

Ohio's Economically Disadvantaged Areas: Are We Matching Resources With Need?

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*This paper describes how Ohio targets and spends the community development and economic development assistance funds it provides to Economically Disadvantaged Areas (EDAs). Topics include the criteria communities must meet to receive Jobs Bills III aid, the responsibilities of the Department of Development (DEV) under these programs, the different types of assistance available, and the rates of change in the expenditure levels for various kinds of assistance over the last 3 years. Also highlighted is the importance of DEV's **Annual Loan/Grant Report to the Legislature**. Policy options discussed in the paper include fine-tuning current aid to identify and provide funds to EDAs with the greatest financial distress, and suggestions for improving current economic development reports to enhance the information available for policy planning purposes.*

Overview

In the midst of today's favorable economic times of low inflation, low interest rates and low unemployment rates, many Ohio localities continue to struggle with providing a strong tax base that is essential to a healthy community: good schools, good roads, adequate community infrastructure, ample housing, and thriving businesses. Since 1993, 45 of Ohio's 88 counties — approximately half — and 27 cities have experienced devastating conditions of poverty, high unemployment or both, that significantly exceed averages nationwide. In 1996, "economically disadvantaged areas," or EDAs, are home to more than 2.6 million people, or approximately one in every four Ohio residents.

Until recently, the status of these conditions in Ohio has been recognized on a limited basis when considering

economic development assistance. Poverty or high unemployment criteria used as the *basis* for qualifying an area for federal economic development assistance¹ have rarely transcended to applications of state financial assistance, especially to programs with job creation as the primary focus. When these conditions have been recognized, the impact has been modest.

Based on 1995 information from the *Ohio Department of Development's Annual Loan/Grant Report to the Legislature*, approximately one in every five dollars designated for community assistance and economic assistance went to Ohio's EDA counties. And approximately \$51 million — less than six percent of the \$875 million awarded in CY 1995 to businesses and communities by the Department of Development — went to projects in Ohio's thirty-four EDA designated counties for the specific purpose of job creation, job retention or job training.

¹ Examples of federal assistance programs supporting economic development based on need include Department of Labor's Labor Surplus Area program, Appalachian Regional Commission grants; Department of Housing and Urban Development's housing funds, Community Development Block Grants, Community Services Block Grants, Home Energy Assistance Block Grants, and HEAP Weatherization grants; Department of Human Services' Child Day Care Grants, Department of Commerce's Economic Development Administration grants.

This paper will attempt to examine Ohio's geographic areas with the greatest need for community and economic assistance, and then track Department of Development funding awards of Community Assistance and Economic Assistance to these areas. This paper will compare existing federal program guidelines, used in determining a community's eligibility for federal assistance, with criteria contained in recently enacted "Jobs Bill III" legislation that identify Ohio's EDA communities. Finally, this paper will describe specific policy options to improve decision-making in the funding awards process, to strengthen program reporting, and to enhance program performance.

lead the charge for revitalizing economically troubled communities. Numerous federal development programs have provided financial and technical assistance to geographic areas nationwide *based on levels of need*. In the 1960's, familiar programs administered by the U. S. Department of Housing and Urban Development (HUD) included model cities and urban development action grants (UDAGs). More recently, popular federal programs have included the Community Development Block Grant (CDBG) Small Cities Program, the Main Street Program, the Home Investment Partnership (HOME) Program, and Empowerment Zone/Enterprise Communities.

Federal Programs Providing Development Assistance

For Ohio, four kinds of programs have spearheaded the flow of federal assistance throughout the state since 1993: the Home Energy Assistance

For decades, the federal government has

Exhibit A: Program Goals of the Top Four Federal Development Programs Used in Ohio

HEAP /HEAP Weatherization Program Goals

FY 1995 expenditures: \$82.3 million

"To help eligible low income Ohioans meet the high costs of home heating or to avoid a disconnection of their heating sources through a Regular or Emergency Assistance program. The target population is households with income at or below 150% federal poverty level." The goal of the HEAP Weatherization Program is "to weatherize low-income homes throughout the State of Ohio."

CDBG Program Goals

FY 1995 expenditures: \$55.4 million

"The primary objective of the CDBG program is to develop viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. . . All activities must benefit low-and moderate income persons; or aide in the elimination of slums or blight; or meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. Not less than 70 percent of the aggregate assistance shall be used for the support of activities that benefit low- and moderate-income persons."

HUD/HOME Program Goals

FY 1995 expenditures: \$ 7.9 million

" HOME Program funds... are distributed to local governments, non-profit organizations and certain private sector entities to fund a variety of projects that will expand the supply of decent, safe, sanitary and affordable housing for low- and moderate income families and individuals."

CSBG Program Goals

FY 1995 expenditures: \$14.6 million

"The goals of the Ohio CSBG Program are to remove obstacles and solve problems which block achievement of self-sufficiency for low-income persons. The target population includes those individuals and families with incomes at or below 125% of the federal poverty level."

Source: Office of Budget and Management, State Clearing house Transmittals, 1994-1996.

and Weatherization Program (HEAP), the Community Development Block Grant (CDBG) Program, housing programs administered by HUD including the Home Investment Partnership (HOME) Program and Emergency Shelter Grants, and the Community Service Block Grant (CSBG) Program. The magnitude of these programs is astounding: they command a lion's share — \$172 million

or 83 percent in 1995 — of all federal development moneys coming to Ohio per year. (This figure is more than double the Department of Development's general revenue fund expenditures of \$84.8 million for the same period.)

