REGIONAL ECONOMIC DEVELOPMENT ALLIANCE STUDY COMMITTEE REPORT

Chairmen: Representative Steve Hambley

Senator Robert McColley

TO: Speaker Larry Householder

President Larry Obhof

Governor Mike DeWine

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Members:

- **Senator Rob McColley**
- **Representative Steve Hambley**
- **Representative Gary Scherer**
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- **Dr. Rainer vom Hofe**
- **Dr. Ned Hill**
- **Tim Mayle**
- **Joy Davis**
- **Director Lydia Mihalik**
- **Linda Woggon (non-voting)**
- **Matthew J. Davis (non-voting)**
- **John Landess (non-voting)**
- **Bill Currin (non-voting)**
- **William Murdock (non-voting)**
- **Jennifer Price (non-voting)**

Meeting Dates:

- December 20th, 2018
  - The Blair Center, 9079 Leroy Rd, Seville, OH 44273, Parlor E
- January 31st, 2019
  - REDI Cincinnati First Floor Learning Center, 3 East 4th St, Cincinnati, OH 45202
- February 21st, 2019
  - Hancock Hotel, 631 S Main St, Findlay, OH 45840
- March 21st, 2019
  - Cedar Grove Event Lodge: 19555 State Route 664 South, Logan, Ohio 43138
- May 2nd, 2019
  - JobsOhio 41 S High St #1500, Columbus, OH 43215
- July 20th, 2019

  - Verne Riffe Center, Floor 31, South A
- December 12th, 2019
  - Statehouse Room 116

Introduction:

Effective August 1, 2018, House Bill 122 established the Regional Economic Development Study to study the features, benefits, and challenges of establishing regional economic development alliances. And per Section 3(C), the Committee shall submit a report of its findings and conclusions to the Governor, Speaker of the House, and Senate President, at which time the Committee ceases to exist.

The study committee was composed of 17 members, 11 of which were voting members. The committee's voting members include six legislators, the director of the Ohio Development Services Agency (DSA) as the representative of the Governor, two economic development professionals, and two representatives of academia engaged in relevant fields of study. The remaining committee members were to represent stakeholders such as economic developers and planners; regional and state advocacy and issue groups, and foundations.

Over the past year, the committee has heard numerous presentations from a myriad of local and regional economic development professionals and organizations, chambers of commerce, representatives of Ohio's businesses and industries, travel and tourism organizations, representatives of local and regional government, and other interested parties, and on July 20th, 2019, the committee divided into subcommittees to deliberate specific areas and return with proposals to be voted on by the committee. This introduction will serve to summarize the committee's findings, and rest of the report will be harmonized versions of each subcommittee report.

- **Revenue Sharing Among Jurisdictions Subcommittee – Representative John Rogers**
  - Draft legislation that would lay the groundwork through which municipal corporations would be able to coordinate economic development activities, the sharing of services, and collaborating to implement cost-efficiency measures. An integral component of this pilot legislation would be its permissibility of alliance

members to create a revenue gain-sharing program. Under such a program, pooled financial resources could be used to advance the alliance’s purposes.

- **Economic Development Programs & Tools Subcommittee – Representative Gary Scherer**
  - Identified five economic development strategies for success.
  - Revise the Criteria and/or Statute for Existing Economic development Programs
  - New programs to keep Ohio competitive
  - Expand State’s Capacity for Economic Growth via Community Readiness Investments
  - Place-Based and Collaboration Criteria, ROI, and Metrics
  - Local Control and Flexibility
- **Better Aligning Infrastructure Decisions on Economic Development Planning Subcommittee – Senator Hearcel Craig**
  - Incentivize regional project prioritization processes
  - Encourage Economic Development Districts
  - Incentivize employer investment in workforce access solutions
  - Encourage brownfield redevelopment
- **Higher Education Subcommittee – Senator Jay Hottinger**
  - Support legislative efforts currently underway in House Bill 4

Revenue Sharing Among Jurisdictions Report:

Note: Draft legislation attached at end of report. (L_133_1779-2)

Alliance Formation

Any proposed regional economic development alliance is formed around a “central” county, defined as a charter county, with a population of at least 400,000 residents. Currently, only Cuyahoga and Summit counties would qualify as potential central counties as they are the only two charter counties in Ohio. The formation of any alliance would further require the participation of at least ten municipalities in a given region, with a region defined as a central county and all of its adjacent counties. Since both Cuyahoga and Summit counties share a common border, a region could include both of these counties and all of the adjacent counties. The legislation limits the creation of any alliance to one per region.

Alliance Membership

Membership of an alliance, consisting of at least ten municipalities, is voluntary! Any alliance formed requires the creation of an agreement, executed by all of the member communities. Thereafter, other communities located in the region wishing to participate in the alliance are allowed to join within two years of the creation of the initial alliance. Any municipality located in the region and wishing to join after the two-year period, or any municipality located in a county that is adjacent to the region, may join the alliance, subject to the approval of a majority of existing alliance members. Municipalities cannot be a member of more than one alliance and any municipality wishing to withdraw from an alliance can do so, but such withdrawal is subject to the approval of two-thirds of the other alliance members.

Alliance Agreement

Any agreement creating an alliance requires the following:

1) The creation of a governing board and the election of board officers.

