws in their jurisdiction). Normal retirement age in the regular PERS program is age 65 with at least 5 years of service or any age with at least 30 years of service. The benefit formula under the PERS-LE program is 2.5% of the member’s final average salary for the first 25 years of service, plus 2.1% for each year of service over 25. The benefit formula under the regular PERS program is 2.2% of the member’s final average salary for the first 30 years of service, plus 2.5% for each year of service over 30.

³³ Chris Edwards, “Federal Pay Outpaces Private-Sector Pay,” Tax & Budget Bulletin No. 35, Cato Institute, May 2006, <http://www.cato.org/pubs/tbb/tbb-0605-35.pdf>.

³⁴ Ohio Retirement Study Council, “Pension Facts,” January 2006, http://www.orsc.org/uploadpdf/Pen%20Prof%2011_06.pdf.

³⁵ Ohio Retirement Study Council, “Analysis,” Am. Sub. H.B. 66, April 13, 2005, <http://www.orsc.org/uploadpdf/HB%2066%20position.pdf>.

Also, **no** actuarial cost statement has been prepared on this amendment. Allowing current municipal public safety directors to transfer from the regular PERS program to the PERS-LE program would create additional unfunded actuarial liabilities to the PERS-LE program due to the higher benefit formula and earlier retirement age than the regular PERS program, as noted above, as no provision is made for the transferring member to cover such liabilities. While PERS on a combined basis (PERS state division, PERS local division, PERS-LE division) has a funding period of 29 years as of the actuarial valuation of December 31, 2003, it is important to note that the PERS-LE division to which the additional unfunded actuarial liabilities would accrue has a funding period of over 40 years. Beyond the higher cost of mandated benefits under the PERS-LE program due to the earlier retirement age and longer payout period, the normal retirement age of 48 (or 52) exposes the retirement system to significant health care costs as the primary insurer for up to 17 (or 13) years before Medicare becomes the primary insurer, generally age 65, and the retirement system becomes the secondary insurer.

³⁶

The case against admitting municipal public safety directors to OP&F appears conclusive. After all, they already have access to PERS, another state pension that many private sector workers would greatly appreciate, but do not have taxpayers buying for them. So how did the Ohio General Assembly respond to its experts' recommendation? It enacted precisely what was recommended against, and gave the civilian bureaucrats the same enhanced pension benefits available to the first-responders:

Municipal public safety director means a person who serves full-time as the public safety director of a municipal corporation with the duty of directing the activities of the municipal corporation's police department and fire department. . . .

Notwithstanding section 2901.01 of the Revised Code, PERS law enforcement officer means a sheriff, deputy sheriff, township constable or police officer in a township police department or district, drug agent, municipal public safety director, department of public safety enforcement agent, natural resources law enforcement staff officer, park officer, forest officer, preserve officer, wildlife officer, state watercraft officer, park district police officer, conservancy district officer, veterans' home police officer, special police officer for a mental health institution, special police officer for an institution for the mentally retarded and developmentally disabled, state university law enforcement officer, municipal police officer, house sergeant at arms, assistant house sergeant at arms, regional transit authority police officer, or state highway patrol police office.³⁷

³⁶ Idem. Emphasis in original.

³⁷ Amended Substitute H.B. 66, p. 213.

This, for a pension program that the state has concluded is “actuarially unsound.”

At the request of the ORSC, a subsequent actuarial review of the contribution rates for all five retirement systems was prepared by Milliman USA in 2003 and updated in 2004. That review found that despite the rebound of the financial markets in 2003 the funding period for OP&F remained infinite, meaning that the unfunded actuarial accrued liability for mandated pension benefits in OP&F could not be amortized over any time period within the current funding structure. If the infinite funding period were allowed to persist, OP&F would become gradually defunded.³⁸

As far as Ohio legislators are concerned, there is no difference between pay me now and pay me later—as long as it’s Ohio taxpayers who are paying, and pay they will, under the state’s two-year budget bill enacted by the Ohio General Assembly.

Sticker Shock: Ohio College Costs More than National Average, State Provides Less Student Support

At Ohio’s public university main campuses, average in-state undergraduate tuition in 2005-2006 was \$7,941, 45.5 percent higher than the national level of \$5,491.³⁹

The Ohio Board of Regents suggests that Ohio offsets this disadvantage with generous financial aid: “Sticker price tuition tends to be high in Ohio, but financial aid exists that can reduce the net price for those who qualify.”⁴⁰

Unfortunately, the Board of Regents is not being straightforward with Ohio taxpayers. Not only is tuition higher in Ohio than the national average, but grant support provided to students is *lower* than the national average. The average state grant in the U.S. is \$2,436, whereas in Ohio it is \$1,505, or 38.2 percent less.⁴¹

In fact, netting the difference between tuition costs charged and grants provided, Ohio is not 45.5 percent more expensive than the national average, but is instead much more expensive. If one calculates the net difference of what Ohio public university tuition costs Ohio students, less the amount of grants Ohio provides its students, the actual cost is \$6,436. If one performs a similar calculation using the national average tuition cost net of grants, the actual national average cost is \$3,055. Using these actual, out-of-pocket

³⁸ Ohio Retirement Study Council, “Analysis,” Am. Sub. H.B. 66, April 13, 2005, <http://www.orsc.org/uploadpdf/HB%2066%20position.pdf>.

³⁹ Ohio Board of Regents, “The Performance Report for Ohio’s Colleges and Universities,” 2005, p. 53. http://www.regents.state.oh.us/perfrpt/PerfRpt2005/PerformanceReport-2005_final.PDF (Jan. 19, 2006, Ohio Board of Regents.)

⁴⁰ Board of Regents, “Questions and Answers,” item no. 9, “How affordable is public higher education in Ohio?” http://www.regents.state.oh.us/perfrpt/PerfRpt2005/PerformanceReport-2005_final.PDF.

⁴¹ *Idem.* p. 54.

figures, Ohio students pay 211 percent of the amount paid by the average American for a college education at state-sponsored universities.

So what did the Board of Regents mean by suggesting that financial aid is available? They explain that clearly: “The most striking difference is in the use of federal loans, which are received by 36 percent of Ohio’s public two-year freshmen compared to only 18 percent of U.S. public two-year freshmen.”⁴²

It may be a striking difference, but it is not a surprising one. If Ohio’s students cannot receive the benefit of their tax dollars to support their educations, then borrowing is their only option. Of course, only a bureaucrat could consider a loan, which is a mere time-transfer of the student’s budget, to be true financial aid. Ohio’s poor treatment of its students compared to most states says a great deal about Ohio government and its unwillingness to use education dollars for the benefit of Ohio students.

Third Frontier: Third Time’s the Charm

Gov. Bob Taft had a dickens of a time trying to pass his pet initiative, “Third Frontier,” but in 2005, with a clever bit of politicking, he got the job done.

At its heart, Third Frontier is more bad metaphor than it is government program. Its central conceit, as put forward by its proponents, is that it is necessary for the state to invest in technology and private companies in order to create jobs. It is hard to imagine anything more directly contrary to free markets, but nonetheless such ideas seem to persist in the Ohio Statehouse.

The governor had three bites at the Third Frontier apple. The first bite was an easy one. All he had to do was persuade the legislature that its members were as competent as the captains of private industry to pick market winners, and no politician has ever doubted his or her ability on that score. That legislation passed easily, with fanfare, and in 2002 the the state began diverting taxpayer money to private uses that are, if not questionable, then at least risky (see Appendix A, Third Frontier projects, 2002-2006).

Taxpayers might have been grateful for small favors if the governor had stopped there. But Gov. Taft took another bite at the apple in 2003, when he tried to persuade Ohioans to pony up even more money by way of authorizing the issuance of state bonds to pay for Third Frontier projects. Proposed as “Issue One,” Third Frontier faced no organized opposition, and Taft, who had won election the previous year with 57 percent of the vote, almost a 20 percentage point margin over his opponent, spearheaded a television ad campaign to support it. One would have thought the measure would have won in a walk.

But it did not. If Ohio’s elected leaders do not have sense enough to stay out of private business, Ohio citizens apparently did, if just barely. Taft’s Issue One, which

⁴² *Idem.* p. 54.

would have allowed the state to issue \$500 million in bond money so that Taft or his appointees could dole it out to private companies, failed by just 50.8 percent to 49.2 percent, with 1,235,323 Ohioans against and 1,195,706 Ohioans in favor.⁴³

Again the governor had an opportunity to abandon his effort to put the state, rather than the private market, at the forefront of investment in Ohio. But the governor felt he knew best. Facing declining popularity, Taft in 2005 turned the third Third Frontier effort over to Lt. Gov. and Director of Development Bruce Johnson. With clever campaigning, they dropped the Third Frontier moniker, called the proposal the “Jobs for Ohio” bond issue and tied it to an uncontroversial, larger, and popular public works program. On Election Day, Nov. 8, 2005, again promoted as Issue One, the renamed Third Frontier passed easily, 54.1 percent to 45.9 percent, with 1,512,669 Ohioans in favor and 1,282,571 Ohioans against.⁴⁴

There is a deep irony to Taft’s fixation with the wisdom of the state as investor. When the governor first began speaking of Third Frontier, the very name was a metaphor meant to encompass the days when Ohio was the nation’s frontier, being settled by men and women of great industry. The governor made a direct reference to this in his 2003 State of the State address, in what may well be the most muddled metaphor in Ohio history:

In our state's early days, it was hard to get crops to market or acquire products made elsewhere. So our forefathers built a system of canals and railroads to improve commerce and their quality of life.