The basis for receiving these federal development funds clearly lies with each program's goals and objectives, which

Update: Ohio's Federal Empowerment Zones/Enterprise Communities

One of the federal government's most recent efforts to provide support for communities with extreme economic problems was the nationwide search for and selection of a limited number of Empowerment Zones and Enterprise Communities. Four Ohio cities—Akron, Cleveland, Columbus and Portsmouth—succeeded in obtaining this 10-year designation, aimed at alleviating the adverse effects of severely distressed, impoverished communities. State and federal EZ/EC funds began flowing in FY 1996, and hence, are not included in the Department of Development's 1995 Annual Loan/Grant Report to the Legislature. In FY 1996, the Ohio General Assembly appropriated \$4.0 million in state General Revenue Funds (\$1 million for each area from Development item 195-513, Empowerment Zones/Enterprise Communities) as match to leverage incoming federal funds. Actual FY 1996 expenditures total \$1,678,000, leaving a balance of \$2,322,000 yet to be drawn. At the time of this writing, annual performance reports for each community are under review.

Background

After many months of steep competition, the Department of Housing and Urban Development announced its Empowerment Zone and Enterprise Community awards in late December, 1994. From a total of 538 applications nationwide, Ohio was awarded one of nine Empowerment Zone designations and three of 95 Enterprise Community designations.

The carrot for these awards was a total of \$2.5 billion in tax benefits and \$1 billion in grant money for six empowerment zones and 65 enterprise communities in urban areas, and three zones and 30 communities in rural areas. To be considered for an empowerment zone award, eligible state and local governments had to jointly devise a strategic plan to reverse problems of extreme poverty, unemployment and blighted areas, and then institute assurances that it will be implemented.

According to *City & State*, "the 'super nine' zones get more generous tax credits than ever before, including an employer wage credit, expanded allowances for certain business property and a new category of tax-exempt bonds known as qualified enterprise zone facility bonds. Enterprise Communities are eligible only for the new enterprise zone bonds, which fall under a state's private-activity bond volume caps."

Ohio's funding awards are as follows:

1. The **City of Cleveland** was designated as an urban Supplement Empowerment Zone by HUD and will receive \$87,000,000 in Economic Development Initiative funds plus \$2,947,368 in Title XX funds. The Zone area of 5.8 miles includes the east side neighborhoods of Fairfax, Hough and Glenville with a population of 50,597 people. With the federal award, the city envisions a total direct investment of \$277 million in government and private funds over 10 years. The investment is expected to generate \$1 billion in economic activity. Spending for 1995 alone is projected at \$29.9 million.
2. The **City of Akron** was designated as an urban Enterprise Community by HUD and will receive \$2,947,368 in Title XX funds. The Community includes the city's downtown commercial and adjacent high poverty areas with a population of 55,000 people.
3. The **City of Columbus** was designated as an urban Enterprise Community by HUD and will receive \$2,947,368 in Title XX funds. The Community includes a 12.7 square mile area northeast of the central business district with a population of 56,722.
4. The **City of Portsmouth** was designated as a rural Enterprise Community by the U.S. Department of Agriculture and will receive \$2,947,368 in Title XX funds. The Community covers most of the City of Portsmouth, New Boston and West Portsmouth, with a population of 20,876.

Source: Ohio Legislative Budget Office, *Budget Briefing Materials on the 1995-1997 Executive Budget Request-Department of Development*, February 16, 1995.

target assistance to poor and unemployed persons (See Exhibit A). Often parameters of federal assistance hinge upon the poverty levels in a given year, which can be stated as a percentage of the federal poverty level (HEAP, CSBG) or as a percentage of the county's median income (CDBG, HUD/HOME). References to a county's median income level include, 1) *low-income* persons who receive 50 percent or less of a county's median income, and 2) *moderate-income* persons who receive between 50 and 80 percent of a county's median income. Senior citizens and handicapped persons are automatically defined as low- and moderate-income beneficiaries. Other parameters of federal assistance, primarily CDBG funds, call for the elimination of slums and blight. To receive this funding, a community must confirm that 51 percent of the structures and or site improvements are in a deteriorated or substandard condition.

Ohio's experience in meeting and exceeding federal program guidelines was highlighted not long ago in the competition for federal Empowerment Zone/Enterprise Community (EZ/EC) designations. In December 1994, Ohio was one of a handful of states that received multiple EZ/EC designations aimed at combating the adverse effects of severely distressed, impoverished communities (see Update: Ohio's Federal Empowerment Zones/Enterprise Communities). Though preliminary reports on the first year's progress of the EZ/EC program are being gathered, communities have already recognized benefits in combining federal and state assistance with community and local business development efforts.

Ohio's View of Communities Facing Economic Woes

Until recently, only limited sections of the Ohio Revised Code addressed

economic need through urban renewal and redevelopment laws. These provisions, involving blighted areas, nonproductive land, impacted cities, community urban redevelopment corporations, and local area enhancement mechanisms (i.e. community improvement corporations and enterprise zones), are triggered only by local legislative actions. In the past, the state's awareness of a particular community's need would have been doubtful unless the community took formal action or petitioned the state for guidance or assistance.