2) Each member shall be represented by an individual appointed by the member's chief executive officer, with the approval of the member's legislative authority.

3) The adoption of bylaws governing the operation of the alliance.

4) The establishment of necessary funds and accounts.

5) Developing procedures for approving the admittance of new members and the withdrawal of existing members.

6) The creation of provisions related to the alliance's revenue gain-sharing program.

Powers

The legislation authorizing the creation of a regional economic development alliance is very similar to a type of existing organization commonly referred to as a "regional council of governments (RCOG)." Current law authorizes political subdivisions (not just municipalities) to create an RCOG. Among its powers, an RCOG is authorized to:

1) Promote cooperative arrangements among its members,

2) Contract with its members and other public and private entities to address problems common to its members,

3) Plan for and perform other functions to deal with issues of mutual concern, and

4) establish a payment schedule of for members to finance the operations and programs of the RCOG.

Furthermore, political subdivisions can contract with an RCOG to either provide to, or receive from, any service or to authorize the RCOG to perform any function or render any service on its behalf.

Additionally, the proposed legislation allows the governing body of a regional economic development alliance to develop any programs or engage in any functions not otherwise prohibited by law. The proposed legislation specifically authorizes programs that will:

1) Increase the region's competitiveness for employment and other economic development opportunities while decreasing competition among political subdivisions regarding the location of those opportunities.

2) Promote the sharing of services among members and other political subdivisions in the region.

3) Promote cooperation in planning activities, development of infrastructure, purchases of goods and services, and other measures that encourage cost efficiency.

4) Provide grants, loans, or other support to members that develop or participate in such programs.

Like a traditional RCOG, a regional economic development alliance does not have any taxing authority, so it must be funded principally through member-contributions. To that end, the proposed legislation provides for alliance members to make annual contributions, and permits the creation of a revenue gain-sharing program, discussed in further detail below.

Within ten days after the execution of the agreement by all members at the alliance's onset, the member with the greatest population must certify a copy to the Secretary of State and to the county auditor and treasurer of each county in which the members have territory. Subsequently, the governing board shall provide a similar notification each time a new municipal corporation is admitted and each time a member withdraws. Unless otherwise specified in the agreement, members may modify most provisions of the agreement by a majority vote. Any amendment to a provision related to the alliance's revenue gain-sharing program requires the approval of three-fourths of the members.

Annual contribution

Each member is to make an annual monetary contribution to the alliance. This yearly contribution will be $50, if the member is a village, or $100 if the member is a city. (The alliance agreement may specify different nominal amounts.) Annual contributions may be used for the alliance's administrative expenses or to fund any of its programs. Additionally, some members may be required to contribute amounts through the alliance's revenue gain-sharing program.

Revenue gain-sharing program

The legislation, as proposed, allows an alliance to create a revenue gain-sharing program. Furthermore, it provides a formula for (a) the amount, if any, that a member may be required to contribute to the program and (b) the amount, if any, that a member may receive from the program. These calculations are computed on an annual basis, and members that might contribute to the program one year may receive funds under the program the next year, or vice versa.

The member's income tax base (the current total taxable income) and the member's population both affect the amount a member may contribute or receive. Generally members having an income tax base that has grown at a higher rate than inflation will contribute to the program. (As specified in the agreement, inflation is measured by the Consumer Price Index (CPI).

Member contributions

Any member, whose income tax base has not kept pace with inflation (CPI) will not contribute to the program that year. Where a member's income tax base for a particular year has grown at a rate faster than the CPI, the member would contribute funds to the revenue gain-sharing program.

Within the alliance agreement, members agree on the methodology for determining the members' income tax base. While not required, where applicable, an agreement may address situations in which a member shares income tax with a school district or receives tax revenue from a joint economic development district or zone (JEDD or (JEDZ).

The following steps determine each member's contribution, if any:

1. Calculate an inflation factor, which is the current CPI divided by the average CPI over the same period specified in the alliance agreement for determining a member's historical income tax base.

2. Determine each member's current income tax base (the total amount of income tax revenue collected by the member).

3. Calculate each member's historical income tax base, (the average of a members income tax revenues collected over a period of three, four, or five years (the base period), as specified in the alliance agreement).

4. Determine each member's inflation-adjusted income tax base, which is the member's historical income tax base multiplied by the inflation factor.

5. If a member's current income tax base for a given year is greater than the member's inflation-adjusted income tax base (i.e., if the member's tax base has grown faster than inflation), the member would contribute one-fifth of the tax base gain to the revenue gain-sharing pool. Otherwise, a member does not contribute to the revenue gain-sharing pool.

Member allocations

Under the proposed legislation's formula, the smaller a member's tax base is relative to the total tax base of all members, and the larger a member's population is, again, relative to the total population of all members, the likely result would be that member receiving a share of tax base (and vice versa). The formula's term for describing the relationship between the income tax base and population is "tax capacity". Tax capacity then, is a member's current income tax base divided by its population.

The following example outlines the key components of the formula:

Tax Capacity:

Consider four cities, in which the tax capacities are: (A) \$20,000, (B) \$50,000, (C) \$50,000, and (D) \$100,000.