Today, Ohio stands as a crossroads to the country. Our central location remains a key to our economy. But a good location without good access is a prescription for decline.

If our economy is to rebound and reach new heights in Ohio's third century, we must have a modern system of roads, capable of moving people and goods safely and efficiently.

That's why we've been fighting so hard in Washington to recover more of our federal gas tax dollars. Getting back only 89 cents for every dollar we send is unacceptable. We'll continue to press the case in our nation's capital and we need our congressional delegation to do the same.

But unlike Columbus, Washington moves slowly.

We are at risk of having no monies for major new construction or rebuilding projects by the end of next year. Many necessary projects now on the drawing boards will not proceed. Congestion will grow more severe. Unsafe road conditions will not be addressed. And our economy will suffer.

⁴³ <http://www.sos.state.oh.us/sos/ElectionsVoter/results2003.aspx?Section=173>.

⁴⁴ <http://www.sos.state.oh.us/sos/ElectionsVoter/results2005.aspx?Section=1165>.

Last year, you commissioned a task force to review our transportation funding system and it concluded that more resources were needed. I agree. So my budget will call for new transportation revenue. We'll ensure a stable base of funding for road and bridge construction, even if no more federal money is forthcoming. We'll also provide significant resources to counties, cities and townships to help them rebuild and maintain their roads and bridges.

This investment will keep Ohio moving in this new century. And it will also stimulate our economy by supporting thousands of new construction related jobs in Ohio.

In our first 200 years, Ohio had a rich history of innovators who took bold risks to change the world—Edison, Kettering, the Wright brothers, Glenn, Armstrong, and many, many others.

It's now our turn to be bold, to seize the opportunity to create more high paying jobs for Ohio's third century.

That's the mission of the Third Frontier Project - to create a more robust economy because there are too many of our friends and neighbors hurting today.

Since I announced this initiative a year ago, we've made tremendous progress.⁴⁵

The only progress one can observe is tremendous squandering of taxpayer dollars. Even worse, the governor did not note that following when the state invested in canal and railroad companies, the Ohio Constitution was amended to prohibit the state from investing in private enterprises.

As David Gold, an attorney for the Ohio Legislative Service Commission, noted in a 1984 article in the Toledo Law Review,⁴⁶ Ohio government invested heavily from the 1820's to the 1840's in roads, canals and railroads—all seen, as Gov. Taft correctly implied in his 2003 address, as essential to the state's economic prosperity.

In addition to the constitutional problem, there is a practical reason to oppose Third Frontier. Markets take risks, absorb failure and move on. Government is the opposite: It discourages innovation, quashes risk, and sinks resources into inevitable failure.

⁴⁵ <http://governor.ohio.gov/MajorSpeeches/012203sosaddress.htm>.

⁴⁶ David M. Gold, "Public Aid to Private Enterprise Under the Ohio Constitution: Sections 4, 6 and 13 of Article VIII in Historical Perspective," 16 U. Tol. L. Rev. 405 (1984-1985).

Ohio's citizens learned that lesson in the 19th century, as Gold noted:

Who is Third Frontier?

The Third Frontier Commission consists of the Director of the Ohio Department of Development, the Chancellor of the Ohio Board of Regents, the Governor's science and technology advisor, and six regional commissioners appointed by the Governor:⁴⁷

- Bruce Johnson (Chair), Lieutenant Governor/ Director of Development
- Frank Samuel, Science & Technology Advisor to the Governor
- Garrison Walters, Chancellor (Interim) Ohio Board of Regents

Additional regional representatives are:

- Northwest: David Waterman, Partner, Shumaker, Kendrick & Loop
- Northeast: Richard Fearon, Chief Financial & Planning Officer, Eaton Corporation
- Central: Dwight Smith, Founder, President and CEO, Sophisticated Systems, Inc.
- West Central: Matthew Diggs, General Partner, McClintock Industries
- Southwest: John Kraeutler, President & COO, Meridian Bioscience, Inc.
- Southeast: Robert Kirkbride, Vice President, Christy & Associates, Inc.

Soon after construction of the Erie Canal began . . . Gov. Ethan Allen Brown called for a state-owned system of canals joining Lake Erie and the Ohio River. He predicted that the system would open a cheaper way to market for the surplus of a large portion of our fertile country and raise the character of our state by increasing industry and our resources.⁴⁸

Gold reported the results: Two useful canals were opened with state aid . . . but most of the state's investment in railroads was lost. Almost all of the turnpike road constructed with Loan Law assistance was concentrated in southern Ohio. As a result, the previously neglected regions that the act was intended to benefit received little advantage from it.⁴⁹

Gold continued with the history

of failed public investment, concluding:

Ohio's local governments plunged with abandon into railroad projects in the 1840's, but once again enthusiasm turned to disappointment. Some lines were never built; others promised to duplicate planned or existing service. Disgust with the results of local government aid to private corporations contributed to the movement for a state constitutional convention and the adoption of severe constitutional restrictions on public aid to private enterprise.⁵⁰

The governor and the other proponents of Third Frontier doubtless believe they are smarter, better investors than Ohioans who came before them. For the rest of Ohio

⁴⁷ Amended Substitute Senate Bill 236 (2003); "Overview," Third Frontier Project, <http://www.thirdfrontier.com/overview.asp>, Third Frontier Commission.

⁴⁸ *Idem.*

⁴⁹ *Idem.*

⁵⁰ *Idem.*

taxpayers, though, one can only hope that it is not true that those who fail to learn from history are condemned to repeat it.

Ohio taxpayers should be left cold by one parallel between Gold's history and Third Frontier: the interests of regions. At least in the case of transportation networks, regional effects are inherent. The entire point of the network is to open land up for use.

But why should Third Frontier have “regional representatives”? Surely, if the conceit of Third Frontier is advanced technology—and a quick perusal of the list of projects in Appendix A makes clear that it is—then whether that technology is met by residents of Appalachia or Toledo is irrelevant. Technology does not care about geography.

But politicians handing out pork certainly do care about geography. They want to be able to tell the folks back home that they brought in their share of the swag. That's all well and good for anyone who happens to benefit, but no Ohioan should think that any true investor cares about anything more than finding the best technology, not appeasing arbitrary coalitions of voters.

Nor is it clear why the nine members of the Third Frontier Commission or the 16 members of the advisory board should be considered investment savants. The members tilt heavily toward the Board of Regents and universities—these enterprises are supposed to be funded elsewhere in the budget—and it hardly seems wise to allow the business community to judge in its own interest.

However qualified all these people may be, what makes them more qualified than thousands of investment professionals running untold numbers of capital firms and banks?

Thanks to Gov. Taft and the General Assembly and their successful efforts to pass Third Frontier bond authority, and the waiver of long-standing constitutional prohibitions against investing in private enterprise, Ohioans are committed to more than \$500 million in public money to support private activities. The great advantage of the markets is that they are designed to embrace failure; they absorb it and move on. There is no need for state taxpayers to lose money supporting government in a doomed effort to mimic this already successful mechanism. Indeed, one can be certain that Third Frontier projects will be featured in future editions of the *Ohio Piglet Book*.

A Partial List of Third Frontier Money:

- August 4, 2006 –“Professionally managed, pre-seed capital investment funds to Ohio start-up technology companies primarily in the imagining and incubating stages.”⁵¹

⁵¹ “Recent News & Updates,” The Third Frontier Project, <http://www.thirdfrontier.com> (main page).