Jobs Bills III

Am. H.B. 440 and Am. Sub. H.B. 442 of the 121st General Assembly, two of five bills in the Jobs Bills III package promoted by the Ohio Department of Development, placed into law for the first time state-wide parameters to identify Ohio's geographic areas experiencing difficulty in maintaining healthy, local economies. These acts created two programs to address specific development challenges, the Rural Industrial Park Loan Program and the Urban and Rural Initiative Grant Program, and provided FY 1997 funding levels of \$10 million for loans and \$10 million for grants. A key element in administering these programs requires the Director of Development to annually designate local government entities (mostly counties, cities, and parts of large cities) which are eligible for program funding.

The designation of "economically disadvantaged areas" is noteworthy because it is the *second significant movement toward statewide comprehensive planning* initiated by the executive during the 1990's for the purposes of economic development. (The first movement was the creation

of the governor's 12 regional economic development offices.) The standard set forth in the law covers all locations in Ohio, regardless of local government actions or other requests for assistance to the Ohio Department of Development.

Which Areas Face the Most Challenges in Economic Development?

According to ORC Section 122.19, satisfying any one of four categories of need makes a geographic area eligible for Jobs Bills III loan or grant assistance: 1) labor surplus areas, 2) distressed areas, 3) inner city areas and 4) situational distress areas. These categories represent different combinations of employment, income, poverty and economic statistics to determine eligibility.

A *labor surplus area* is a classification assigned annually by the federal government to each county in a state and to each city with a population of at least 25,000 people. When a city or cities within a county are designated, the balance of the county is recorded separately. A labor surplus area is identified when the average unemployment rate in the area for the most recent two years meets or exceeds a certain percentage determined by the United States Department of Labor.

A *distressed area* is a municipal corporation with a population of at least 50,000 or a county that meets two of three economic distress criteria, mostly available through U.S. Census reports:

- a) The average unemployment rate for the most current five years meets or exceeds 125 percent of the average unemployment for the United States during the same period;
- b) Per capita income is less than or equal to 80 percent of the median

county per capita income of the United States during the same period;

- c) For counties, between census years, the ratio of transfer payment income to total county income is 25 percent or more. For municipal corporations, 25 percent or more of the residents total income is below the official poverty line.

An *inner city area* is a specific area located within a city with a population of 100,000 or more and that does not meet the criteria of a labor surplus area or a distressed area. The specific area or "target area," which must have at least 20 percent of the residents living at or below the state poverty level, is designated for purposes of investment.

A *situational distress area* is defined as a county or a municipal corporation that has experienced or is experiencing a closing or downsizing of a major employer that will adversely affect the local economy. To be considered for this temporary (up to 36-month) designation, the county or municipal corporation must submit a petition to the Director of Development containing at least the following information:

- a) the number of jobs lost by the closing or downsizing,
- b) the impact on the county or municipal unemployment rate as determined by the Ohio Bureau of Employment Services,
- c) the annual payroll associated with the job loss,
- d) the amount of state and local taxes associated with the job loss, and
- e) the impact on suppliers located in the county or municipal corporation.

Exhibits A-1 and A-2, compiled with information from the Ohio Bureau of Employment Services, the Ohio Department of Development, and the U.S. Census Bureau, identify Ohio's 1996 EDA counties and cities, and their populations. For 1996, a total of 28 counties and 22 cities located beyond these counties represent a combined population of 2.6 million Ohioans living in EDA designated communities.

How does the state currently assist economically distressed communities?

While many state agencies provide assistance to EDA designated communities², only one state agency —

the Ohio Department of Development — has the responsibility of providing financial and technical assistance for the purpose of enhancing the state's economy. As contained in the Ohio Office of Budget and Management's *The State Government Book*:

The Ohio Department of Development's mission includes creating and retaining jobs and strengthening Ohio's economy by providing financial assistance to businesses and individuals through loan guarantees, direct loans, industrial development bonds and other funding mechanisms. The Department