Population:

The same four cities have populations of: (A) 20,000, (B) 30,000, (C) 80,000, and (D) 80,000.

<u>Distribution Index</u>

The distribution index is the member's population divided by the member's tax capacity. Here, the member's distribution indexes would be: (A) 1.0, (B) 0.6, (C) 1.6, and (D) 0.8.

<u>Distribution Ratio:</u>

The distribution ratio is a member's distribution index divided by the sum of all the members' distribution indexes (the sum in this example is 4.0). Here, the member's distribution ratio would be: (A) 0.25, (B) 0.15, (C) 0.4, and (D) 0.2. The distribution ratio is multiplied by the total of the alliances' tax base or pool of contributions determining the amount of the tax base pool to be allocated to each eligible member.

Continuing then, if the amount of tax base available in the contribution pool is $1 million, City A's allocation is $250,000. (Note that, if City A is a contributor to the program, City A will actually receive less than that amount, as explained below.)

Note that City A, with a low population count (9.5% of the alliance total), is still allocated 25% of the contribution pool because of its comparatively low average taxable income. Furthermore, City C in this example, while having the same average taxable income as City B, it is allocated a higher portion of the contribution pool than City B, because of its relatively larger population.

Member shares

Net Contributors

If a member contributes tax base to the program (because its income tax base exceeds its inflation adjusted income tax base) in a particular year, the member's net contribution is calculated as follows:

1. Calculate one-fifth of the difference between the member's current income tax base and its inflation-adjusted income tax base. (Note that the alliance agreement may specify a different fraction.)

2. Subtract the amount of tax base allocated to the member as described above under "Member contributions."

3. Multiply the difference by the member's current income tax rate. This then is the amount of funds the member will contribute to the program. However, the amount of any contribution is capped at 3% of the member's total income tax revenue for that year, (unless a different percentage or amount is specified in the agreement).

For Example:

If City A has a current income tax base of $22 million, and an inflation-adjusted income tax base of $20 million, City A’s contribution of tax base to the pool would be $400,000 (one-fifth of $2 million). After subtracting City A’s allocation ($250,000), the resulting $150,000 of tax base is multiplied by the city’s income tax rate (say, 1%) to reach a net cash contribution of $1,500. (The cap would be $6,600.)

Recipients

Since all members are recipients, funds received by each member would be the tax base each received from the contribution pool multiplied by each respective member’s income tax rate. For example, if City A were a recipient rather than a net contributor, its allocation of program funds would be $2,500, ($250,000 x 1%).

Use of program funds

As proposed, the alliance can use funds from the revenue gain-sharing program as follows:

1. To cover the alliance’s operating expenses, programs, or activities.
2. To make payments to members under the program. (If the amount of the program funds is greater or less than the amount necessary to make those payments, the alliance’s fiscal officer will adjust each member’s allocation accordingly.)
3. Members may use the funds for infrastructure improvements, economic development projects, or other purposes as authorized in the alliance agreement.
4. Members may also collectively create an alliance infrastructure fund, an alliance economic development fund, or an alliance economic reserve fund. (The latter may be used to distribute money to members that have suffered a significant loss of economic resources, as determined by the governing board.)

Program term and administration

The alliance can administer the revenue gain-sharing program itself, or contract with another public or private entity to administer the program. The term of the program shall be specified in the alliance agreement, with an initially agreed upon term being between five and 50 years. The legislation as proposed allows the alliance to renew the term of the program for up to four, 25-

year terms. An alliance can terminate the program at any point with the approval of at least three-fourths of the members.

Five-year review

The proposed legislation requires that an alliance conduct a review of its operations, and issue a report, five years after its creation. The governing body of the alliance must review the alliance's programs and measure their effectiveness with input from each of the alliance's members. The report must be made available to the public and submitted to the Senate President and House Speaker.

Summary of this enabling legislation

As proposed, this legislation would do the following:

- Authorize the creation of regional economic development alliances, which are empowered to coordinate economic development activities, share services, and engage in cost-efficiency measures among alliance members.
- Authorize such alliances to be formed by municipal corporations located in, or around, a "central" county, which is a charter county with a population of at least 400,000.
- Require the alliance to designate a governing body.
- Allow an alliance to create a revenue gain-sharing program.
- Set forth a formula, based upon each alliance member's current income tax base and population, for determining the amount some members would contribute and the amount members would receive under such a program.
- Allows an alliance to adopt alternative provisions with respect to a revenue gainsharing program, with metrics or procedures that differ from the formula.

Economic Development Tools and Programs Report:

Overview

This report reflects the work of the Subcommittee on Economic Development Programs and Tools (Program and Tools) and outlines the recommended changes and enhancements to economic development tools, policies and programs that should receive priority attention and consideration by the administration, legislators, policy makers, and the state's economic development leaders.

This Subcommittee noted that while there was diversity in the specific ideas, concerns, and needs brought forward during the regional meetings, the bulk of the information centered around a handful of recurring themes. As such, the subcommittee focused its attention on these themes. The members endeavored to develop strategies and actions which could address key concerns but maintain the flexibility to meet the unique needs of Ohio's communities and allow them to quickly respond to changing opportunities and challenges.