- June 28, 2006—“Significantly increase technology-based entrepreneurial commercialization outcomes in six defined geographic regions and to focus on technology-based sectors offering important economic development prospects for that region.”⁵²
- June 14, 2006—“Establish large-scale centers for research and commercialization excellence with funding up to \$60 million.”⁵³
- May 12, 2006—“\$32.1 million in grants have been awarded to five Ohio entities to assist in the commercialization of biotechnology processes and products through the Biomedical Research Commercialization Program, formerly the Biomedical Research and Technology Transfer Partnership.”⁵⁴
- May 12, 2006—“More than \$2 million in grants have been awarded to seven Ohio companies to assist in the commercialization of high-tech products through the Ohio Research Commercialization Grant Program.”⁵⁵
- March 30, 2006—“More than \$6.4 million in Third Frontier Project grants from the Pre-Seed Initiative have been awarded to four Ohio-based early-stage capital organizations (to) help the new start-up technology companies to develop new products and technologies and bring them to market.”⁵⁶
- March 30, 2006—“More than \$7.4 million in Third Frontier Project grants for the Wright Project Funds have been awarded to four universities and one non-profit research agency for capital equipment used in the research, development and commercialization of new projects.”⁵⁷
- March 7, 2006—“More than \$6 million in grants have been awarded to seven Ohio companies and research collaborations to assist in the commercialization and adaptation of fuel cell technologies through the Third Frontier Fuel Cell Program.”⁵⁸
- May 10, 2005—Lieutenant Governor Bruce Johnson visited Scotts Miracle-Gro Company in Marysville today to announce the creation of the Ohio BioProducts Innovation Center and six other Third Frontier Project awards that will help accelerate commercialization of new products and create new jobs that will strengthen Ohio’s role in the knowledge economy,” including “funding for three Wright Centers of Innovation (WCI) and four Biomedical Research and Technology Transfer Partnerships (BRTT).”⁵⁹
- March 30, 2005—“\$4 million in Third Frontier grants to help three Ohio organizations provide product development support services to small- and medium-sized Ohio manufacturers.”⁶⁰
- March 30, 2005—“Grants totaling \$1.9 million to help eleven Ohio companies bring high-tech products to market.”⁶¹

⁵² Idem.

⁵³ Idem.

⁵⁴ Idem.

⁵⁵ Idem.

⁵⁶ Idem.

⁵⁷ Idem.

⁵⁸ Idem.

⁵⁹ Idem.

⁶⁰ Idem.

⁶¹ Idem.

- December 9, 2004—“Excera Materials Group, Inc. of Columbus (was) awarded a loan worth nearly \$1 million through the Innovation Ohio Loan Fund . . . a key part of a \$1.3 million project that will retain 13 jobs and create 56 high-paying positions over the first three years of the project's initial operation (manufacturing) ceramic tile body armor used by U.S troops.”⁶²
- December 9, 2004—“The State of Ohio will award an additional \$1 million in Third Frontier Validation Fund and Seed Fund Initiative grants to two more funds in Ohio. The Children's Hospital Medical Center TOMORROW Fund in Cincinnati and the 2005 JumpStart Evergreen Technology Validation Fund in Cleveland will each receive \$500,000 to invest in start-up companies with revolutionary new technologies. This brings the total amount of FY2005 Third Frontier VFSFI grants awarded to \$6 million, and the amount of early venture capital grants awarded since 2000 to nearly \$18 million.”⁶³

Transportation: The Original Special Revenue Fund

The best way to understand how state governments operate in twenty-first Century America is to study transportation.

First and foremost, transportation pork is visible. Whether buying a new bus or building an overpass, transportation projects make excellent photo ops for politicians. In addition, transportation budgets are large. The state of Ohio projects spending more than \$2 billion annually, more than 10 percent of the state’s total operating budget and more than 5 percent of all state expenditures.⁶⁴

Second, transportation is among the most important of the “special revenue funds,” funds which stand apart from unrestricted, general operations that can be used broadly for any government purpose, and are restricted by law to specific uses.⁶⁵

Third, the complex mixing of revenue streams to fund transportation is an excellent demonstration of the shell game of taxing and spending that benefits all of the various levels of American governments—national, state and local—at the expense of taxpayers. As Figure 3 demonstrates, funding for roadways and related projects is an undecipherable mélange of federal taxpayer money, state taxpayer money, local taxpayer money, and direct fees.⁶⁶

Fourth, the great sums of money involved largely go to high-value contracts for road and bridge construction and maintenance, creating dangerous incentives for nearly everyone involved in the management of the money. Whether it is local government

⁶² Idem.

⁶³ Idem.

⁶⁴ Ohio Department of Transportation, 2006-2007 Budget Testimony. <http://www.dot.state.oh.us/ODOTBudget06-07/default.htm>.

⁶⁵ Comprehensive Annual Financial Report, Fiscal Year ending June 30,2005, p145.

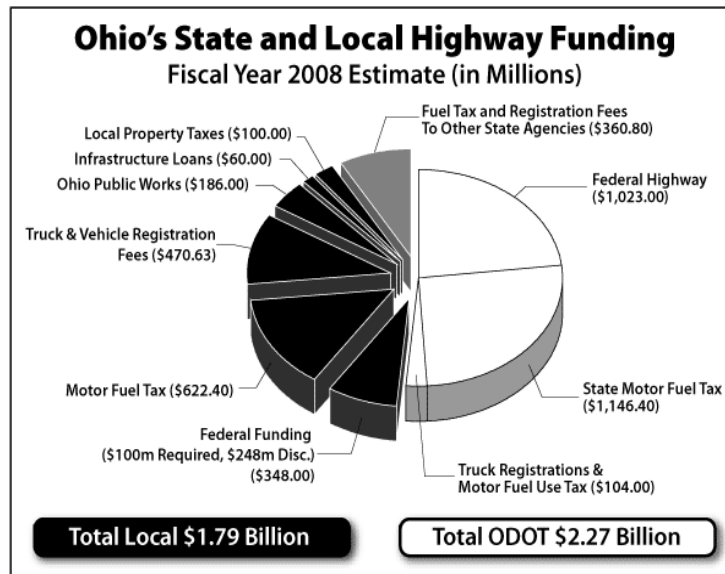
⁶⁶ Gordon Proctor, 2006-2007 Budget Testimony, Ohio Department of Transportation, <http://www.dot.state.oh.us/ODOTBudget06-07/default.htm>.

angling for an interchange that will benefit their city or region, while other cities or regions go without or contractors angling for highly profitable state business, or elected representatives trying to bring home the bacon and garner campaign contributions, transportation money is a tempting plum.

One of many examples of such unjustifiable, yet inevitable self-interested and high-elbowed jockeying to push toward the money trough is the competition among states to bring home more federal dollars. A classic case is presented by the Ohio Department of Transportation itself, in a press statement, “State Officials Work to Increase Federal Transportation Funds.”⁶⁷

Ohio Department of Transportation (ODOT) Director Gordon Proctor and Ohio Department of Agriculture Director Fred Dailey today met with Ohio's Congressional Delegation to discuss eliminating the "ethanol penalty," which costs Ohioans about \$160 million in federal transportation funds each year. The directors were joined by various transportation stakeholders.

Figure 3



Source: Ohio Department of Transportation

Removing the ethanol penalty is an important component of Gov. Bob Taft's \$5 billion Jobs and Progress Plan, which seeks to increase Ohio's federal transportation funding by \$250 million annually to create jobs, rebuild aging highways, improve safety and complete rural corridors throughout the state.

"I commend our Congressional Delegation for their interest and understanding of the importance of Ohio's transportation system," said

⁶⁷ <http://www.dot.state.oh.us/news/2003/09-10-03.htm>.

Proctor. "They are working to increase our federal funding levels which is key to our ability to improve the state's highway network."⁶⁸

The crux of the complaint of Proctor's, director of the state transportation department, is that ethanol is taxed federally at only 13 cents per gallon, while gasoline is taxed at 18.4 cents—which means Ohio is not collecting as much tax money. "The more ethanol Ohio uses the more revenue it loses," Proctor said.

Such unprincipled competition is ubiquitous in government funding. Proctor's observations on tax revenues are accurate, but of course differential tax rates were adopted in the first instance for reasons that legislators and bureaucrats thought were justified. The general point is not who happens to be right on such technical and obscure details; the point is, why should government enable one state to compete against another for a federal subsidy? Why should government be involved at all in protecting one group of citizens at the expense of another, whether it be ethanol growers at the expense of drivers and trucking companies or Ohio against California and Indiana?

A fifth reason transportation budgets enlighten the operation of government is the importance of transportation spending, particularly considering non-measurable costs and benefits. It is one thing to report, as the state does, that it will spend \$2.8 billion on roadways in Fiscal Year 2007;⁶⁹ it is entirely another to note the effect of such roadways on property values and regions seeking residential, commercial and industrial development.

As Gov. Bob Taft is wont to say at every significant transportation expenditure, "This means more jobs, a better standard of living and an overall improved quality of life for the people of southeast Ohio."⁷⁰ Or, he may as well say, the people of northwest Ohio, or northeast Ohio, or southwest Ohio, or wherever political actors place the expansive resources represented by transportation funds.⁷¹

The larger question is this: is government the best distributor and allocator of such extensive capital funds, or is it time for Ohio to begin exploring reducing its gasoline taxes in favor of allowing the private capital markets to invest in public roadways? And if highway construction will continue to be funded by public moneys, are Ohioans, and indeed national taxpayers, well served by a system dominated by elected officials at multiple levels of government, all working to gain benefits for themselves, at the expense of others, through the political process?

⁶⁸ Ohio Department of Transportation, *State Officials Work to Increase Federal Transportation Funds*, September 10, 2003. <http://www.dot.state.oh.us/news/2003/09-10-03.htm>.

