



TESTIMONY ON S.J.R. 2

PROPOSED CONSTITUTIONAL AMENDMENT: ARTICLE VIII SECTION 2p SENATE FINANCE AND FINANCIAL INSTITUTIONS COMMITTEE

TOM JOHNSON, DIRECTOR

MAY 11, 2005

Chairman Carey, Ranking Member Roberts, and members of the Senate Finance and Financial Institutions Committee, thank you for the opportunity to testify on the important infrastructure and development initiatives contained in S.J.R. 2.

This constitutional amendment proposes a total of \$2.0 billion in GRF-backed bond authorizations for three related programs:

- \$1.35 billion to be issued over ten years for renewal of local infrastructure bonds primarily used for road and bridge projects across the State.
- \$500 million to be issued over seven years for Third Frontier related research and development activities in support of Ohio industry, commerce and business.
- \$150 million to be issued over seven years for Job Ready site preparation in support of Ohio industry, commerce, distribution, research and development.

Section 2p Constitutional Amendment

Allocation by Program (\$ in millions)

	Total	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
Local Infrastructure Renewal	1,350	0	0	120	120	120	120	120	150	150	150	150	150
Third Frontier	500	100	100	100	50	50	50	50	0	0	0	0	0
Job Ready	150	30	30	30	15	15	15	15	0	0	0	0	0
	2,000	130	130	250	185	185	185	185	150	150	150	150	150

OBM has looked at the impact of this proposal and we believe that it is affordable. The local infrastructure program is a part of our capital base and our spending base and is not a new program. Also, the increase – from \$120 million to \$150 million per year – is scheduled to take place in the second five years of the renewal period. This approach preserves near-term capital resources for other State priorities.

The \$500 million for Third Frontier and the \$150 million for Job Ready sites are new programs – programs that make direct investments in emerging sectors of the Ohio economy with high-growth and job-creation potential. These programs will leverage additional federal and private dollars and it is important that these investments move forward without delay. For this reason, the Third Frontier and Job Ready components of this amendment have been excluded from the State's 5% limit on debt service as a percent of revenue.

OBM has reviewed this proposal with the rating agencies and they have indicated that the increase in debt service from these programs, absent other changes in the State's financial position, would not adversely impact the State's credit rating. As always, OBM will manage this, and all of the State's debt, with the intent of minimizing debt service and staying as close as possible to the 5% limit.

Mr. Chairman, members of the committee, thank you for the opportunity to testify in support of this important amendment. I would be happy to answer any questions you may have.