Recommended Strategies for Success

The members of this Subcommittee identified five economic development strategies that can address the REDASC recurring themes, which include some of the most prevalent and pressing challenges to economic development efforts in Ohio.

1.) Re-evaluate the criteria and/or statutes for existing economic development programs and tools that have been underutilized or a barrier to data sharing exists,

2.) Create new programs and tools to allow the state to compete in the ever-changing global marketplace and respond to new and emerging opportunities and challenges in Ohio,

3.) Expand the state's capacity for economic growth by funding community readiness investments to ensure all regions have the assets and infrastructure to support business attraction, retention and expansion,

4.) Recognize the need for place-based metrics and criteria that reflect community and region-specific metrics, qualitative criteria and community impact and also allow for collaboration metrics to be considered in criteria to incentivize collaboration, 5.) Maintain local control and flexibility in economic development decision making as a reflection of the diversity of the state's regions and communities and the value the role of the local economic development professional.

These strategies have the potential for near-term action, continuous effort, and longer-term consideration by the administration, legislators, policy makers, and the state's economic development leaders. For example:

- In the near term, these strategies could be considered for application to existing economic development tools and programs and in response to priority challenges and opportunities.

- As part of a continuous effort, these strategies could be considered to respond to the business, economic, and market factors of the ever-changing global marketplace which impacting economic development in Ohio.

- With respect to longer term consideration, the subcommittee recognizes there are challenges and barriers which warrant priority attention but the breadth of which require more in-depth consideration, and therefore more time, by legislators, policy makers, and stakeholders.

1. Revise the Criteria and/or Statute for Existing Economic Development Programs

This strategy was developed in response to "lessons learned" since the inception of these programs as well as a result of changes in the marketplace, advances in technology, and revisions of tax laws over time. It balances potential outcome and impact with the need to minimize risk and maximize return on investment. This strategy stresses the need for program flexibility to meet the unique challenges and opportunities within Ohio's diverse regions, communities, and industries. Additionally, the criteria revision strategy reflects a desire to address historical barriers economic development that have persisted in some areas of the state.

A. Job Creation Tax Credit (Ohio Development Services Agency)

Overview

The Job Creation Tax Credit (JCTC) is a performance-based tax credit calculated as a percent of created payroll. It is usually claimed against the company's commercial activities tax, but other taxes are also eligible such as the tax on foreign insurers, personal income tax. To be eligible for the JCTC, companies must create at least 10 jobs (within three years) with a minimum annual payroll of $660,000 and the jobs must pay at least 150 percent of the federal minimum wage are eligible for the credit. Companies must apply for the credit before committing to a project and must provide three years of company financial history. The Ohio Tax Credit Authority must approve JCTC applicants before hiring begins.

The JCTC is an important program that supports job creation projects and is administered by the Ohio Development Services Agency. Given the JCTC is primarily a program used in attraction projects, on the front end JobsOhio serves as the initial contact with companies entering into a JCTC agreement. However, ODSA is responsible for post-approval project/agreement servicing, drafting tax credit agreements and amendments, upholding the terms and conditions of the tax credit agreement, reviewing annual jobs reports, issuing tax credits and providing technical support to companies with existing tax credits.

Recommendations

- Consideration should be given to allow for the use of an alternative measure of a company's financial stability and position in lieu of the current requirement for three years of financial history in circumstances where a company has been in existence for less than three years.
- Consideration should be given to the utilization of alternative criteria ties to specific place-based metrics that allow for greater flexibility in priority communities or regions.

Rationale

Job creation tax credit programs are an important economic development tool and critical to business attraction efforts. Business attraction or large expansion projects can create hundreds or possibly even thousands of new jobs in a community.

Given the possible scale and impact of these projects, large attraction or expansion projects are often the types of projects that make headlines. But, job creation also comes in the form of entrepreneurship, small business development, and the growth of an existing business that leads to the creation of a new, separate entity. Given that a significant part of new job growth comes from entrepreneurship or the success of existing businesses within the state that results in the formation of a new company, it is important that job creation tax credits are a tool that can be used to support these efforts. However, program criteria the require three years of financial records prevent newer companies from even initial consideration for a JCTC.

The 3-year requirement can cost Ohio the opportunity to benefit from the growth of an existing company and also the ability to participate in the economy of entrepreneurship. Often these entities are financially sound and have a proven track record of success that can be demonstrated using other metrics but they simply are not able to meet the three-year requirement. It's important to note that the JCTC, as a performance-based program, currently has a built-in mechanism to mitigate risk. The credit is only received if the agreed upon jobs are created. It is still very important to comprehensively evaluate a candidate for the JCTC but an alternate method, criteria, or mechanism for assessing the financial stability of a company that has less than three years of company financials should be considered to ensure viable start-up and spin-off companies are not automatically excluded from consideration for the Job Creation Tax Credit.

Similarly, flexible criteria which takes into consideration place-based metrics, or metrics that reflect and/or are specific to a community or region can make the JCTC a particularly helpful tool in areas of Ohio which have historical or situational economic distress. The threshold for eligibility could preclude the use of the tool in communities with some of the greatest needs. A new project may not meet the threshold of 10 jobs created in three years and $660,000 payroll to make a significant statewide impact but the impact on the region or community could be transformational based on poverty rates, unemployment, and population trends.