⁶⁹ Ohio Department of Transportation, 2006-2007 Budget Testimony. <http://www.dot.state.oh.us/ODOTBudget06-07/default.htm>.

⁷⁰ <http://www.dot.state.oh.us/news/2005/10-26-05Gov.htm>

⁷¹ See, state of Ohio transportation funding list, 2007-2012. <http://www.dot.state.oh.us/news/2006/06-30-06TRAC.htm> and <http://www.dot.state.oh.us/trac/2007-2012/2007-2012MajorNewConstructionProgram.pdf>.

Conclusion

Among the most pernicious effects of high-growth public spending is that, in the vain hope of doing good, government crowds out private sector response to the real needs of individual Ohioans.

There is no doubt that, as a philosophical matter, Ohio government recognizes the need for a thriving free market. The existence of the Ohio Department of Development, repeated calls for increased spending on primary and secondary education (often justified on the basis that Ohio needs well-trained workers), and the incessant, and ultimately successful, promotion of the Third Frontier are proof enough of that.

Paradoxically, however, Ohio government undermines the very thing it seeks to promote. For every investment firm funded by Third Frontier spending, for every dollar of public bond authority dedicated to one high-technology business or one city's or county's chamber of commerce, there is another investment firm or another local business or government entity that did not receive this special subsidy.

Government ought not be about who is most clever in politicking for public handouts, funded ultimately by taxpayers. The *2006 Ohio Piglet Book* makes the following three policy recommendations as being the three steps that will do most to give Ohio taxpayers a fair value for what they pay, and a thriving economy in which to live well.

First, Ohio government should explicitly recognize that government serves one role, and private enterprise serves another: Government should not subsidize or otherwise stimulate private investment through Third Frontier, the Ohio Department of Development, or any similar mechanisms. Constitutional limitations on the role of state government investment in the private economy were adopted for sound reasons, and ought to be abided.

If governing officials, opinion-leading entities such as news organizations, and citizens in general recognized a proper and limited role of government, Ohio taxpayers could have saved, over a period of four fiscal years, more than \$381 million from Third Frontier projects alone. It would be far better for Ohio to invest in consistent, modest tax policies that are easy to implement, easy to understand, and reliably low in rates and impact, than to try to pick winners and losers in the economy. That most American and successful of institutions, the free market, work only if its natural volatility and risk are left to the judgment of individual investors, succeeding or failing as the merits allow.

Second, Ohio must continue to build on the success of its single budgetary cycle and keep spending increases low. In any field of human endeavor except government, productivity continually increases. In private business and personal affairs, there is continual pressure to increase output and decrease expenses. Government, in contrast, measures its output only by its expenditures. Whereas private firms must always work to reduce costs, government finds itself always increasing costs according to political demands.

Third, Ohio must continue to work to make its government accountable and understandable. Expenditures can be understood only when the amounts and purposes of the spending are clear. If expenses are made clear, citizens will be less tolerant of legislators and executive officials who hide costs by playing shell games with taxes, tax credits, tax deductions, user fees, government-shifting grants among federal, state and local programs, and spending on parochial interests that have no general, widely distributed public legitimacy.

Specific steps that government could take to control its spending include sound practices such as the following:

- Tying public sector benefits to average private sector benefits, thereby reducing unfair disparities between public sector workers who benefit from ever-increasing and ever-generous public funds and taxpayers who foot the bill, and by reducing the future obligations of governments that, unlike the private sector, continue to be tied to defined benefit pension programs.
- Moving the state's two primary categories of expenditure, Medicaid and education, toward vouchers and other choice programs that provide public dollars to individuals, who may then select from among a wide array of private sector options to satisfy medical and educational needs
- Following the successful example of the Grace Commission, and establishing in Ohio an independent body of citizens who may serve the check and oversight role intended to be served by bodies such as the State Controlling Board, the legislative body that must approve the actual distribution of appropriated state funds. Such a body would do much to legitimize and render concrete the abstract concept that all governments, just as all individuals, must live within their budgets. No entity except government may respond to "unmet needs" simply by increasing its expenditures, and an independent, cost-reviewing advisory board would do much to emphasize that the real choice is not, merely spending more, but spending on one priority instead of spending on another.

Ohioans live in a state with flat population growth and a changing business climate, competing with other states and indeed a world that offers all investors and citizens choices. Only by adopting credible, consistent and responsible fiscal policies that can be expected to attract free individuals exercising their right of choice, may Ohioans expect to prosper.

Appendix: Third Frontier Projects

FY	Recipient	Location	Amount	Description	Collaborators
2006	HydroGen Corporation	Cleveland, Cuyahoga County	\$1,000,000	Development of Ohio-Based Mass Manufacturing of Air-Cooled Phosphoric Acid Fuel Cells	Edison Materials Technology Center, Inc. and Storm Software, Inc.
2006	SOFCo-EFS Holdings, LLC	Alliance, Stark County	\$999,841	Advanced Components for Commercially Competitive Solid Oxide Fuel Cells	Blasch Precision Ceramics, Inc.; Cleveland State University; Eaton Corporation; Wall Colmonoy
2006	Edison Materials Technology Center	Dayton, Montgomery County	\$1,000,000	Design for Manufacturability of TMI's SOFC System	Technology Management, Inc.; Ricardo, Inc.; Precision Energy & Technology; Remy International; and W.W. Williams
2006	OnPower, Inc.	Lebanon, Warren County	\$919,892	1 MW Solid Oxide Fuel Cell System Package Development, Integration & Prototyping	Rolls-Royce Fuel Cell Systems
2006	Pemery Corporation	Painesville, Lake County	\$775,300	Polymer Electrolyte Membrane Fuel Cells for Munitions	Edison Materials Technology Center; IMAX Industries, Inc.; Alliant TechSystems, Inc.; KDI Precision Products, Inc.; BT Fuze Products; and the U.S. Army
2006	Catacel Corporation	Garrettsville, Portage County	\$751,719	Low Cost, High Temperature Heat Exchanger and Reactor Platform for Fuel Cell Applications	Patriot Engineering; Creative Processing; and Edison Materials Technology Center
2006	NexTech Materials, Ltd.	Lewis Center, Delaware County	\$999,927	High Efficiency Military Purpose Fuel Cells	Plug Power, Inc. and Case Western Reserve University
2006	The Ohio State University (OSU)	Columbus, Franklin County	\$1,152,400	Superconductivity Technology Center	HyperTech Research, Inc.
2006	National Composite Center (NCC)	Kettering, Montgomery County	\$1,800,000	Nano-enhanced SMC Scale-up for Composite Part Productio	Core Molding Technologies, Inc.; Comfort Line, Ltd.; Iten Industries; and International Truck & Engine Corporation

2006	University of Dayton (UD)	Dayton, Montgomery County	\$2,100,100	Low-cost Nanocomposite Tooling for Agile Manufacturing	2Phase Technologies, Inc.; Advanced Integrated Manufacturing Center; American Trim; Applied Sciences Industries; Center for Multifunctional Polymer Nanomaterials and Devices Composite Advantage, LLC; Edison Materials Technology Center; Ethicon Endo-Surger
2006	James A. Rhodes State College	Lima, Allen County	\$1,384,990	Advanced Materials Commercialization Center	American Trim and the City of Lima
2006	University of Toledo (UT)	Toledo, Lucas County	\$1,000,000	Test Facility for Experimental Development of High-speed Rotating Components and Subsystems	Teledyne Continental Motors—Turbine Engines; NASA; Advanced Virtual Engine Test Cell, Inc. (AVETeC); Orbital Research, Inc.; and ZIN Technologies, Inc.
2006	Jumpstart Inc.	Cleveland, Cuyahoga County	\$2,000,000	2006 JumpStart Pre-Seed Fund	Bioenterprise Corporation; Ohio Polymer Strategy Council; the Ohio Agricultural Research & Development Center; The Cleveland Foundation; and The John S. and James L. Knight Foundation
2006	NCT Fund Management, LLC	Columbus, Franklin County	\$1,985,921	NCT Pre-Seed Initiative investment fund	The Center for Entrepreneurship at The Ohio State University, Fisher College of Business; Todd Seitz; Ed Cohn of Unizan Bank; Pat Norton; Deloitte & Touche LLP; Fahgrenmortine; Cappello Capital Corp.; Columbus Children's Research Institute; and The Entrep
2006	The University of Cincinnati	Cincinnati, Hamilton County	\$1,100,000	Southern Ohio Creates Companies Pre-Seed Fund	BIO/START; Blue Chip Venture Company, Ltd.; Ohio University; Fort Washington Capital Partners Group; and the Miami University Center for Innovation and Commercialization
2006	TechColumbus	Columbus, Franklin County	\$1,500,000	TechColumbus Regional Commercialization Fund	SciTech of Columbus and Omeris of Columbus.
2006	Case Western Reserve University	Cleveland, Cuyahoga County	\$8,000,000	Center for Stem Cell and Regenerative Medicine	The Cleveland Clinic; University Hospitals of Cleveland; and Athersys Corporation
2006	ChanTest, Inc.	Cleveland, Cuyahoga County	\$4,700,000	Ion Channel Panel Screening for Drug Safety and Discovery	Northeastern Ohio Universities College of Medicine; Analiza, Inc.