**Table 1: 1996 Ohio Economically Disadvantaged Areas
Counties and Cities**

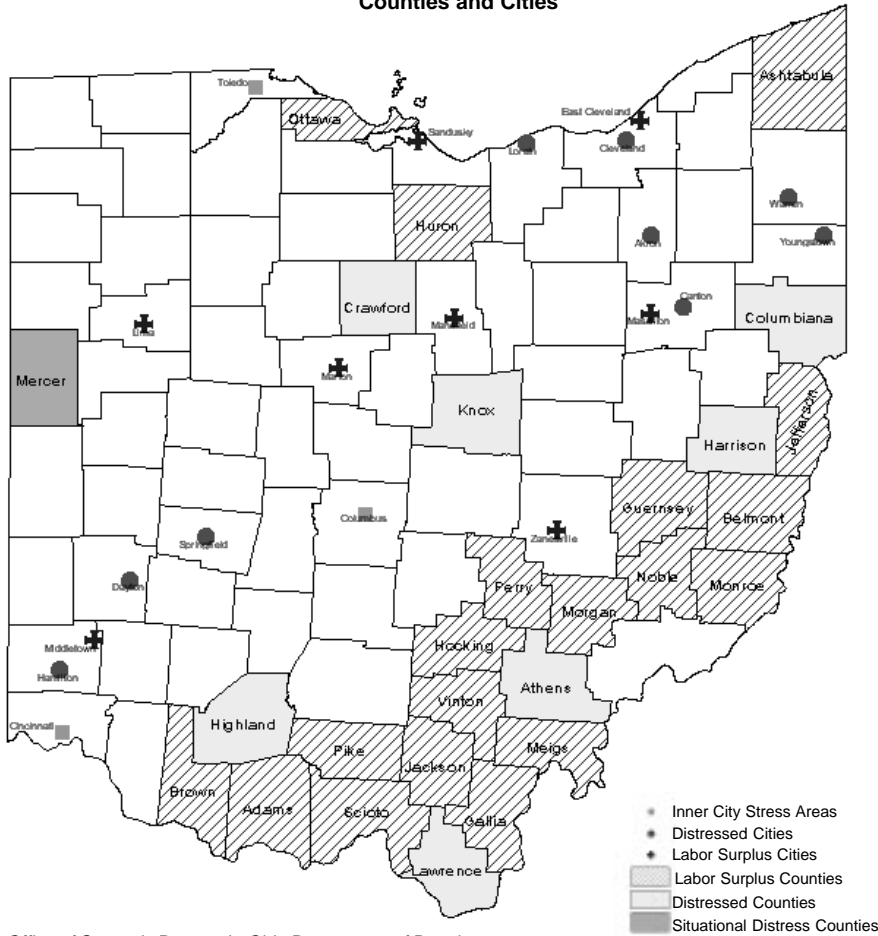
EDA County	Population	Need Category*	EDA City	Population	Need Category*
Adams	27,670	LS, D	Akron	221,886	LS, D
Allen	109,399	SD	Alliance	23,604	SD
Ashtabula	102,630	LS, D	Canton	84,188	LS, D
Athens	60,687	D	Cleveland	492,901	LS, D
Belmont	70,379	LS, D	Columbus**	635,913	IC
Brown	38,850	LS	Cincinnati**	358,170	IC
Columbiana	111,853	D	Davton	178,540	LS, D
Crawford	47,733	D	East Cleveland	33,918	LS
Gallia	32,582	LS, D	Hamilton	64,912	LS, D
Guernsev	40,246	LS, D	Lima*	43,554	LS
Harrison	16,100	D	Lockland	4,501	SD
Highland	39,245	D	Lorain	10,919	LS, D
Hocking	27,997	LS, D	Mansfield	53,192	LS
Huron	58,613	LS	Marion	34,611	LS
Jackson	31,927	LS, D	Massillon	31,293	LS
Jefferson	78,262	LS, D	Middletown	48,527	LS
Knox	51,009	D	Norwood	22,376	SD
Lawrence	64,206	D	Oregon	18,334	SD
Mercer	40,906	SD	Sandusky	29,764	LS
Meigs	24,066	LS, D	Springfield	70,487	D
Monroe	15,388	LS, D	Toledo**	332,943	IC
Morgan	14,602	LS, D	Warren	50,343	LS, D
Noble	12,096	LS, D	Youngstown	91,775	LS, D
Ottawa	40,591	LS	Zanesville	27,282	LS
Perry	33,550	LS, D			
Pike	26,775	LS, D			
Scioto	81,414	LS, D			
Vinton	12,072	LS, D			
Total-28 counties	1,310,848	LS-19 D-23 SD- 2	Total - 23** cities	1,371,467 (disregarding inner city pop)	LS-15 D- 9 IC- 3 SD- 4

* Need Categories: LS=Labor Surplus, D=Distressed, SD= Situational Distress, IC=Inner City Area
 **Populations of these cities have been disregarded in the total EDA population figure, due to the nature of Inner City Stress Areas or Situational Distress overlap.

Sources: Ohio Bureau of Employment Services, Ohio Labor Market Information Division, Labor Surplus Areas October 1992-September, 1996. Ohio Department of Development, Office of Strategic Research, "Ohio Eligible Investment Areas." U.S. Census Bureau, Population Estimates Branch.

² Examples of state agencies providing assistance to these areas include Departments of Aging, Alcohol and Drug Addiction Services, Bureau of Employment Services, Health, Human Services, and others.

Exhibit B: Ohio 1996 Economically Disadvantaged Areas
Counties and Cities



Source: Office of Strategic Research, Ohio Department of Development

of Development’s mission also includes encouraging community, economic and technology development . . .³

The Department of Development carries out its mission by administering more than 50 programs at the state-level. Actual program implementation, however, hinges upon local-level participation and cooperation. Very few of these programs operate without a state-local partnership; and many times multiple, local-level partnerships are needed to accomplish program activities.

One way to *comprehensively* observe how the Department assists Ohio’s communities — economically distressed or not — is to examine the flow of funding to local areas using the

Ohio Department of Development’s Annual Loan/Grant Report to the Legislature (hereafter called the Loan/Grant Report). This report contains lists of funding awards for all programs — loans, grants, jobs tax credits — administered by the Department *for each Ohio county*. (This report does *not* include any other tax abatement, tax credits or tax avoidance awards.) While awards to specific local governments are not available in this presentation, each county report presents specific project information under one of three classifications of assistance: Community Assistance, Direct Assistance to Business and Indirect Economic Assistance. The following discussions on “Ohio Programs for Improving Community Development” and “Ohio Programs for Improving Economic Development”

³ p. 137, Ohio Office of Budget and Management, *The State Government Book: A Program Inventory of State Agencies*, 2nd Edition, 1996.