B. Job Retention Tax Credit (Ohio Development Services Agency)

Overview

The Ohio General Assembly created the Job Retention Tax Credit (JRTC) program in 2001 for the purpose of fostering the retention of full-time jobs in Ohio. The program makes available nonrefundable tax credits to reduce a company's tax liabilities. When it was created, the Ohio Tax Credit Authority and the Ohio Department of Development administered the JRTC program. Currently, the Ohio Development Services Agency (DSA), the successor to the ODOD, administers the program.

Since the program's inception, the JRTC has seen changes which were designed to make the program more flexible and reflect current market factors including a lowering the number of jobs retained from 1,000 to 500 several years ago and the recent removal of any job retention or payroll thresholds for certain eligible businesses. There also have also been multiple changes to Ohio's tax law which have expanded the types of taxes against which the credit can be used. However, those adjustments have not changed the fact that job retention remains an economic development priority in all regions of the state. The JRTC has been underutilized with no new agreements since 2012 but recent changes under HB 166 may see renewed interest and greater use of the JRTC.

Recommendations

- Consideration should be given to using additional metrics, such as industry recognized cost calculations, to evaluate the eligibility of a JRTC and determine the amount of the credit by providing a more accurate evaluation of the cost to remain located in Ohio in comparison to relocating to another state.

- Consideration should be given to decreasing the threshold for capital investment, in specific situations, to help retain small manufacturers.

Rationale

As business location decisions are increasingly focused on global cost competitiveness, retention programs that recognize a company's capital investment and underlying costs may be more effective at keeping jobs in Ohio. Recent changes that remove payroll and employment thresholds are a big step in the right direction. However, further revisions to the state's job retention programs may be necessary to keep Ohio competitive. For example, criteria which prioritizes capital investment AND uses industry recognized cost calculations as the basis for additional criteria may provide a more accurate picture than job numbers or payroll when evaluating certain types of retention projects. Criteria for qualification of the JRTC should reflect criteria manufacturers are evaluating for their global capitol decisions including operational efficiency of equipment, labor cost per part, energy cost per part, profitability, quality and many others. These types of measures, when combined with other appropriate metrics for the size of the company, could provide valuable insight for determining the value of a retention project.

C. Revitalization Program (JobsOhio)

While most of the programs referenced in this report are state-administered, both the Revitalization and Economic Development Grant Programs are delivered by JobsOhio, a private-nonprofit corporation. As a result, JobsOhio can implement programmatic changes without legislation changes. This subcommittee included the below recommendations to assist JobsOhio in their efforts to enhance their current strategic plan and portfolio of programs.

Overview

JobsOhio's revitalization loan and grant program is designed to support and acceleration accelerate redevelopment of sites in Ohio. According to JobsOhio, priority consideration is extended to projects where the cost of the redevelopment and remediation are more than the value of the land and a site cannot be competitively developed in the current marketplace. Priority consideration is also extended to projects that support near term job creation and retention opportunities for Ohioans and industry clusters in JobsOhio's targeted sectors. Revitalization projects typically retain and/or create at least 20 jobs at a wage rate commensurate with the local market.

Other investment dollars, both private and public, are also driving factor for consideration. JobsOhio requires investors to sign a letter of intent and hold options or the title to the property. JobsOhio previously offered a 'pilot' revitalization program that did not require a job creation component and was helpful to communities. The pilot expired December 2018.

Typical loans range from $500,000 to $5 million and grants are typically up to $1 million. Eligible costs include: demolition, environmental remediation, building renovation, asbestos and lead paint abatement, removal and disposal of universal and construction waste, site preparation, infrastructure, and environmental testing and lab fees

Recommendations

- Consideration should be given to reducing the requirement for an end user especially since these projects often take longer to complete, making the attraction challenging.

- Consideration should be given to the use of revitalization fund grants greater than $1 million to make impact investments which would accelerate the revitalization process and speed at which the property can be brought to market.

- Consideration should be given to the use of place-based metrics and criteria such as community impact and market demand to provide flexibility in assessing project eligibility as well as the amount of the grant or loan awarded.

Rationale

JobsOhio can strengthen their local partnerships and advance development outcomes by increasing the level of risk they are currently willing to consider. Ideally the program's criteria should balance the need to realize a return on investment and still meet market demands. For example, JobsOhio's recent pilot program offered additional or alternative qualifying scoring criteria that communities and developers could more readily meet to qualify for support. Alternative criteria that balances risk with market demand and community impact.

Additionally, JobsOhio might consider a tiered evaluation system that is factors place-based criteria modeling. For example, the states of Georgia and North Carolina factor employment, population, poverty rates, along with market demands, which help mitigate disparity among communities. These tiered systems allow communities to be assessed in "real-time" and move between tiers on an annual of biennial basis. Other tools such as market and feasibility studies may provide additional assessment options.

The program's currently requires an end user who has signed an agreement such as a letter of intent, option, lease or holds title for the project site limits the utilization of the JobsOhio Revitalization Program and, ultimately, the ability to grow Ohio's site inventory. Incentives that minimize risk are effective tools but neither time nor uncertainty are able to be mitigated under the end user criteria. The program's criteria should balance the need to realize a return on investment and the need to respond to market demands to meet the speed of business. Utilizing the results of the recent pilot program, additional or alternative qualifying criteria should be developed.

