

The Mystery of the Third Frontier

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The silence is deafening. Rarely has there been an issue so thoroughly lacking in hard opposition as Issue 1, the \$700 million bond renewal request for the Third Frontier grant program. Does the silence indicate that Third Frontier is universally accepted as a win-win-win for taxpayers, government, and the economy?

I doubt it. More likely, the lack of opposition rests on the single biggest problem with the program — there is little to no good data Ohioans can use to judge the merits of Third Frontier.

By now, we've all seen the talking points from Third Frontier supporters that focus on two reports. The reports by SRI International, a state consultant, and the Ohio Business Roundtable can be boiled down to one finding: Based entirely on speculative math formulas, Third Frontier allegedly led to the creation or saving of 41,300 direct and indirect Ohio jobs.

For those jobs, Ohioans spent \$681 million, or \$16,489 for each job. In fairness, the reports also claim Third Frontier has increased economic growth in Ohio by \$6.6 billion, a 1,000 percent return on our investment in less than seven years. In the single worst decade for investments since the 1830s, that return is impressive and staggering, especially given the recession.

Also keep in mind that from January 1990 to March 2010, the net number of nonfarm, nongovernment jobs created in Ohio totals a less-than-impressive 91,600 jobs. That works out to roughly 4,600 per year with Third Frontier conceptually accounting for 50 percent of those net jobs.

Sounds too good to be true.

Let's look at the hard fact, as there is really only one hard fact. According to the Department of Development, Third Frontier created 6,087 jobs and saved 2,440 jobs costing \$473,161,571, or \$55,490 per job. That is all we really know about the program. We have tried to get more hard data so we could educate Ohioans about Issue 1.

On March 23, we sent a Freedom of Information Act request to the state Department of Development largely asking for all the information it provided SRI as part of SRI's consulting contract. On April 7, in a response to an e-mail asking when we might get the information, the department replied, due to a surge of requests, "our attorneys have quite a backlog at this time, with 15 requests ahead of yours" and couldn't say when we might get the information.

On April 16, Gordon Gee, the president of Ohio State University, penned a commentary in the Columbus Dispatch asking Ohioans to vote for Issue 1. President Gee used the OSU's Wright Center of Innovation in Biomedical Imaging (WCIBI) as an example of Third Frontier's effectiveness.

WCIBI received a grant in 2003 for \$17,114,362, which the Development Department says created 187 jobs and saved 191 jobs, or \$45,276 per job. President Gee noted that the grant resulted in 375 jobs and five companies. A year ago, Gee said it was nine companies. It is possible WCIBI received other grants for \$36,256,265 in 2006, 2007 and 2009 that created or saved another 50.75 jobs. It is hard to tell as the grants to OSU all went to an entity called "OSURF," but the descriptions seem related to WCIBI's work.

On April 17, we sent an e-mail to the two leaders of WCIBI asking for information in a follow-up to President Gee's commentary. We asked 14 basic questions such as the names of the five new companies, the employer or employers of the 375 jobs and additional public or private funding received. On April 21, an e-mail response noted they would get back to us "next week."

As with the two reports, President Gee's commentary left many unanswered questions that go to the heart of whether Third Frontier is the Ohio jobs panacea. If the 375 new jobs are at OSU, then where does the funding for those positions come from in years two through retirement? OSU's appropriation from the state?

Are the hundreds of millions of dollars in public pension and benefit liabilities incurred with these new government jobs factored in to the costs of Third Frontier? Are the five or nine companies still in business? Is the public "investment" \$17 million or \$53 million or something in the middle?

Depending on the answers to these and many other unanswered questions about just this one recipient, Third Frontier really could be the boon to Ohio that SRI speculated that it is, or it could be another government program that sounds great, but crumbles under the lens of full transparency, spends money we don't have, and has government choose winners and losers instead of the marketplace.

It would have been nice to know either way before going to the polls on May 4.

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