OPINION NO. 2000-015

Syllabus:

R.C. 308.04, which requires a member of the board of trustees of a regional airport authority to take and subscribe to an oath or affirmation to honestly, faithfully, and impartially perform the duties of office and not to be interested directly or indirectly in any contract let by the regional airport authority, prohibits that member from being employed by an entity with which the airport authority contracts, from being a stockholder in a company with which the airport authority contracts, or from entering into a contract negotiated with the airport authority. However, the member may hangar a plane in a facility operated by the airport authority on terms available to the general public.

To: Alan R. Mayberry, Wood County Prosecuting Attorney, Bowling Green, Ohio
By: Betty D. Montgomery, Attorney General, February 16, 2000

We have received your request for an opinion concerning who may serve as a member of the board of trustees of a regional airport authority. You have raised the following questions:

1. May an eleven-member board of trustees for a regional airport authority have four members who are employed by the university which leases the ground for the airport to the airport authority?

2. May pilots who hangar their planes in facilities operated by the airport authority or persons who own stock in a company providing aviation fuel to the airport be members of the board of trustees for the airport authority?

Your questions concern the Wood County Regional Airport Authority, created in 1969, and its relationship with Bowling Green State University. The University owns an airport that had been a World War II Navy flight training facility and was deeded to the University after the war. In 1974, the University leased the airport to the Airport Authority for one dollar per year for a period of forty years. The lease was amended in 1978 to allow the University to terminate the lease every four years and to require the Airport Authority to grant the University preferred treatment as to airport use and the University's instructional Aero-Tech Program. A new twenty-five year lease was executed in 1995 without provision for preferred treatment.

Some buildings of the original airport, immediately adjacent to the runways, were not included in any of the leases. Those buildings are used by the University as part of its Aero-Tech instructional program, which includes airport management. The University has considered bidding on the management services contract at the airport to provide training in those services as part of its educational program.

The board of trustees of the Airport Authority initially had nine members. In 1995, the number was increased to eleven, and two representatives of the University, serving by virtue of their positions with the University, were designated permanent members with no term limits. You have informed us that four persons who are affiliated with the University serve as members of the board of trustees of the Airport Authority. They are the Vice President of Finance, the Acting Director of the Aero-Tech program, a faculty member in the
Aero-Tech program, and the Administrative Assistant to the Athletic Director. You have informed us that seven members constitute a quorum of the board with authority to conduct official business.

In order to answer your questions, it is helpful to review the organization and operation of a regional airport authority. A regional airport authority is created by one or more counties in accordance with R.C. Chapter 308. See R.C. 308.03. The board of county commissioners of each participating county must adopt a resolution providing for the creation of the regional airport authority and setting forth required information, including the "number, term, compensation if any, and manner of selecting the members of the board of trustees of the regional airport authority." R.C. 308.03(E). The board of trustees then is appointed as provided in the resolution. R.C. 308.04.

The board of trustees of a regional airport authority is empowered to manage the authority. R.C. 308.05. In carrying out its statutory powers, the board may enter into contracts, adopt rules, employ experts and other employees and agents, fix and collect rates and rentals, acquire and operate airports and airport facilities, issue revenue bonds, and exercise the power of eminent domain. R.C. 308.06-.11. The board has express authority to lease airports and airport facilities, R.C. 308.06(G) and (H), and to contract with governmental entities, R.C. 308.14.

Your questions have arisen in light of the following statutory language:

Each member of the board of trustees, before entering upon his official duties, shall take and subscribe to an oath or affirmation that he will honestly, faithfully, and impartially perform the duties of his office, and that he will not be interested directly or indirectly in any contract let by the regional airport authority.

R.C. 308.04 (emphasis added). The issue to be determined is whether, in the situations you have described, a member of the board of trustees of a regional airport authority is "interested directly or indirectly in any contract let by the regional airport authority." Id.