D. Economic Development Grant (JobsOhio)

While most of the programs referenced in this report are state-administered, both the Revitalization and Economic Development Grant Programs are delivered by JobsOhio, a private-nonprofit corporation. As a result, JobsOhio can implement programmatic changes without legislative changes. This subcommittee included the below recommendations to assist JobsOhio in their efforts to enhance their current strategic plan and portfolio of programs.

Overview

JobsOhio's economic development grant program promotes economic development, business expansion, and job creation by providing funding for eligible projects. Grant decisions are based on a number of project factors, including but not limited to job creation, additional payroll, fixed-asset investment commitment, project return on investment, and project location.

The program requires the creation of jobs within a specified period of time and may consider the amount of payroll per job created. JobsOhio may consider providing assistance for eligible projects that improve operational efficiencies or production expansion, along with the retention of jobs. The program includes projects by companies engaged in JobsOhio's targeted industries and business functions. JobsOhio will set a wage floor based on multiple wage considerations. Ineligible projects include but are not limited to retail and other population driven businesses.

Recommendations

- Consideration should be given to expanded criteria, such as the adoption of a local or regional economic development strategy, to augment the requirement that the project be in one of JobsOhio target industries.

- Consideration should be given to the creation of criteria which incentivizes or gives priority consideration to projects that demonstrate collaboration among multiple political jurisdictions and non-governmental organizations.

Rationale

Targeted industry-specific programs are important to sustain and grow Ohio's economy. Attracting and growing the major industries are sound strategies for the state as a whole. However, there are areas of the state, often in rural and disadvantaged locations, where these specific industry clusters are not prevalent, which limits JobsOhio's ability to offer assistance.

To increase their market saturation and project opportunities, JobsOhio might consideration creating a new program that provides economic development grants for projects that align with an adopted local or regional economic development strategy and that grows revenues for the area, even if the industries are not a JobsOhio identified targeted industry. For example, in border communities' new sales tax and tourism revenues are the economic development engines. This expanded analysis would increase JobsOhio's opportunities to grow Ohioans' wealth.

Similarly, this grant could be a tool to encourage regional cooperation such as the development of a regional development plan. For example, Columbus ONE has worked with MORPC to develop an employment/population growth plan. Projects in which multiple communities or local governmental entities are working collaboratively may have a higher likelihood of success and larger impact. Many communities experience a mass employment migration across county boundaries daily. Residential development is not a core JobsOhio target but this grant could address vital workforce development growth opportunities. Criteria could include identifying communities that have seen significant employment growth but have not experience similar residential growth.

E. Roadwork Development 629 Funds

Overview

Roadwork Development (629) Grants are awarded for public roadwork improvements that support the expansion or attraction of businesses. Projects primarily involve manufacturing, technology, research and development, corporate headquarters and distribution activity. Eligible costs include widening, paving, road construction and reconstruction and right-of-way infrastructure improvements such as sewer or utility lines. Local governments, port authorities or companies are eligible. Grants are usually provided to a local jurisdiction and generally require local participation in the form of a 50% match.

Recommendations

• Consideration should be given to reducing the required local match as the roadwork projects requiring this level of funding are cost prohibitive for many communities.

• Consideration should be given to the creation of criteria which incentivizes or gives priority consideration to projects that demonstrate collaboration among multiple political jurisdictions.

• Consideration should be given to adding additional or clarifying language that allows for capital investment to replace jobs created or retained for purposes of the 629 roadwork program.

Rationale

Roadwork infrastructure projects are critical to support economic development, but they are also very expensive projects. The Roadwork Development 629 Fund program can be a very useful tool in helping communities fund roadwork projects that will support economic development. Following reductions in the local government funds, communities have struggled to fund big ticket infrastructure projects. It's important that the local matching funds do not create an unintentional barrier to these funds being used as intended. Currently, 629 projects require a 50% match, which is a policy decision and not required by legislation. In comparison, the ODOT only requires a 20% or less match local match, depending on the local economy.

Collaboration can make these projects a reality. A recent example of the successful use of this tool is evident in the Dorr Street Interchange Project in Toledo. This project, with an anticipated cost of $41 million, received the highest project score in the State of Ohio from ODOT. The City of Toledo worked with regional stakeholders including planning organizations, economic development organizations, private developers and the University of Toledo to create a comprehensive plan.

F. Ohio Enterprise Bond Fund

Overview

The Ohio Enterprise Bond Fund, rated AA+ by Standard & Poor's provides financial assistance for allowable costs of eligible projects in the State of Ohio. The Ohio Treasurer issues bonds, the proceeds of which are loaned to businesses for allowable costs of eligible projects. The OEBF Loan provides long-term, fixed-rate project financing for qualifying businesses that create or preserve employment opportunities in the State of Ohio. Eligible borrowers include corporations, partnerships, sole proprietorships, limited liability companies or limited liability partnerships engaged in the creation or retention of jobs in industrial, manufacturing, commerce, research and development or distribution ventures. The program may finance allowable project costs with OEBF loans typically ranging in size from $2,500,000 to $10,000,000. The amount of the OEBF Loan will take into account additional financing offered through other State loan programs; total financing from State programs should typically range from 20% to 40% of the project's total investment.