2006	Case Western Reserve University	Cleveland, Cuyahoga County	\$8,000,000	Ohio Neurostimulation and Neuromodulation Partnership	NDI Medical, Inc.; The Cleveland Clinic Foundation; MetroHealth Medical Center
2006	The Ohio State University	Columbus, Franklin County	\$3,500,000	Advanced Biomedical Devices for Disease Diagnosis and Therapy	Medical University of Ohio; the Cleveland Clinic Foundation; Flowsort, Inc.
2006	The Ohio State University	Columbus, Franklin County	\$7,900,000	Biomedical, Structural, Functional, and Molecular Imaging Enterprise	Phillips Medical Systems of Cleveland; Cardinal Health
2006	Cleveland Medical Devices, Inc.	Cleveland, Cuyahoga County	\$248,193	quantitative movement disorder assessment system, ParkinSense™. ParkinSense™	
2006	AlphaMicron, Inc.	Kent, Portage County	\$350,000	commercialization of its DigitalMirror™, an automatically dimming rear view mirror, a product is targeted at the automotive and motorcycle accessory after markets.	
2006	Kent Displays, Inc.	Kent, Portage County	\$350,000	web manufacturing of flexible LCDs	
2006	Syscom Technology, Inc.	Columbus, Franklin County	\$349,600	commercialization of its metal-clad polymer conductor, AmberStrand™	
2006	Powdermet, Inc.	Euclid, Cuyahoga County	\$350,000	commercialization of its lightweight syntactic foam, SynFoam™.	
2006	Wright Material Research Co.	Beavercreek, Green County	\$350,000	commercialization of lightweight foamed composites for ballistic protection.	
2006	Technology Management, Inc.	Cleveland, Cuyahoga County	\$349,323	commercialization of their Solid Oxide Fuel Cell Systems.	
2005	The Ohio State University	Columbus	\$22,500,000	Ohio Center for Multifunctional Nanomaterials and Devices	Collaborators: A&P Technologies, A. Schulman, AES/ExxonMobil, Air Force Research Lab, Applied Sciences, Inc., Ashland Composite Polymers, Battelle, BioLOC LLC, Carolina Color Corp., Cornerstone Research Group, Crayex Corporation, Dayton Area Graduate Stud

2005	The Ohio State University	Columbus	\$11,600,000	Ohio BioProducts Innovation Center	Albemarle Corporation, Archer Daniels Midland Company, Cargill, Cooperative Business Council, Delphi Packard Electric Systems, National Renewable Energy Laboratory, Ohio Polymer Strategy Council, Ohio Soybean Council, Pacific Northwest National Laboratory
2005	The Wright Fuel Cell Group (formerly known as the Power Partnership of Ohio)		\$1,600,000	operating fund grant	
2005	The WCI for Advanced Data Management and Analysis		\$1,500,000	operating fund grant	
2005	The Cleveland Clinic Foundation	Cleveland	\$23,000,000	Establish the Atrial Fibrillation Center	ArtiCure, Inc., Biocontrol, Inc., Boston Scientific, Case Western Reserve University, Cyberonics, Inc., Hansen Medical, Inc., Philips Medical, Inc., St. Jude Medical, Inc., SRTI, Inc., Symphony Medical, Inc., University of Cincinnati, Cleveland Clinic Fou
2005	The Ohio State University	Columbus	\$4,250,000	Commercialization Platform of Immunotherapeutics for Cancer and Multiple Sclerosis	Oncolmmune, Ltd., The Battelle Memorial Institute, The John Hopkins Medical Center, The Cleveland Clinic Foundation, Cincinnati Children's Hospital and Cardinal Health, Inc.
2005	Case Western Reserve University	Cleveland	\$4,000,000	Targeted Nanoparticles for Imaging and Therapeutics	iMEDD, Inc., Copernicus Therapeutics, Inc., Ricerca Biosciences, Inc., and Cleveland NanoCrystals
2005	The Cleveland Clinic Foundation	Cleveland	\$6,000,000	AMD Initiative for Prevention and Cure	Case Western Reserve University and Wright State University
2005	The Cleveland Clinic Foundation	Cleveland	\$4,000,000	Clinical Tissue Engineering Center	Case Western Reserve University, University Hospitals of Cleveland, Ohio Supercomputer Center, NASA Glenn Research Center, Matrix Biology Institute, Boston University, Massachusetts Institute of Technology, University of Bern (Switzerland), Rice Universit

2005	Business Technology Center	Columbus	\$1,200,000	Platform Lab via the Third Frontier Network	Ohio University, American Modern Insurance Co., Infinis, Garcia & Associates, Everest Technologies, Lorain Community College, RLX Technologies, Columbus State Community College, Mettler Toledo, BMW Financial Services, Sophisticated Systems Inc., and Team
2005	Development Research Corporation	Kettering	\$2,300,000	Radio Frequency Identification (RFID) Application and Education Center (REAC)	Alien Technology Corp., Sinclair Community College, Miami Valley Venture Funds, Development Project, Inc., NCIC Capital Fund, and Dayton Area Chamber of Commerce
2005	North Central Campus for Emerging Technologies	Kettering	\$2,000,000	Commercialization of Piezoelectric Fibers for Energy Storage and Smart Systems	Advanced Cerametrics, TILAB Ltd., Wright-Patterson Air Force Base, Delphi Corp., National Composite Center, NASA Glenn Research Center, and Cleveland State University
2005	Ohio Agricultural Research and Development Center	Wooster	\$1,500,000	Technology Management, Inc., and New Bio, LLC.	
2005	University of Dayton	Dayton	\$1,100,000	Development and Commercialization of Long-wavelength Infrared Focal Plan Arrays	Essential Research Inc. (Cleveland), CMC Electronics (Mason)
2005	University of Dayton	Dayton	\$2,100,000	Production of Multifunctional Carbon-based Materials	Air Force Research Laboratory (Dayton), NASA Glenn Research Center (Cleveland), Aircraft Braking Systems, Inc. (Akron), Applied Sciences, Inc. (Cedarville), GE Aircraft Engines (Evendale), Goodrich Corp. (Cleveland), Technology Corp., GrafTech Internation
2005	The KSU project for Flexible Displays, funded in FY 03		\$100,000	operating fund grant	
2005	The UT project to create the Center for Photovoltaic Electricity and Hydrogen, funded		\$100,000	operating fund grant	

	in FY 04				
2005	The NCC project for Affordable Large-scale Complex Composite Products, funded in FY 03		\$100,000	operating fund grant	
2005	Blue Chip Validation Fund	Cincinnati	\$1,000,000	Creation of a new preseed fund which plans to invest in approximately 10 companies	
2005	Cleveland Clinic Foundation	Cleveland	\$1,000,000	BioValidation Fund to invest in eight to 10 companies to support activities that further demonstrate the potential of technologies prior to the initiation of clinical trials. A previous Third Frontier fund recipient, CCF has helped spin off 13 companies in which it holds eq	
2005	Draper Triangle Partners II, LLP	Cleveland and Pittsburgh	\$1,000,000	invest in 25 early and seed stage technology companies. A Midwest-based fund of Draper Fisher Jurvetson, a Silicon Valley-based leader in seed and early stage investing, the \$40 million-plus fund's portfolio focuses on compelling advanced software, medical device, automation technology, MEMS and nanotechnolotechnology	
2005	Ohio TechAngels Fund	Columbus	\$1,000,000	The fund is a contributed-capital and "sidecar" angel fund	

2005	Queen City Angels (QCA) First Fund II	Cincinnati	\$1,000,000	Invest in 10 to 12 high-growth technology companies. The fund makes investments in very early stage companies and encourages others to co-invest. The QCA First Fund I has invested \$285,000 in three Ohio companies, resulting in total Ohio investments of \$1.745 million.	
2005	JumpStart Evergreen Technology Validation Fund	Cleveland	\$500,000	investing in 15 companies. JumpStart anticipates assisting 100 companies with their business development needs over the course of the project and plans to reinvest 100 percent of the returns from the Fund investments into additional pre-seed and seed companies.	
2005	Cincinnati Children's Hospital Medical Center TOMORROW Fund	Cincinnati	\$500,000	Invest in four to six spin-off opportunities. This new fund will provide start-up money to new Children's technologies that have the best potential to spin off into startup companies, and will complement the existing self-funded Children's program that provides an average of \$50,000 per project to	
2005	Mound Technical Solutions	Miamisburg	\$600,000	Develop, manufacture and market the next generation modular Comprehensive Fuel Cell Test System.	University of Dayton Research Institute, Cellex Power, Case Western Reserve University, EMTEC, Mound Community Improvement Corp., Sinclair Community College and Battelle Memorial Institute
2005	NexTech Materials, Ltd.	Lewis Center	\$898,137	Auxiliary Power for Transportation: High Power Density Solid Oxide Fuel Cells	
2005	GrafTech International Ltd.	Parma, Cuyahoga County	\$602,044	Development of a Unique Graphite Gas Diffusion Layer for PEM Fuel Cells	Chemsultants, Ballard Power Systems, and Battelle Memorial Institute
2005	Edison Materials Technology Center	Dayton	\$719,200	Enabling Low Cost MEA Manufacturing for PEM Fuel Cells in Ohio	Faraday Technologies, PIA Group, and Case Western Reserve University