Exhibit C-1: Community Assistance Programs

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|---|--|
| 1-9. Community Development Block Grant Programs:
CHIP
Discretionary Grant
Formula
Homeless
Housing Rehabilitation
Imminent Threat
New Horizons
Training Grants
Water and Sewer | 18. State 403 Non-Profit Grants
19. State 406 Transitional Housing
20. State 440 ESPG Program
21-23. State Community Development Corporations
Economic Development Grant
Non-profit Grants
Training Grants |
| 10. Community Housing Development Organizations
HOME Funds Program | 24. Community Services Block Grant (CSBG)
25. Home Energy Assistance Program (HEAP)
26. Emergency Homeless Program |
| 11. Federal ARC Funds
12. Federal HOPWA Program
13. Federal McKinney Funds - ESPG
14. HOME Chip Program
15. HOME Non-Profits Grants
16. Housing Trust Funds
17. OHFA Home Loan Program | 27. Cities & Counties Energy Conservation Program
28. State Energy Conservation Program
29. Institutional Conservation Program
30. Home Weatherization Assistance
31. Seed-Compensating Balance and Interim
Development Loans
32. Home Ownership Program
33. Section 8 New Construction and
Rehabilitation |

help clarify characteristics of each program grouping and help identify programs under each classification. This information provides the basis to compare types of assistance among all Ohio counties.

Ohio Programs for Improving Community Development

Generally speaking, Ohio's efforts in assisting economically disadvantaged areas have been addressed through Development's Community Development Division. These efforts can be tracked to a group of community assistance programs, most of which are federally funded, that provide financial and technical assistance to help strengthen the quality of life within a community. (See Exhibit C-1.) Familiar examples of these federally-supported-but-state-administered community assistance programs include the previously mentioned HEAP, CDBG, HOME, and CSBG programs found in Exhibit A, plus the Appalachian Regional Commission (ARC).

Other programs aimed at assisting community development initiatives come from state-enhanced funding sources. These programs include housing activities administered by the Ohio Housing Finance Agency (OHFA),

emergency shelter and transitional housing programs, and Community Development Corporation grants.

The common thread among all community assistance programs is their purpose: to alleviate economic distress by improving the community base, primarily for the benefit of persons from low- and moderate-income households. This is mostly achieved by 1) improving the range of available housing, from emergency shelters to transitional housing to housing rehabilitation and construction; and 2) supporting energy assistance needs and promoting energy conservation activities. To a much lesser extent, other activities involve 3) assisting with downtown revitalization, including efforts to eliminate slums and blight, 4) expanding economic development opportunities by enhancing infrastructure or providing subsidized financing, and 5) training of local staff to build capacity for future community development projects that will aid the community in achieving self-sufficiency.

Ohio Programs for Improving Economic Development

Equally important to developing a strong community base is the

development of a strong economic base; creating wealth and improving the standard of living go hand in hand. The Ohio Department of Development's Economic Development Division provides direct and indirect financial assistance for local business projects for the purpose of creating wealth and jobs, essential components in a healthy, local economy.

Eleven of the Department's programs provide *direct financial assistance* to individual businesses "for start-up or expansion (projects) that includes job creation, job retention or job training"⁴ activities.

While federal funding sources support some of these programs, the bulk of activity occurs through an array of state-facilitated loans, state grants and state tax credits. The Ohio Direct Loan Program, Ohio Enterprise Bond Program, Road Work Development grants, Business Development grants, Industrial Training grants and Jobs Creation Tax Credits, are among the programs used to directly enhance local projects needing state support (See Exhibit C-2). All projects receiving direct financial assistance must first demonstrate significant, local-level impacts on job creation, job preservation, or job training in order to obtain funding.

Another set of programs administered by the Department provides *indirect economic assistance* to business or local government entities. These programs, funded by mostly state general revenue funds, "have a long

Exhibit C-2: Direct Assistance to Business

1. CDBG Economic Development Program
2. 166 Direct Loan Program
3. Regional 166 Loan Program
4. Ohio Enterprise Bond Program
5. Business Development Grants
6. Road Work Development Grants
7. Minority Development Financing Commission Direct Loans
8. Ohio Mini-Loan Program
9. Job Creation Tax Credit Authority
10. Small Business Administration 504
11. Appalachian Economic Development Grants

Source: Ohio Department of Development Annual Loan/Grant Reports to the Legislature, 1993-1995.

Exhibit C-3: Indirect Economic Assistance

1. CDBG Downtown Revitalization Program
2. Labor Management Cooperation Grants
3. Small Business Development Center Grants
4. Child Care Microenterprise Program
5. International Trade Grants
6. Minority Business Management Technical Assistance
7. Travel & Tourism Grants
8. Coal Research Grants
9. Edison Grants (Edison Centers and Incubators)
10. Edison Defense Conversion Grants
11. Small Business Innovation Research Grants

Source: Ohio Department of Development Annual Loan/Grant Reports to the Legislature, 1993-1995.

range economic impact for the state with outcomes that cannot be quantified with short-term (3-years or less) measurements."⁵ As such, business-related impacts are more closely scrutinized in securing funding than job creation attributes. Some examples of indirect economic assistance programs include Thomas Edison Program grants, Small Business Innovation Research grants, Child Care Microenterprise grants, Travel & Tourism grants, Small Business Development Center Grants, Labor Management Cooperation grants and Coal Research grants (See Exhibit C-3).