JobsOhio and the JobsOhio Network, the state's economic development organization, are responsible for the marketing, initial company contact, and company application process through loan approval and the approved loans are managed by the Ohio Development Services Agency.

Recommendation

• Consideration should be given to identifying factors impacting the underutilization of the OEBF and determining how the Ohio Enterprise Bond Fund can be greater utilized as it can meet a specific need in the marketplace.

Rationale

The OEBF Loan provides capital to developed companies with limited access to funding at costs comparable to those of rated multi-national corporations. Since its inception in 1988, the Treasurer's Office has issued 135 bonds series through the OEBF program, totaling nearly $700 million in par, and ranging in size from $650,000 to $15 million. The borrowers have included large corporations with rated debt to small, unrated corporations. No OEBF Program bonds have ever been in default. The OEBF has an independent rating from the State of Ohio and does not impact the State's credit rating in any manner.

Clearly this is can be a very helpful tool that can meet a specific need in the marketplace. However, anecdotally, the Ohio Enterprise Bond Fund is an underutilized tool. It would be beneficially to review the history of the fund over the past ten years and identify factors that may be impacting the utilization of this tool.

G. PACE

Overview

Property Assessed Clean Energy (PACE) financing is a dynamic and rapidly growing mechanism to finance energy efficiency and renewable energy projects in Ohio. Through PACE, special assessments are used to repay and secure upfront funding for improvements that save or generate energy. PACE financing in Ohio involves public-private cooperation between a property owner, a lender, a municipal corporation or township and an energy special improvement district (ESID).

Recommendation

- Consideration should be given to revisions to the process for creating an Energy Special Improvement District to streamline the process, remove contiguous property barriers and ensure fair representation.

Rationale

The rules in O.R.C. Section 1710 make it very difficult to set up an Energy Special Improvement District on a county-wide basis. The current process is time-consuming and wasteful of valuable financial resources. Please see Attachment A for more information.

H. Rural Industrial Loan Program

Overview

The Rural Industrial Loan (RIPL) Program was reinstated in the state's FY2019-2020 operating budget with a $25 million allocation. The program provides direct loans and loan guarantees to rural, distressed local communities and other eligible applicants committed to creating well-planned industrial parks. The RIPL loans can be used to construct, rehabilitate, renovate, or enlarge industrial park buildings, as well as to make infrastructure improvements. Eligible rural areas in Ohio include distressed, labor surplus and situational distressed counties as defined by the Ohio Revised Code.

The RIPL may finance up to 75% of allowable project costs with loans ranging in size from $500,000 to $2,500,000. Development requires a minimum of 10% equity contribution from the borrower in the eligible project, however a greater equity contribution may be required based on due diligence. The remaining eligible project shall be funded by the borrower either directly or indirectly through third party investors and/or private lenders. At least 50% of the outstanding loan balance will be forgiven by Development upon successful completion of the project as described in the application and loan agreement. If the RIPL funds represent less than 50% of the total project costs, the percentage of loan forgiveness will be increased to an amount equal to 100% less the percentage of the project being funded by the RIPL.

Recommendation

- The subcommittee has no recommendation regarding this program at this time other than monitoring the program for early outcomes and feedback from stakeholders. Program guidelines were released in early November and appear to contain loan forgiveness provisions which addressed initial questions.

Rationale

The lack of move-in ready and shovel-ready sites is a barrier to economic development in rural communities. Speculative real estate development is generally too risky for local development organizations or private developers without some amount of grants, subsidies, or other risk mitigating funding. But, with those types of incentives, rural industrial development can and has occurred in Ohio. Under the former Rural Industrial Loan Program, for which funding was repealed in 2015, and former Industrial Site Improvement Fund, 12 projects were completed creating more than 600 jobs in the APEG region alone. The Rural Industrial Loan Program was reinstated in the state’s FY2019-2020 operating budget but it did not contain key language which clarifies the funding can be used for a grant or other upfront subsidy in addition to loans. The grant funding allows the first phases of development to commence and without these dollars, the loan fund will not work as intended and be an effective economic development program for rural areas. This issue has been addressed in the rules and program guidelines recently released by the Ohio Development Services Agency.

I. Data Mining to Support Workforce Development

Overview

Workforce development continues to be the number one issue in Ohio if you talk to business leaders, policy makers, and economic development leaders. It's a complex problem for which there is no one silver bullet solution. Great strides have been made in coordinating and streamlining state services. There may yet be room for additional strategies to foster more interdepartmental and intradepartmental collaboration between the agencies which touch education, workforce development, job services, and economic development.

Recommendation

- Consideration should be given to additional opportunities and challenges to creating an IT solution and address privacy legal issues to enable multiple state agencies, federal government entities, employers, four-year universities, two-year colleges, and job training programs to share data to address Ohio's workforce challenge.