Let us begin the analysis of this issue with an overview of legal authority concerning provisions prohibiting a public official from having an interest in a contract. In general, a direct or indirect interest in a contract includes a pecuniary or fiduciary interest of any sort, however slight. See, e.g., 1985 Op. Att'y Gen. No. 85-029; 1984 Op. Att'y Gen. No. 84-097; 1973 Op. Att'y Gen. No. 73-043, at 2-167 to 2-168 ("[a]ny interest’ is broad in its sweeping prohibition. A public officer must be beyond temptation and he should not be in a position to profit from his public office. His position is one of a fiduciary nature to the community which requires that all his public decisions be completely objective"). It is clear that a public official who is prohibited from having a direct or indirect interest in a contract cannot, in a private capacity, enter into a contract with the public entity that the official serves. See, e.g., 1984 Op. Att’y Gen. No. 84-097. Further, it has been found that ownership of stock in a corporation constitutes an interest in all contracts of that corporation, thereby preventing the official from holding stock in a company that contracts with the public body. See, e.g., 1968 Op. Att’y Gen. No. 68-111. The prohibition against having a fiduciary interest prevents an individual from holding positions of authority with two entities that contract with one another. See, e.g., 1984 Op. Att’y Gen. No. 84-097 (a county commissioner cannot serve as trustee of a nonprofit hospital corporation with which the county contracts).

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In certain instances, the General Assembly has expressly provided exceptions to a prohibition against having an interest in a contract.¹ When no exceptions are provided, a statute prohibiting an interest in a contract is read literally and construed to apply to all such interests. See, e.g., 1982 Op. Att'y Gen. No. 82-008; 1973 Op. Att'y Gen. No. 73-043; 1968 Op. Att'y Gen. No. 68-111; 1966 Op. Att'y Gen. No. 66-162. See generally, e.g., Grant v. Brouse, 1 Ohio N.P. 145 (C.P. Summit County 1894).²

The basic reason for prohibiting a public official from having an interest in a contract of the agency that the official serves has been stated as follows:

To permit those holding offices of trust or profit to become interested in contracts for the purchase of property for the use of the state, county, or municipality of which they are officers, might encourage favoritism, and fraudulent combinations and practices, not easily detected, and thus make such officers, charged with the duty of protecting those whose interests are confided to them, instruments of harm. The surest means of preventing this, was to prohibit all such contracts; and the legislature having employed language sufficiently clear and comprehensive for this purpose, there is no authority in the courts under the pretext of construction to render nugatory the positive provisions of the statute.

¹See, e.g., R.C. 135.11 (exception for officer, director, stockholder, employee, or owner of interest in a public depository); R.C. 305.27 (exception for shareholder of a corporation who owns not more than five percent of the corporation's stock, not exceeding five hundred dollars in value); R.C. 511.13 (same); R.C. 2921.42(C) (exception when contract is for necessary supplies or services for a governmental entity, the supplies or services cannot be obtained elsewhere for the same or lower cost or are furnished as part of a continuing course of dealing, the treatment is as good as that accorded other customers, and the transaction is conducted at arm's length); R.C. 3313.33 (exception for small stockholder and for coverage under benefit plan of a school district).

²In some cases, the General Assembly has expressly permitted an individual to serve in two positions that might involve conflicting interests. See, e.g., R.C. 715.70(G) (membership on the board of directors of a joint economic development district “shall not constitute an interest, either direct or indirect," in a contract with a political subdivision and the member shall not forfeit or be disqualified from holding any public office or employment); R.C. 1724.10(A) (same for membership on governing board of community improvement corporation); R.C. 4740.02(I) (same for membership on Ohio construction industry examining board); R.C. 3333.042 (officer or employee of the state or of a state college or university who is assigned to assist a nonprofit entity in making proper use of a grant does not thereby have a direct or indirect interest in a contract or expenditure of the entity); see also R.C. 505.011 (township trustee may be volunteer firefighter or police officer if trustee is not paid for firefighter or police officer services, or may be a member of private fire company that serves the township pursuant to contract); 1990 Op. Att'y Gen. No. 90-037, at 2-153 (under R.C. 505.011, General Assembly has implicitly sanctioned arrangement under which township trustee serves, for compensation, as member of private fire company with which township contracts, notwithstanding that R.C. 511.13 prohibits trustee from having an interest in a contract entered into by the board of township trustees); 1987 Op. Att'y Gen. No. 87-084; 1986 Op. Att'y Gen. No. 86-059; 1984 Op. Att'y Gen. No. 84-018; 1978 Op. Att'y Gen. No. 78-017. No such statutory provision applies to the position of trustee of a regional airport authority.