Unlike community assistance that is used specifically for the benefit of low- and moderate-income persons, Ohio's current practice is to award economic assistance to business projects that otherwise might not have occurred. Business decision-making is based on

⁴ p 1, Ohio Department of Development, 1995 Annual Loan/Grant Report to the Legislature.

⁵ *ibid.*

profit margins, and numerous location factors e.g. location to clients, transportation networks, availability of skilled labor, real estate costs, utility rates, etc., that influence a project's final cost. Businesses looking to maximize profit will tend to congregate in areas where certain location attributes are strong (less costly) and avoid areas where they are weak (more costly).

Ohio's economic assistance programs operate on an as-requested-basis; thus, a greater number of requests are likely to come from business-intense, metropolitan areas than from decentralized, rural areas. In addition, project requests for economic assistance move forward only when substantial financial and community support have been obtained; thus, areas with fewer financial resources and less developed community resources tend to have fewer projects funded.

How Much Does Ohio Spend on Community Assistance and Economic Assistance?

Actual expenditures for Community Assistance and Economic Assistance programs are not available in aggregate form, mostly because of differences in program governance, program administration and program funding cycles. Many of the department's programs operate with a three-year time commitment per project; actual

expenditures are reported upon project completion, which comes too late for planning and budgeting purposes. Instead, each annual Loan/Grant Report provides *funding award* amounts, based upon legally-binding agreements between local entities or businesses that demonstrate commitment to a specific project or activity.

Funding levels for Community Assistance and Economic Assistance have recently realized a significant growth spurt. According to figures extracted from the 1993, 1994 and 1995 Loan/Grant Reports, funding for these activities totaled \$367.5 million in CY 1993, \$608.8 million in CY 1994 and \$874.9 million in CY 1995 (See Table 2a, 1993-1995 Financial Assistance). In other words, funding for all programs—up 138 percent—has *more than doubled* in just two years.

A closer look at types of assistance during this time period reveals that Direct Assistance to Business grew from \$141.9 million to \$225.2 million, an increase of 58 percent. This increase is mostly attributable to the activation of Jobs Creation Tax Credit agreements and the increased volume of the 166 Regional Loan Program. Indirect Business Assistance grew from \$21.6 million to \$77.5 million, an increase of 258 percent, much of which is explained by heightened activity in Small Business Innovation Research

Unlike community assistance that is used specifically for the benefit or low- and moderate-income persons, Ohio's current practice is to award economic assistance to business projects that otherwise might not have occurred.

Table 2a: 1993-1995 Ohio Development Assistance Volume of Funding Awards Statewide

Year	Community Assistance	Economic Assistance		Total Assistance
		Direct Assistance to Business	Indirect Business Assistance	
1993	\$203,938,469	\$141,954,185	21,685,227	\$367,577,881
1994	\$417,533,239	\$128,059,961	63,235,797	\$608,828,997
1995	\$572,180,528	\$225,238,974	77,502,541	\$874,922,043
1993-1995 % Change Statewide	180.6%	58.7%	257.4%	138.0%

Source: Ohio Department of Development Annual Loan/Grant Reports to the Legislature, 1993-1995.

**Table 2b: 1993-1995 Ohio Development Assistance
Percentages of Total Funding Statewide by Type of Assistance**

Year	Community Assistance	Economic Assistance		Total
		Direct Assistance to Business	Indirect Business Assistance	
1993	55.5%	38.6%	5.9%	100.00%
1994	68.6%	21.0%	10.4%	100.00%
1995	65.4%	25.7%	8.9%	100.00%
1993-1995 % Change	+9.9%	-12.9	2.9%	--

Source: Ohio Department of Development Annual Loan/Grant Reports to the Legislature, 1993-1995.

grants and Child Care Microenterprise grants. Community Assistance grew from \$203.9 million to \$572.1 million, an increase of 180 percent, mostly due to significant increases in federal funds for housing and emergency shelter programs.

When comparing types of assistance within each year, the balance of funds among these assistance categories shifts noticeably (see Table 2b, 1993-1995 Shares of Total Funding by Type of Assistance). In CY 1993, shares of total funding were distributed as follows: 38 percent Direct Assistance, 6 percent Indirect Assistance and 55 percent Community Assistance. In CY 1995, total funding for all areas consisted of 26 percent Direct Assistance, 9 percent Indirect Assistance, and 65 percent Community Assistance.

What does this mean? It means that Ohio is now using a greater portion of its financial resources (roughly two-thirds) for Community Assistance activities that enhance a community's quality of life. Conversely, Ohio is now using a lesser portion of its resources (roughly one-fourth) for Direct Assistance activities that create jobs and wealth, and lead to self-sufficiency.

How Much Does Ohio Provide in Community Assistance and Economic Assistance to EDA Communities?

The task of tracking assistance to EDA communities is more complicated to accomplish than it appears. First, EDA communities are designated annually and thus, the mix of EDA counties and cities is constantly changing. For example, in CY 1993, 37 counties and 20 cities carried today's classification of "economically disadvantaged." Of Ohio's 11.1 million residents, approximately 3.8 million, or roughly one-in-three, lived in economically disadvantaged areas. In CY 1995, it was 34 counties and 20 cities, again representing a population of approximately 3.8 million. For CY 1996, 27 counties and 22 cities or parts of cities carry the economically disadvantaged area designation; approximately 2.6 million or one-in-four Ohioans live in these areas. Over these recent years, 45 counties — approximately half — and 27 cities have experienced EDA conditions.