2005	Velocys, Inc.	Plain City	\$899,068	Microchannel Hydrogen Generator for Fuel Cells	Case Western Reserve University, Centennial Associates, Gibbard Research and Development, and Battelle Memorial Institute
2005	MetaMateria Partners, LLC	Columbus, Franklin County	\$346,913	Develop a solid oxide fuel cell for SOFCo-EFS Holdings, an Ohio fuel cell system developer, and other fuel cell system integrators	The Ohio State University
2005	TechSolve, Inc.	Cincinnati Hamilton County	\$1,900,000	to create a partnership, whose purpose will be to provide workshops and services to companies focusing on lean product development and innovation , in collaboration with the University of Cincinnati,.	
2005	Edison Materials Technology Center	Dayton	\$1,200,000	Develop a new product development center, to be located at Sinclair Community College and run by EMTEC, which will be utilized by manufacturers in the region. Companies using the new development center will be able to utilize FlexiTrac™, a tool that provides innovative product development services to small- and medium-sized Ohio-based manufacturers dealing with advanced materials.	
2005	CAMP, Inc.	Cleveland	\$866,606	Continue delivering product development services to manufacturers in northern Ohio. Services offered range from production ideas to product launch, through the collaboration with private and public sector experts. This project will provide the organization with adequate funds to extend delivery services to a larger number of companies.	

2005	NexTech Materials, Ltd.	Lewis Center	\$175,000	Develop a low-temperature solid oxide fuel cell for portable electronic devices, emergency generator and automotive applications, and residential heat and power units.
2005	Hyper Tech Research, Inc.	Troy	\$174,756	Develop their magnesium diboride coils, which will be used in magnetic resonance imaging (MRI) coils and power utility transformers.
2005	Imaging Systems Technology	Toledo	\$175,000	Develop manufacturing techniques for their flat-panel, flexible plasma displays, file patents for the product, present the technology at investor conferences and join the United States Display Consortium
2005	Webcore Technologies, Inc.	Dayton	\$175,000	Commercialize TYCOR, a core in lightweight, composite sandwich structures, primarily as a replacement for balsa, PVC foam or honeycomb.
2005	BIOMECH, Inc.	Cleveland	\$173,802	Develop a biomimetic polymer coating that controls blood coagulation and inflammatory responses that commonly occur when foreign surfaces are placed within the body.
2005	Creative Action LLC	Akron	\$175,000	Commercialize Memory Magic, an intervention game that reduces behavior problems and increases social engagement between leaders and patients with a variety of dementia problems.
2005	Mound Laser and Photonics Center, Inc.	Miamisburg	\$174,673	Commercialize its laser-based micromachining techniques, which are used for manufacturing precision components ranging from medical devices to military equipment.

2005	Applied Sciences, Inc.	Cedarville	\$174,657	Commercialize its carbon nanofiber production capabilities, for incorporation into composite structures for aircraft.	
2005	Orbital Research	Cleveland	\$174,990	Develop a dry electrode used in electrocardiographs (ECG) and other cardiovascular disease diagnostic devices that eliminates the need for gel or electrolyte solution between the patient and the electrode.	
2005	Faraday Technology, Inc.	Clayton	\$157,475	Commercialize an advanced semiconductor wafer-processing tool, which contains the company's patented electrochemical module.	
2005	Srico, Inc.	Columbus	\$174,797	Commercialize a chip-size optical component called a Frequency Converter or Optical Wavelength Conversion Device, which converts one frequency or wavelength to another frequency or wavelength.	
2005	Excera Materials Group, Inc.	Columbus	\$964,100	Help Excera scaleup its manufacturing operations in order to meet market demand. The company plans to purchase equipment and software that will enable it to move currently subcontracted activities, injection molding and sintering, to a new facility in Wor	
2005	Healthcare Transaction Processors, Inc. (HTP)	Cleveland	\$750,000	Assist in the acquisition of computer hardware, software, software development and intellectual property creation and protection costs.	
2005	BrandMuscle, Inc.	Cleveland	\$1,504,439	Assist in the acquisition of new computer equipment and new software development.	

2005	CardinalCommerce Corporation	Mentor	\$1,425,000	Development of a third platform called Cardinal MAX that is based on the growing trend of using mobile devices (cell phones and PDAs) to conduct financial transactions.	
2002-2004	The Ohio State University	Columbus	\$10,900,000	Ohio Center for Advanced Propulsion and Power	University of Dayton, Case Western Reserve University, University of Cincinnati, GE Aircraft Engines (Cincinnati), Parker Hannifin (Cleveland), The Timken Company (Canton), Glennan Microsystems, Inc. (Cleveland), Argo-Tech Corporation (Cleveland), Webcore
2002-2004	Wright State University	Dayton	\$11,100,000	Wright Center of Innovation for Advanced Data Management	CDO Technologies (Dayton), Cincinnati Bell (Dayton), Cincom Systems, Inc. (Cincinnati), CincyTech USA (Cincinnati), EDS (Dayton), Intelliseek (Cincinnati), James Gregory Associates, Inc. (Columbus), Kent State University, LexisNexis (Miamisburg), NCR (Day)
2002-2004	Case Western Reserve University	Cleveland	\$18,000,000	Power Partnership of Ohio	Ohio State University, University of Toledo, Cleveland State University, Stark State, AEP (Columbus), Battelle (Columbus), Edison Welding Institute (Columbus), Edison Materials Technology Center (Kettering), HydroGen (Beachwood), Keithley Instruments (Cleveland)
2002-2004	Cincinnati Children's Hospital Medical Center	Cincinnati	\$25,200,000	Establish the Center for Computational Medicine	University of Cincinnati College of Medicine, Ohio Supercomputer Center (Columbus), Procter & Gamble (Cincinnati), Cincom (Cincinnati), Molecular Research Center (Cincinnati), Acero (Cleveland), IT-Cube (Cincinnati), CityNet (Columbus), BioStart (Cincinnati)
2002-2004	Case Western Reserve University	Cleveland	\$19,500,000	Create the Center for Stem Cell and Regenerative Medicine	Cleveland Clinic, Athersys (Cleveland), Ohio State University
2002-2004	The Ohio State University	Columbus	\$17,100,000	The Biomedical Structural, Functional and Molecular Imaging Enterprise	Philips Medical (Highland Heights), Rexion (Cleveland)

2002-2004	Cleveland Clinic Foundation	Cleveland	\$6,400,000	Biomec (Cleveland), Case Western Reserve University (Cleveland), Medical College of Ohio (Toledo)	
2002-2004	The Ohio State University	Columbus	\$8,000,000	Establish a program for the prevention, detection and treatment of lung cancer.	Battelle (Columbus), Zivena, Inc. (Columbus)
2002-2004	Case Western Reserve University	Cleveland	\$7,900,000	The Ohio Neurostimulation and Neuromodulation Partnership	MetroHealth (Cleveland), Cleveland Clinic, Louis Stokes VA Medical Center (Cleveland), University Hospitals (Cleveland)
2002-2004	Case Western Reserve University	Cleveland	\$10,200,000	The Genetics of Gastrointestinal Cancer project	Athersys (Cleveland), University of Cincinnati, University Hospitals (Cleveland), Cleveland Clinic, Ohio State University
2002-2004	Genome Research Institute – University of Cincinnati	Cincinnati	\$9,000,000	The Genome Research Infrastructure Partnership	Cincinnati Children’s Hospital Research Foundation, Procter & Gamble (Cincinnati), Wright State University (Dayton), Air Force Research Lab (Dayton)
2002-2004	The Ohio State University	Columbus	\$6,500,000	The Cardiovascular Bioengineering Enterprise	Battelle (Columbus), iMeDD, Inc. (Columbus)
2002-2004	The Ohio State University	Columbus	\$6,000,000	The Biomedical Informatics Synthesis Platform	LabBook (Columbus)
2002-2004	University of Toledo	Toledo	\$2,000,000	The Center for Photovoltaic Electricity and Hydrogen	McMaster Energy Enterprises (Toledo), Innovative Thin Films (Toledo), Engineered Glass Products (Toledo), Optoelectronics (Toledo), BRP Manufacturing (Lima), First Solar (Perrysburg), Pilkington (Toledo), SJS Investment Consulting (Toledo)
2002-2004	National Composite Center	Kettering	\$1,000,000	“Long Fiber Thermoplastics for Low-cost, Light Weight Transportation”	University of Akron, Fiber Form (Newark)