In considering questions of prohibited interests, various authorities have concluded that an employee has a direct or indirect interest in every contract made by the employer. Under a statute prohibiting a school board member from having a direct or indirect pecuniary interest in a contract, a prior Attorney General concluded that an employee is considered to have a pecuniary interest in every contract of the employer, even if the employee’s compensation is not directly affected by the particular contract. 1956 Op. Att’y Gen. No. 6672, p. 432. That opinion concerned an employee who had no ownership interest in the contracting company, worked on a commission basis, and made no sales to the school board. The opinion stated:

In the case of the board member who is an employee selling certain articles on commission for a company which has extensive dealings with his board, it would of course be impossible from the facts which you state to trace any actual interest which he might have as a member of the board, in contracts made by his board with that corporation. However, it must be manifest that a company which deals extensively with a board of education in the sale of school equipment, would certainly be put in a highly advantageous position by having one of its employees on the board of education, and the temptation on the part of that board member to throw all of his influence in favor of the company by which he is employed, would seem almost overpowering.

Id. at 440 (emphasis added).

The basis for finding the prohibited interest was the reasoning set forth in an earlier opinion:

Provisions such as these are merely enunciatory of common law principles. Nunemacher vs. Louisville, 98 Ky. 384. These principles are that no man can faithfully serve two masters and that a public officer should be absolutely free from any influence which would in any way affect the discharge of the obligations which he owes to the public. It is only natural that an officer who is an employee of a concern would be desirous of seeing a contract for the purchase of supplies by the city awarded to his employer, rather than to one with whom he has no relationship. Such an officer would certainly be interested in such a contract or expenditure, at least to the extent that upon the success of his employer’s business financially primarily depends the continued tenure of his position and the compensation he receives for his March 2000
services as such employee. This is especially objectionable where such officer is a member of the board which makes such contract or authorizes such expenditure on behalf of the city.

1933 Op. Att’y Gen. No. 179, vol. I, p. 214, at 215 (emphasis added); accord 1999 Op. Att’y Gen. No. 99-023 (a school board member employed by an educational service center that contracts with the school board would have a pecuniary interest in the contract, in violation of R.C. 3313.33); 1973 Op. Att’y Gen. No. 73-043 (syllabus) (“[a]n employee of an insurance company which has contracts with a city cannot at the same time become a member of the city council”); 1961 Op. Att’y Gen. No. 2466, p. 494 (prohibiting contract when school board member is salaried milk truck driver or salaried employee of automobile sales agency, even if member receives no monetary benefits from the contract); 1956 Op. Att’y Gen. No. 6672, p. 432 (prohibiting contract when school board member is employed on a commission basis by a concern that sells school supplies, even if the member does not sell the supplies, or when school board member is a member of a law firm that is employed by a casualty company that sells insurance and bonds to the school board); 1948 Op. Att’y Gen. No. 3075, p. 197 (prohibiting contract when school board member is foreman for a school bus dealer and is paid a salary only).

Thus, provisions prohibiting public officials from having direct or indirect interests in public contracts have generally been construed to encompass any contract that might create a conflicting interest. The fact of employment with a contracting entity is sufficient to create such an interest.

