Mark Flanders *Legislative Service Commission*

H.B. 193

124th General Assembly
(As Introduced)

Reps. **Oakar, Trakas, Ford, Schuring, Metelsky, Latell, Wilson, Manning, D. Miller, Jones, Patton, Calvert, S. Smith, Woodard, Barnes, Sullivan, Sferra, Kilbane, Fedor, Flannery, Callender, Carano, DePiero, Grendell, Jerse, Key, Strahorn, R. Miller, Young, Distel, Redfern, Allen, Otterman, Lendrum, Hagan, Schaffer, Ogg, Driehaus, Coates, Krupinski, Cirelli, Sykes, Boccieri, Perry, Britton, Rhine, Beatty, Hartnett, Seaver, Barrett, Sulzer**

BILL SUMMARY

- Creates in the state treasury the Heavy Industry Loan Fund, to be used to make loans and loan guarantees for heavy industry projects involving the acquisition, expansion, or modernization of buildings, other structures, and equipment.
- Appropriates $89 million of excess liquor profits in each of fiscal years 2002 and 2003 for the purposes of the Heavy Industry Loan Fund.

CONTENT AND OPERATION

The bill expands the "Chapter 166" economic development program in the Department of Development to specifically provide for making loans and loan guarantees for projects in heavy industry, including projects that produce or refine basic materials used in manufacturing, such as steel or coal.[1] To be considered eligible for such assistance, a project must involve the acquisition, expansion, rehabilitation, or modernization of buildings, other real estate improvements, equipment, or other property, the operation of which will create new or preserve existing jobs and improve the economic welfare of the people of the state.

The loans and loan guarantees are to be made from the Heavy Industry Loan Fund, which the bill creates in the state treasury. The bill's codified section

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[1] *The Chapter 166 program is named after the Revised Code chapter in which it is located.*

provides that the Heavy Industry Loan Fund consists of such amounts transferred to it from the General Revenue Fund as may be required by law. (R.C. 166.033(A).) In uncodified law, the bill requires the transfer to the Heavy Industry Loan Fund in fiscal years 2002 and 2003 of any profits the state earns from selling liquor that are in excess of amounts needed to operate the Division of Liquor Control, the Liquor Control Commission, and the Department of Health's alcohol testing program. The amount of the transfer is capped at $100 million annually. (Absent the bill, the Director of Budget and Management is required to transfer such excess liquor profits to the General Revenue Fund.) The bill also appropriates $89 million in each of those fiscal years for making loans and loan guarantees from the Heavy Industry Loan Fund.

The bill provides that the Director of Development must comply with the requirements of the existing Chapter 166 loan guarantee program when making loan guarantees from the Heavy Industry Loan Fund, except that the guarantee can cover the entire unpaid principal of a heavy industry loan instead of 90% of the unpaid principal as under the current program. Under the existing requirements, the Director must determine that a project being considered for a loan guarantee is economically sound, that the loan is for no more than 25 years, that the interest rate is not excessive, and that the principal obligor under the loan can reasonably be expected to make the loan payments.

The Director is required to adopt rules for administering the Heavy Industry Loan Fund, and the rules must provide for special consideration to be given to projects necessary to sustain enterprises whose continued operation is essential to the economic welfare of a community or region of the state.

COMMENT

Revised Code Chapter 166 implements Section 13 of Article VIII of the Ohio Constitution. Section 13 provides that "moneys raised by taxation shall not be obligated or pledged for the payment of bonds or other obligations issued or guarantees made pursuant to laws enacted under this section." R.C. 166.06 reiterates this prohibition against pledging money raised by taxation for the payment of loan guarantees, and applies to guarantees made under the bill. Thus, if General Revenue Fund money derived from taxation were to be transferred into the Heavy Industry Loan Fund, it could not be used to make loan guarantees. The bill's use of excess liquor profits to make loan guarantees is not subject to the prohibition because excess liquor profits are not considered money raised by taxation.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	03-29-01	p. 280

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