2002-2004	Bowling Green State University	Bowling Green	\$2,000,000	"Photoinstrumentation and Photopolymerization Laboratory"	Kent State University (Kent), Nanofilm, Limited (Valley View), Ohio Polymer Strategy Council (Akron), Plastic Technologies, Inc. (Holland), Regional Technology Alliance (Toledo), Spectra Group, Ltd. (Maumee), Thompson Hine (Dayton), Toledo – Lucas County Port Authority (Toledo), University of Akron, University of Toledo
2002-2004	Kent State University	Kent	\$1,600,000	Advance the manufacturing process of optical and electronic devices by using flexible polymer substrates instead of glass, therefore making the products lighter, stronger and less expensive.	AlphaMicron, Inc. (Kent), Hana Microdisplay Technologies, Inc. (Twinsburg), Kent Displays, Inc. (Kent), LXD, Inc. (Cleveland), PolyDisplay, Inc. (Akron)
2002-2004	National Composite Center	Kettering	\$2,000,000	"Creating Affordable Large-scale Composite Products"	Webcore Technologies, Inc. (Dayton), Edison Materials Technology Center (Dayton), Air Force Research Lab (Dayton), Ashland Specialty Chemical Company (Dublin), Wright Brothers Institute (Dayton), University of Akron, University of Dayton, Sinclair Communi
2002-2004	The Ohio State University	Columbus	\$2,000,000	"Low Cost Nanocomposite Foam"	University of Akron, Owens Corning (Tallmadge), Procter & Gamble (Cincinnati)
2002-2004	Stark State College of Technology	Canton	\$2,000,000	Develop and commercialize fuel cells by establishing the Fuel Cell Prototyping Center	Case Western Reserve University (Cleveland), SOFCo (Alliance)
2002-2004	University of Dayton	Dayton	\$1,200,000	"Conductive Multifunctional Polymer Nanocomposite and Aerospace Composites"	Applied Sciences, Inc. (Cedarville), Materials Research Institute, LLC (Miamisburg), Air Force Research Lab (Dayton), NanoDispersion Technologies, LLC (Akron), GE Aircraft Engines (Cincinnati), Goodrich Corporation (Brecksville), Aircraft Braking Systems
2002-2004	University of Dayton	Dayton	\$773,589	"Development of Arrayed Micro-optic Elements for Enhanced Infrared Image Detection", which will improve thermal image cameras for manufacturing, security, and anti-terrorism uses.	CMC Electronics (Mason), Mound Laser & Photonics Center, Inc. (Miamisburg)

2002-2004	Western Data Com	Westlake	\$774,741	Develop a high-speed modem that can be used by the military and emergency personnel to enhance their ability to communicate during times of war, natural disasters and terrorist attacks	Cisco Systems (Cleveland), University of Akron
2002-2004	NDI Medical	Shaker Heights	\$924,491	to develop a new device for the bladder to treat urinary incontinence.	Cleveland Clinic Foundation, Cleveland EFS Center, Case Western Reserve University (Cleveland)
2002-2004	Imaging Systems Technology	Toledo	\$622,932	Commercialize cheaper, more durable plasma based displays to be used in automobiles, airplane cockpits, and military equipment and for medical and entertainment applications.	EISC (Toledo)
2002-2004	Phylogeny, Inc.	Columbus	\$1,128,242	Advancement of biomedical research capabilities by revolutionizing the way researchers receive human tissue samples.	OMERIS (Columbus)
2002-2004	Cooling Technologies, Inc.	Toledo	\$484,213	Become more competitive in the commercial and residential air conditioning market through a cheaper, highly efficient heat activated absorption chiller that converts heat energy to cooling more effectively than competitive chillers.	Edison Welding Institute (Columbus), Dunbar Mechanical, Inc. (Toledo)
2002-2004	SCI Engineered Materials, Inc.	Columbus	\$1,175,321	Scale-up advanced manufacturing processes that will enable the production of thin-film lithium batteries to be used in new products ranging from medical devices to smart cards.	

2002-2004	OptiCast, Inc.	Findlay	\$859,691	Add new features such as scratch resistance, anti-reflective coatings and greater durability to its low cost manufacturing system that allows prescription polymer eyeglass lenses to be produced for the customer at the point of sale.	Spectra Group Limited, Inc. (Maumee), Bowling Green State University (Bowling Green)
2002-2004	BioProcessing Innovative Company, Inc.	Dublin	\$975,881	Dramatically reduce the cost of electronic testing chips – used for screening toxic chemicals in homeland security efforts and human diseases in the laboratory – by using polymers instead of silicon.	Ohio State University (Columbus), Center for Advanced Polymer and Composite Engineering (Columbus), OMERIS (Columbus), Avery Dennison Microreplication (Painesville)
2002-2004	Girindus America, Inc.	Cincinnati	\$1,162,111	Enable the company to produce cheaper, purer DNA and RNA fragments for medical treatments.	Genome Research Institute (Cincinnati)
2002-2004	Advanced Energy Technology, Inc.	Parma	\$1,826,013	Develop new technologies to further advance Ohio's fuel cell industry.	PIA Group, Inc. (Cincinnati)
2002-2004	MetaMateria Partners, LLC	Columbus	\$968,426	Help make fuel cell components more affordable.	Ohio State University (Columbus), Edison Welding Institute (Columbus), SOFCo –EFS Holdings, Inc. (Alliance), Business Technology Center (Columbus)
2002-2004	NorTech	Cleveland	\$1,162,111	Launch an organization to provide support to new technology oriented businesses to help them succeed	Ohio Innovation Fund (Hudson), Northeast Ohio Software Association (Cleveland), Youngstown Business Incubator (Youngstown), Case Western Reserve University (Cleveland), JumpStart, LLC (Cleveland), Capital One Partners, LLC (Cleveland), GLIDE (Elyria), Akr
2002-2004	Triathlon Medical Ventures	Cincinnati	\$968,426	Early- and expansion-stage capital for bioscience companies with biomedical technology platforms and/or products addressing significant human healthcare needs.	Emerging Concepts, Inc. (Cincinnati), OMERIS (Columbus), Ohio State University (Columbus), BioStart (Cincinnati), Queen City Angels First Fund (Cincinnati), Science & Technology Campus Corporation (Columbus), Case Western Reserve University (Cleveland), U

2002-2004	PolyDisplays, Inc.	Akron	\$375,725	Create two different demonstration units of liquid crystals in polymers to be used in military, automotive and other applications. University of Akron, Akron Polymer Laboratories (Akron), Case Western Reserve University	
2002-2004	SOFCo	Alliance	\$775,286	Help in the further development and commercialization of solid oxide fuel cells.	Western Reserve University (Cleveland), NASA Glenn Research Center (Cleveland)
2002-2004	Queen City Angels	Cincinnati	\$979,000	Provide early-stage resources to start-up technology companies.	Collaborators: NA
2002-2004	Technology Management, Inc.	Cleveland	\$978,767	Shorten the overall commercialization timeline to market of TMI fuel cell systems.	NASA Glenn Research Center (Cleveland), Air Force Research Lab (Dayton)
2002-2004	University Hospitals Research Institute	Cleveland	\$401,390	Development of a genetically engineered, continuous cell line for the improved culture of influenza viruses, leading to the use of the cell line in the production of the flu vaccine and in diagnostic virology applications.	Diagnostic Hybrids (Athens)
2002-2004	Case Western Reserve University	Cleveland	\$979,000	Provide capital to pre-seed stage companies to create new companies for the Northeast Ohio region. Collaborators: NA	use this example
2002-2004	YSI, Inc.	Yellow Springs	\$904,141	Development of a system to rapidly detect bioterrorism agents in water supplies.	University of Cincinnati, Cincinnati Water Works (Cincinnati), Micro Molar Systems (Cedarville)
2002-2004	Gene Express, Inc.	Toledo	\$979,000	Commercialization of the Standardized RT (StaRT)-PCR technology as a method for standardizing gene expression measurement.	Medical College of Ohio (Toledo)
2002-2004	Theken Surgical, Inc.	Akron	\$713,233	Development and commercialization of its artificial spinal disc that replicates human disc performance.	University of Toledo, University of Akron, Akron Polymer Laboratories (Akron)