Let us turn now to the provision that is the subject of your request. The statute states expressly that a member of the board of trustees of a regional airport authority must take an oath or affirmation that "he will not be interested directly or indirectly in any contract let by the regional airport authority." R.C. 308.04. No exceptions are provided by statute. See generally notes 1 and 2, supra. Therefore, we would expect the statute to be read literally to apply to any interest in a contract, however small or indirect.

This is the interpretation that has been adopted in the past. The prohibition of R.C. 308.04 against a trustee having a direct or indirect interest in a contract let by the airport authority was considered by a prior Attorney General and found to apply to a contract between the airport authority and a corporation in which the trustee held stock, regardless of the amount of stock held and regardless of whether the contract was let after competitive bidding. 1968 Op. Att’y Gen. No. 68-111. It was concluded that, in the absence of express statutory exceptions, no exceptions may be read into the statute. See generally notes 1 and 2, supra. Therefore, we would expect the statute to be read literally to apply to any interest in a contract, however small or indirect.

You have suggested that the language of R.C. 308.04 referring to an interest “in any contract let by the regional airport authority” might restrict the prohibition to contracts that are proposed by an airport authority and awarded to one of several persons who bid on them. R.C. 308.04 (emphasis added). See R.C. 308.13 (providing that, after complying with the competitive bidding procedure required in certain circumstances, “[t]he board may let the contract to the lowest and best bidder”).

The word “let” can be used to mean: “To award to one of several persons, who have submitted proposals (bids) therefor, the contract for erecting public works or doing some
part of the work connected therewith, or rendering some other service to government for a stipulated compensation." *Black's Law Dictionary* 903 (6th ed. 1990). A more general statement of the definition is that "letting" "is the act of awarding the contract to the proposer, after the proposals have been received and considered." *Id.* The essential part of the definition is that a contract is awarded. Which party initiates negotiations and how many potential parties participate are incidental. For purposes of R.C. 308.04, the significant point is that a regional airport authority enters into a contract. The consequence is the same whether the airport authority or the other party initiates the contract. Hence, it appears unreasonable to construe the language "any contract let by the regional airport authority" as excluding from the provision contracts that are not entered into pursuant to the airport authority's request for competitive bids. See R.C. 308.06(B) (authorizing regional airport authority to "make contracts in the exercise of the rights, powers, and duties conferred upon it"); R.C. 308.13 (describing circumstances in which the board of trustees of a regional airport authority or any officer or employee designated by the board may "make" a contract without competitive bidding). For this reason, we reject the suggestion that the statutory prohibition against an interest in a contract does not apply to a lease between a university and an airport authority because the university, rather than the airport authority, "let" that contract.

Rather, we read R.C. 308.04 more generally as applying to any contract entered into by an airport authority, regardless of which party initiates negotiations and regardless of how many potential parties might be involved. This reading is consistent with 1968 Op. Att'y Gen. No. 68-111, which refers to R.C. 308.04 as prohibiting a member of the board of trustees of a regional airport authority "from having an interest in a contract of the regional airport authority." 1968 Op. Att'y Gen. No. 68-111 (syllabus, paragraph 2) (emphasis added). Under such a reading, a trustee of a regional airport authority is prohibited from being interested directly or indirectly in any contract entered into by the airport authority, including a contract under which the airport authority leases the airport from the university. The statute provides no exceptions to this prohibition.

Your first question concerns members of the board of trustees of an airport authority who are employed by the university that leases to the airport authority the real property on which the airport is located. Each trustee of an airport authority has a duty to honestly, faithfully, and impartially perform the duties of the office and to refrain from being interested directly or indirectly in any contract entered into by the airport authority. R.C. 308.04. On the facts presented, it appears that an individual who is a trustee of the airport authority and an officer or employee of the university has an interest in the lease between the two entities that may affect the individual's duty to impartially serve the airport authority. A disinterested trustee might seek to acquire different land for an airport or to negotiate different terms regarding the land or facilities, whereas a trustee who is also employed by the university will have an interest in entering into a lease that benefits the university. Even if a university officer or employee does not receive compensation as a result of the contract, the individual may benefit by having the university retain its airport-related activities. A lease or other contract between the airport authority and the university can affect the scope of activities of the university and its need for employees or agents to perform various functions. By promoting a lease or other contract that favors the university, an airport authority trustee could accrue benefits for the position that the trustee holds with the university. The conflicting interests that result from being affiliated with both parties to a contract constitute the type of interests that R.C. 308.04 is intended to prohibit.