Second, the definition used to designate an area as an EDA community has been expanded to include inner city areas and situational distress areas. While this standard is effective beginning in CY 1996, data from preceding years ("pre-EDA") is

limited to criteria reflecting only labor surplus and distressed area designations.

Third, as stated earlier, only county-level information is available for examination at this time. Yet, while only a partial analysis is possible, a review of recent assistance to EDA counties can provide a better understanding of community development and economic development activities occurring there.

Community Assistance and Economic Assistance funding levels for counties in the “pre-EDA” subset reflect important trends in the total amount of funds going to these areas. **The growth in funding awards to Ohio’s neediest counties, covering all types of development assistance, is significantly less than the average growth in funding awards experienced statewide.** Once again, figures extracted from the 1993, 1994 and 1995 Loan/Grant Reports show that pre-EDA county funding for all Department of Development programs increased by 84 percent during the three-year period (see Table 3, 1993-1995 Financial Assistance to Pre-EDA Counties). An increase in total funding, from \$91.6 million in CY 1993 to \$168.7 million in CY 1995, is good news. But the news is tempered when compared to the 138 percent average

growth in total funding for all counties during the same time period.

A closer look at types of assistance to counties in the pre-EDA subset during this time period reveals that Direct Assistance to Business grew from \$39.5 million to \$51.0 million, an increase of 29.3 percent. In actuality, this percentage increase may be conservative because several CY 1993 project awards appear to be placed in the wrong category of assistance, which would artificially raise the CY 1993 base figure used in this comparison. Increases in Direct Assistance are mostly traced to the Ohio Industrial Training Program and Job Creation Tax Credits. Indirect Business Assistance grew from \$3.1 million to \$9.7 million, an increase of 209 percent, due to increased activity in the Small Business Development Centers and Child Care Microenterprise grants. Community Assistance figures grew from \$48.9 million to \$107.9 million, an increase of 120 percent. This figure may be overstated due to the previously mentioned misclassification problem. Identical to the statewide information on Community Assistance, this increase is mostly due to increased federal funding for housing and emergency shelter programs.

**Table 3: 1993-1995 Ohio Development Assistance
Volume of Funding Awards to Pre-EDA Counties**

Year	Community Assistance	Economic Assistance		Total Assistance
		Direct Assistance to Business	Indirect Business Assistance	
1993	\$ 48,962,483	\$ 39,502,102	\$ 3,149,849	\$ 91,614,434
1994	\$ 87,604,625	\$ 46,988,190	\$ 6,323,593	\$ 140,916,408
1995	\$ 107,939,312	\$ 51,089,241	\$ 9,747,123	\$ 168,775,676
1993-1995 % Change- EDA Counties	+120.5%	+29.3%	+209.5%	+ 84.2%
1993-1995 % Change- Statewide	+180.6%	+58.7%	+257.4%	+138.0%

Source: Ohio Department of Development Annual Loan/Grant Reports to the Legislature, 1993-1995.

**Table 4: 1993-1995 Ohio Development Assistance
Percentage of Total Funding to Pre-EDA Counties by Type of Assistance**

Year	Community Assistance	Direct Assistance to Business	Indirect Business Assistance	Total
1993 - EDA % of All Funds (1993 EDA/ \$367.6 M)	\$ 48,962,483 13.3%	\$ 39,502,102 10.8%	\$ 3,149,849 0.9%	\$ 91,614,434 24.9%
1994 - EDA % of All Funds (1994 EDA/ \$ 608.8 M)	\$ 87,604,625 14.4%	\$ 46,988,190 7.7%	\$ 6,323,593 1.0%	\$140,916,408 23.2%
1995 - EDA % of All Funds (1995 EDA/ \$874.9 M)	\$107,939,312 12.3%	\$ 51,089,241 5.8%	\$ 9,747,123 1.1%	\$168,775,676 19.3%

Source: Ohio Department of Development Annual Loan/Grant Reports to the Legislature, 1993-1995.

In each of these cases, funding provided to pre-EDA counties was increased. However, the level of these increases in each instance fell short of the level of statewide increases realized for the same time period. This means that higher levels of Community Assistance and Economic Assistance occurred in areas outside of these pre-EDA counties. Table 4, 1993-1995 Shares of Total Funding to Pre-EDA Counties by Type of Assistance, illustrates this point by comparing pre-EDA funding levels as a percentage of all financial assistance awarded per year. Total funding to pre-EDA counties, as a component of all Community Assistance and Economic Assistance dollars, went from 25 percent to 19 percent in just two years. To simplify, in CY 1993, one of every four Development assistance dollars went to a pre-EDA county; in CY 1995, it was reduced to one in every five dollars.

Fluctuations in funding can be explained by a number of factors. The state of the economy can significantly influence development patterns and community needs. Changes in eligibility (reviewed annually) for the county EDA designation can also cause funding variances. In 1993, the number

of pre-EDA counties totaled 37 and in 1995, it was 34. (Interestingly, the number of affected residents remained the same, approximately 3.8 million Ohioans.) The creation or elimination of federal and state assistance programs could also contribute to waves in funding. However, the impact of these and other factors is unclear at this time and would require further, in-depth investigation.

Conclusions

Ohio now has a standard for designating economically disadvantaged areas on a statewide basis. Recent history demonstrates that even while we are experiencing good economic times, many Ohio communities continue to battle high unemployment levels and high poverty levels. Annual EDA designations will allow state officials to more closely observe the status of these needy areas and to monitor funding awards provided to these communities.