2002-2004	Cleveland Clinic Foundation	Cleveland	\$1,080,000	The NovaMedics Technology Validation Fund.	Collaborators: NA
2002-2004	BioEnterprise	Cleveland	\$342,650	The Organization of BioEnterprise Seed Fund	Case Western Reserve University
2002-2004	Imalux Corporation	Cleveland	\$542,000	Development of Optical Coherence Tomography	Cleveland Clinic Foundation (Cleveland)
2002-2004	Vanner, Inc.	Hilliard	\$979,000	Develop an integrated package of power conversion electronics to meet the growing on-board electrical demand of medium and heavy trucks.	Collaborators: NA
2002-2004	Regional Technology Alliance	Toledo	\$270,000	Provide funds to invest in technology validation.	Collaborators: NA
2002-2004	Case Western Reserve University	Cleveland	\$100,000	Provide technology validation for intellectual property developed in CWRU's physics department.	Collaborators: NA
2002-2004	Edison Materials Technology Center	Kettering	\$846,861	Improve the competitiveness of Ohio manufacturers active in the fuel cell industry by reducing manufacturing costs and improve reliability and performance of solid oxide fuel cells.	NexTech (Lewis Center), SOFCo (Alliance), Ohio State University (Columbus)
2002-2004	Ohio University	Athens	\$747,413	Development of two products for the treatment of the inflammation of the udder in dairy cows, in partnership with GeneBact Technologies.	Genebact Biotechnologies (Marietta)
2002-2004	Entrepreneur's Fund, LLC	Troy	\$1,000,000	Provide capital and resources to early-stage technology companies.	Collaborators: NA
2002-2004	Edison Materials Technology Center	Kettering	\$940,000	Design, build and demonstrate a brake-by-wire system on a drivable vehicle that incorporates current state-of-the-art developments.	Delphi (Dayton)

2002-2004	Hyper Tech Research	Troy	\$800,000	Improve the performance and demonstrate usable lengths of superconductor wire for specific power utility and medical MRI applications.	Ohio State University (Columbus), Air Force Research Lab (Dayton)
2002-2004	LeadScope, Inc.	Columbus	\$721,411	Development of commercially available genomics platform software to bridge the existing gap between genomics and drug discovery and focus on chemical genomics in cancer therapeutics.	Ohio State University (Columbus)
2002-2004	Oncolmmune, Ltd.	Columbus	\$626,100	Development of molecular and immune therapies for cancer.	Business Technology Center (Columbus)
2002-2004	Science & Technology Campus Corporation	Columbus	\$1,100,000	Provide pre-seed funds and professional management assistance to fuel the technology and market validation and initial start-up phase of early-stage technology business opportunities.	Collaborators: NA
2002-2004	Copernicus Therapeutics, Inc.	Cleveland	\$1,085,164	Development of needed DNA therapeutics that are administered to humans by inhalation.	Collaborators: Case Western Reserve University (Cleveland)
2002-2004	Micro Medical Devices	Cleveland	\$400,109	Development of a complete system for performing minimally invasive diagnostic procedures in physicians' offices.	Collaborators: NA
2002-2004	Viztec, Inc.	Twinsburg	\$1,000,000	Commercialization of plastic liquid crystal displays.	Collaborators: NA
2002-2004	Ohio Innovation Fund	Cleveland	\$1,150,000	Target investments in early-stage technologybased businesses.	Collaborators: NA
2002-2004	AlphaMicron, Inc.	Kent	\$1,148,766	Utilize AlphaMicron's technologies to commercialize liquid crystal eyewear in the consumer market.	Kent State University (Kent)

2002-2004	Battelle Memorial Institute	Cleveland	\$1,150,000	Develop, demonstrate, and commercialize microsystems technology for harsh environments.	Air Force Research Lab (Dayton), NASA Glenn Research Center (Cleveland), Fiberlead (Solon), ABB Automation (Columbus), BF Goodrich Aerospace (Troy), Cleveland Clinic, GE Aircraft Engines (Cincinnati), Lubrizol (Wickliffe), Steris (Mentor), Biomec (Cleveland)
2002-2004	The Employment Source	Akron	\$157,500	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	Information Technology Alliance for Appalachian Ohio (Chillicothe)	Chillicothe	\$95,550	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	Cincinnati Chamber of Commerce	Cincinnati	\$99,750	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	Cleveland Chamber of Commerce	Cleveland	\$519,750	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	Lake County Economic Development Center	Lake County	\$53,550	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	Workforce Institute of Lorain County	Lorain County	\$346,800	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	Business Technology Center (Columbus)	Columbus	\$630,000	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	Columbus Chamber of Commerce	Columbus	\$509,250	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	

2002-2004	Dayton Chamber of Commerce	Dayton	\$246,776	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	Springfield-Clark County Chamber of Commerce	Springfield Clark County	\$82,530	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	Washington County Economic Development Office	Washington County	\$40,500	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	Industrial Information Institute at Youngstown State University	Youngstown	\$113,400	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	Statewide projects including the Ohio Aerospace Institute, INROADS, Ohio Business Connection, and PolymerOhio.	Statewide	\$1,306,914	Keeping Ohio's college graduates in the state by connecting them with Ohio businesses for student internship	
2002-2004	AMP-Ohio and city of Westerville	Columbus	\$537,500	Fuel cell public demonstration projects (NOTE: Funding is averaged based on eight entities sharing \$4,340,000)	
2002-2004	SOFCo	Alliance	\$537,500	Fuel cell public demonstration projects (NOTE: Funding is averaged based on eight entities sharing \$4,340,000)	
2002-2004	Technology Management, Inc.	Cleveland	\$537,500	Fuel cell public demonstration projects (NOTE: Funding is averaged based on eight entities sharing \$4,340,000)	
2002-2004	NexTech Materials	Lewis Center	\$537,500	Fuel cell public demonstration projects (NOTE: Funding is averaged based on eight entities sharing \$4,340,000)	

2002-2004	Edison Materials Technolgy Center	Kettering	\$537,500	Fuel cell public demonstration projects (NOTE: Funding is averaged based on eight entities sharing \$4,340,000)
2002-2004	Edison Welding Institute	Columbus	\$537,500	Fuel cell public demonstration projects (NOTE: Funding is averaged based on eight entities sharing \$4,340,000)
2002-2004	Energy Industries of Ohio	Independence	\$537,500	Fuel cell public demonstration projects (NOTE: Funding is averaged based on eight entities sharing \$4,340,000)
2002-2004	Cleveland Tomorrow	Cleveland	\$537,500	Fuel cell public demonstration projects (NOTE: Funding is averaged based on eight entities sharing \$4,340,000)
2002-2004	Nextech Materials, Ltd.	Lewis Center	\$175,000	Develop low-cost materials and fabrication methods for planar solid oxide fuel cells for application in automotive and aircraft auxiliary power units, premium and back-up power, and residential and commercial combined heat and power distributed generation
2002-2004	Nextech Materials, Ltd.	Lewis Center	\$175,000	Develop low-cost materials and fabrication methods for tubular Ceramic Oxygen Generator (COG) cells, which are critical to emerging ceramic electrochemical systems including solid oxide fuel cells and ceramic oxygen generation systems for small-scale supp
2002-2004	Sierra Lobo, Inc.	Milan	\$174,964	Establish a market entry plan and detailed business plan for mass production of its Cryo-Tracker device, which measures the liquid level and temperature inside cryogenic tanks currently used primarily in space vehicles.

2002-2004	Cleveland Medical Devices, Inc.	Cleveland	\$174,791	Commercialize the NeuroSENSE Monitor, a wireless device, which monitors brain activity and the effect of anesthesia drugs on the brain.
2002-2004	Cleveland Medical Devices, Inc.	Cleveland	\$170,030	Cost engineering, manufacturing, marketing and sales, and initialization of customer support activities for a small, wireless monitor that can diagnose patients with sleep disorders in the comfort of their homes.
2002-2004	Cleveland Medical Devices, Inc.	Cleveland	\$172,090	A small wireless device that can be mounted on the head of small research animals to monitor EEG, EKG and EMG.
2002-2004	Orbital Research, Inc.	Cleveland	\$174,955	Commercialization of a high-temperature pressure sensor for use in diesel engines, which allows direct control of the fuel-air mixture thus maximizing engine performance and improving fuel efficiency.
2002-2004	Excera Materials Group	Columbus	\$175,000	Develop manufacturing capacity for composite based tiles used in ballistic body armor offering inherent toughness, the ability to fabricate intricate shapes, and lower manufacturing costs.
2002-2004	Clifton Labs, Inc.	Cincinnati	\$174,706	Transform an optical sensor prototype into production samples.
2002-2004	Powdermet, Inc.	Cleveland	\$175,000	Identify market opportunities for their technology to combine various materials with complimentary properties into powder form for use in areas such as hard chrome replacement, metal cutting and forming tools, refractory and heavy metal alloys, electronic

2002-2004	BIOMECH, Inc.	Cleveland	\$174,983	Help BIOMECH conduct a detailed market analysis of the ear diagnostic market for its clinical prototype of a curved-array ultrasonic transducer to detect Acute Otitis Media (AOM), an inflammatory condition of the middle ear.	
2002-2004	Enable Medical	Cincinnati	\$175,000	Support the development of a product design and manufacturing system that will allow the Enable Bi-Polar RF (EBRF) technology, which is for the treatment of atrial fibrillation, to be used in a broader patient spectrum.	

Total Number of Projects: 175
Total Dollar Amount: \$381,562,856