In the situation you have described, each individual who is employed by the university has an interest in the lease of the airport to the airport authority because under that lease.
the university receives rent and such other benefits as are secured by contract. An employee of the university is interested in having the university obtain contractual benefits so that the university retains its ability to employ and compensate the employee. The interest of an individual employee in a particular contract of the employer may be very small and indirect, but, as discussed above, such an interest is sufficient to come within the expansive statutory language prohibiting any direct or indirect interest in a contract. Therefore, we conclude that an individual who is employed by a university that leases an airport to a regional airport authority cannot fulfill the obligations of a trustee of the airport authority under R.C. 308.04.

The same conclusion must be reached regarding persons who own stock in a company providing aviation fuel to an airport managed by a regional airport authority. The statute requires that the trustees of an airport authority act honestly, faithfully, and impartially, and contains a blanket prohibition against their having an interest in a contract of the airport authority. There are no exceptions for small or indirect interests, and we are unable to read any such exceptions into the statute.

An individual who owns stock in a company that provides aviation fuel to the airport has a pecuniary interest in proceeds that the company derives from the sale. Therefore, that individual has an interest in a contract of the airport authority. See 1968 Op. Att'y Gen. No. 68-111, at 2-159 ("[a] member of a board of trustees who owns stock in a corporation contracting with that board of trustees is interested in a contract within the meaning of [R.C. 308.04]").

In light of the authorities discussed above, we conclude that an individual who owns stock in a company that contracts with a regional airport authority to provide aviation fuel to the airport has an interest in a contract of the airport authority. Therefore, that individual cannot fulfill the obligations of a trustee of the airport authority under R.C. 308.04.

A somewhat different analysis applies to a pilot who hangs a plane in facilities operated by an airport authority. If the pilot individually negotiates the terms of a rental arrangement with the airport authority, then the pilot is entering into a contract with obligations by both parties and the pilot has an interest in a contract of the airport authority. See, e.g., 1982 Op. Att'y Gen. No. 82-008; 1966 Op. Att'y Gen. No. 66-162; see also 1988 Op. Att'y Gen. No. 88-076. A member of an airport authority is not permitted to have such an interest.

On the other hand, if the pilot is simply acquiring, at a standard rate, hangar privileges that are available to the general public, then it may be found that there is no prohibited interest. A public official is not prohibited from obtaining, as a citizen, benefits that are available to the general public. See, e.g., 1997 Op. Att'y Gen. No. 97-061. Under this principle, a public official, as a member of the general public, may purchase goods or services made available to the general public at standard prices. For example, if an airport authority were to operate a snack bar and gift shop, members of the airport authority would be permitted to purchase items at prices at which they were sold to the general public. It would be unreasonable to find a prohibited contractual interest in that sort of transaction. Similarly, if the rental of hangar space is a routine matter made available at a standard price to anyone who is interested, it would be unreasonable to find that an airport authority member's acquisition of space constitutes a prohibited interest in a contract of the airport authority.

For this reason, we conclude that a member of an airport authority is not permitted to hangar a plane at facilities operated by the airport authority under a contract individually negotiated with the airport authority. However, a member of an airport authority is permit-
ted to hangar a plane in facilities operated by the airport authority if the terms of the arrangement are standard terms that are available to the general public. Of course, a member of an airport authority who entered into such an arrangement would be subject to ethical provisions prohibiting the use of official influence for personal gain and requiring abstention on matters that might involve a conflict of interests. See, e.g., R.C. 102.03; 1997 Op. Att'y Gen. No. 97-061; 1997 Op. Att'y Gen. No. 97-026.