While available data tells only part of the EDA story, it is noteworthy to observe funding patterns of Department of Development Community Assistance and Economic Assistance for all Ohio

In Ohio, jobs created with the support of state funding are not specifically funneled to economically disadvantaged populations, unless federal funding is also present.



counties in recent years. Despite short-term fluctuations in the number of EDA designated counties, Ohio provides approximately one of every five dollars designated for community assistance and economic assistance to EDA counties. Approximately \$51 million — less than six percent of all Development assistance — is Direct Assistance to Business in EDA counties, with the purpose of job creation, job retention, or job training. Funding patterns for EDA cities and the new categories of inner city areas and situational distress need to be examined on an annual basis.

Policy Options

Another set of bills for the purpose of economic development — Jobs Bills IV — will likely be presented for consideration to the 122nd General Assembly in early 1997. Issues of financial assistance to boost economic outcomes will continue to have a high profile when competition among the states remains fierce and high unemployment and poverty continue to be problematic for so many Ohio communities. The question of how to effect positive economic outcomes *and* address community needs will continue to be examined.

Policies used in other states may provide some options for fine-tuning Ohio's development assistance to its EDA communities. In Minnesota and Arizona, providing development assistance to needy individuals and needy areas is a top priority that transcends *all* development programs. In Minnesota, state-funded jobs programs are governed by rules that require project jobs to "be filled by or 'made available to LMI (low- and moderate-income) persons'."⁶ This measure follows the spirit of guidelines for federal CDBG funding, which require 51 percent of jobs created to go to low- and moderate-income

individuals, but covers 100 percent of the jobs created with state funding support. As a side matter, the Office of the Legislative Auditor in Minnesota cautions that specialized job training programs are an important component in creating high-wage jobs in state-supported projects.⁷

In Ohio, jobs created with the support of state funding are not specifically funneled to economically disadvantaged populations, unless federal funding is also present. No program requirements exist — not even for the programs created in "Jobs Bills III" — to reserve all or some of these jobs for low- and moderate-income persons. Such requirements could be devised through changes in the Revised Code or through administrative rule.

Arizona uses a more comprehensive approach in providing assistance to where the need is great. A recent report commissioned by the Arizona Department of Commerce, the Greater Phoenix Economic Council and the Greater Tucson Economic Council⁸ discusses two tools used to navigate a steady course through the incentive decision-making process;

- 1) the *Arizona Strategic Plan for Economic Development*, a framework devised by a consortium of state officials, academicians and business professionals that identified several long-term goals for statewide development, and
- 2) a list of guiding questions entitled "*Three 'Cuts' at Incentive Requests*" used to assure conformance with the state's long-term economic plan, to provide assistance in the most cost-effective manner, and to safeguard the public interest through performance measures.

⁶ Minnesota Office of the Legislative Auditor, "State Grant and Loan Programs for Businesses," February, 1996, p. xiii

⁷ Ibid.

Arizona's Strategic Plan highlights "high quality jobs" and "strong economic foundations" among its six economic goals for the state. These goals are implemented with needy areas in mind through the first "cut" of guiding questions: "Will the business create new jobs in rural, low income, or high unemployment areas? Will the new jobs be filled by existing unemployed or underemployed local residents?"⁹ These questions, along with five others, help "eliminate (funding requests for) those businesses that do not meet the goals of Arizona's long-term economic plan."¹⁰

Ohio currently lacks a comprehensive, consensus-driven, long-term, statewide plan for economic development. While our two most recent governors have issued strategic plans addressing statewide economic development¹¹, Ohio has yet to craft a document that is a product of input from all economic development stakeholders. Such a plan would identify shared, long-term goals for Ohio that would surpass the preferences of any particular individual or group.

Regarding Ohio's new EDA law, two technical issues remain unaddressed. First, current EDA designations do not identify the *intensity* of economic distress in a community. For example, in 1995, 34 counties and 20 cities

representing approximately 3.8 million people were designated as EDA communities (once again, see Table 1). Within this group of EDA communities, 16 counties qualified as Labor Surplus Areas *and* Distressed Areas, demonstrating *dual* conditions of high unemployment *and* high poverty. The Ohio General Assembly could further define existing provisions to identify these areas experiencing unusual levels of distress. The language could mirror existing criteria used for federal economic development funding under the CDBG program. Certain CDBG guidelines for infrastructure development are scaled according to local area distress. In highly distressed areas, up to 75 percent of project costs are eligible for assistance.

Second, statistics in the Loan and Grant Report to the Legislature are reported at the county level, which fails to provide information about all EDA communities. The report could be enhanced to cover the same statistics, but include separate reporting for communities with populations of 25,000 or more. According to U.S. Census data, about 45 Ohio cities or villages have populations of at least 25,000. Information about these cities must be collected anyway for use in the annual EDA designation process. It makes sense to report funding awards in a similar manner.

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⁸ Arizona State University Morrison Institute for Public Policy, "Comparative Analysis and Guidelines for an Arizona Incentive Policy, October 1993.

⁹ Ibid., p. 28.

¹⁰ Ibid., p. 30.

¹¹ Governor Dick Celeste's plan was entitled, "Toward a Working Ohio, A Strategic Plan for the 80's." Governor George Voinovich's plan is entitled, "Ohio 2000/Ohio First."

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