You have asked about a situation in which four of the eleven members of the board of trustees of the airport authority are university employees, and you have informed us that seven members constitute a quorum with authority to conduct official business. Implicit in this factual situation is the question whether the four university employees could simply abstain from participating in any matters considered by the airport authority that relate to the university and allow the remaining seven members of the airport authority to deliberate and act on those matters. Were the question merely one of meeting general standards governing conflicts of interest, that solution might be available and appropriate. See, e.g., 1998 Op. Att’y Gen. No. 98-017 (a person may serve as mayor of a nonchartered village and member of the board of education of an exempted village school district if the person abstains from participating in matters on which conflicts might occur); 1997 Op. Att’y Gen. No. 97-045 (same for person serving as township trustee and project inspector for county engineer); 1997 Op. Att’y Gen. No. 97-026 (same for person serving as president of the legislative authority of a non-charter city and member of the board of health of a general health district that includes the city); see also 1990 Op. Att’y Gen. No. 90-087 (county engineer may contract in private capacity to provide services to regional airport authority in certain circumstances). But see generally 1987 Op. Att’y Gen. No. 87-092 (containing no discussion of R.C. 308.04 and concluding that the position of member of a regional airport authority is incompatible with the office of county engineer).

In the instant case, however, we are confronted with statutory language that prohibits any direct or indirect interest in a contract. It has consistently been concluded that this language establishes a standard that cannot be met simply by abstaining from participating in particular matters. See, e.g., Doll v. State; 1982 Op. Att’y Gen. No. 82-008; 1968 Op. Att’y Gen. No. 68-111. Because of the comprehensive language contained in R.C. 308.04, we are compelled to conclude that a member of the board of trustees of an airport authority is prohibited from having any interest, direct or indirect, in a contract of the airport authority, even if the member does not participate in considering or acting upon the contract.

The evident intent behind R.C. 308.04 was that an airport authority should be an independent entity, managed by individuals who have no personal interest in the contracts of the airport authority. Those individuals, accordingly, should have no personal interest in land or facilities leased to the airport authority, in the terms of negotiated contracts for hangar space, in a company from which the airport authority purchases fuel, or in any other matter on which the airport authority enters into contracts. We conclude, therefore, that R.C. 308.04, which requires a member of the board of trustees of a regional airport authority to take and subscribe to an oath or affirmation to honestly, faithfully, and impartially perform the duties of office and not to be interested directly or indirectly in any contract let by the regional airport authority, prohibits that member from being employed by an entity with which the airport authority contracts, from being a stockholder in a company with which the airport authority contracts, or from entering into a contract negotiated with the airport authority. However, the member may hangar a plane in a facility operated by the airport authority on terms available to the general public.

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It has been suggested in the instant case that it may be difficult to find sufficient numbers of individuals who have no interest in any contracts of the airport authority and are willing to serve on its board of trustees. Practical concerns of this sort might be considered by the county commissioners, who establish the number, term, compensation if any, and manner of selecting the trustees, see R.C. 308.03(E), or by the General Assembly, which is empowered to modify the requirements of R.C. 308.04 by amending the statute. Absent statutory amendment, we are constrained to apply the statute as written and to require that trustees of an airport authority refrain from having direct or indirect interests in any contracts entered into by the airport authority.


For the reasons discussed above, it is my opinion, and you are advised, that R.C. 308.04, which requires a member of the board of trustees of a regional airport authority to take and subscribe to an oath or affirmation to honestly, faithfully, and impartially perform the duties of office and not to be interested directly or indirectly in any contract let by the regional airport authority, prohibits that member from being employed by an entity with which the airport authority contracts, from being a stockholder in a company with which the airport authority contracts, or from entering into a contract negotiated with the airport authority. However, the member may hangar a plane in a facility operated by the airport authority on terms available to the general public.