Rationale

Ohio has access to data on all Ohio residents unemployed or underemployed through the Jobs and Family Services office. Unfortunately, the data is often difficult to data mine or is protected through state and 11 federal regulations. For example, an individual may be receiving multiple benefits including housing, transportation and food assistance. It is not possible to sort the data to determine who is receiving multiple benefits. It is also not possible to identify the heavy "users" of the assistance programs. For example, it would be beneficial to identify individuals using the skills assessments to improve their marketability. These individuals are self-selecting as interested in getting a job and should be connected with potential employers. As of September 2019, Ohio has 243,000 unemployed individuals. Ohio can best develop a series of workforce solutions when the entities work together to mine the various data sets available to them. The state should utilize all possible tools and work with County JFS Directors to immediately place individuals back in the workforce.

2. New Programs and Tools to keep Ohio Competitive

This strategy was developed in recognition that, to be competitive, the state of Ohio must remain vigilant in monitoring the ever-changing national and global market factors so it is prepared and positioned to quickly respond to new opportunities and challenges. Likewise, this strategy is rooted in the need to continuously evaluate how to best support economic development efforts that can bring increased economic prosperity to all regions of the state. recognition of the diversity of Ohio's communities and industries, response to the impact of the ever-changing global marketplace on that Create new programs and tools to allow the state to compete in the ever-changing global marketplace and respond to new and emerging opportunities and challenges in Ohio.

A. Creation and Retention Hybrid

It is important that Ohio remain aware of what it takes to be competitive as states all around the country continue to revise their existing economic development programs and create new programs. For example, Mississippi recently initiated a program specifically for manufacturers that proactively makes available a capital investment credit if a threshold of $1 million is met AND the company has been in the state for two years. Programs such as this "Manufacturing Investment Tax Credit" supports the retention and expansion of manufacturers, but also supports the state's attraction efforts as companies that are relocating may consider Mississippi if their plans make it likely that they would automatically receive a credit for capital investment after two years.

The investment tax credit Mississippi offers is an investment tax credit to companies that have maintained a manufacturing facility in the state for at least 2 years. To qualify, a business must invest at least $1 million in buildings and/or equipment. A corporate income tax credit equal to 5% of eligible investment may be awarded to qualifying manufacturers with a maximum available credit of $1 million per project. These nonrefundable and non-transferable credits can be used to offset up to 50% of a company's tax liability in a given year and unused credits may be carried forward for up to 5 years.

Additional research and modeling would be necessary to understand the potential impact in Ohio to determine if a "come grow with us" program that supports early capital investment would complement attraction efforts. The hybrid is an example of a tool that could be particularly helpful in attracting small manufacturers and/or supporting retention efforts, particularly in regions in which business retention and expansion is a critical component of their economic development strategy.

B. Technical Assistance Program

Core economic development readiness activities are challenging in communities in which there may be a gap in technical or professional competencies such as the lack of a municipal building department with engineers to assist in site authentication and permitting activities or economic development professionals with experience or expertise in the use of Ohio's economic development programs and tools. There is a need for more technical assistance (familiarity with infrastructure, utilities, environmental permitting, financing, economic development programs, transportation, etc.) to augment local resources particularly around site development and readiness.

C. Community Readiness Investment Program

Ohio must expand its capacity for economic development by ensuring all regions have the necessary assets and infrastructure to support business attraction, retention and expansion. Too often communities aren't prepared to compete because they simply aren't ready or able to meet the timeframe required for an attraction or expansion project. Proactive community readiness investments could help ensure Ohio's communities are ready to compete which ultimately benefits the local, regional, and state economies. State level funding is necessary to address the lack of infrastructure assets including but not limited to broadband, utilities, transport and transit (roads, air, rail, public).

Likewise, state level funding that allows for impact investments to support revitalization and redevelopment is necessary for sites to be revitalized, authenticated so they become economic development assets at a pace that meets needs. The size and scope of these projects make it impossible for regional and local communities and organizations to overcome these challenges at the pace necessary to support economic development. Again, a tiered system which takes into account factors such as unemployment, population, poverty, and unique site attributes could be part of the criteria for community readiness investments.

D. Residential Development Program

Workforce continues to be one of Ohio's and the nation's greatest challenges. Recent programs and initiatives such as TechCred, In Demand Jobs Week, Industry Sector Partnerships, and High School Career Credentials are underway to help address workforce challenges in workplace and education settings. However, other factors can impact the ability of Ohio and individual communities to recruit the talent necessary to meet workforce demands. In some communities, housing has become part of the complex workforce equation.

Recent legislative efforts to incentivize residential development have been problematic in their one-sizefits-all-approach, underutilization of existing tools, and potential consequences on future growth dependent tools such as TIFs. As residential development is historically not a preferred incentive practice given traditional ROI methodology, it is important to include narrow criteria for any residential incentive program to ensure the program is used to spur residential development only in communities where there is a demonstrated need for more residential development or for certain types of residential development.

Best practices that encourage multi-income residential development (Pennrose Yates Village Redevelopment), utilize research-based housing market studies and align with local and regional economic development strategies should be part of the criteria for ensuring narrow use of these incentives. Similarly, local communities should have the flexibility to determine if and how to use of any residential incentives. Such programs should not be automatic or mandated by the state.

3. Expand State's Capacity for Economic Growth via Community Readiness Investments

This strategy focuses on utilizing community readiness investments to help communities develop the assets they need to support local and regional economic development efforts and contribute to state economic growth. Ohio's economic future hinges on the state's ability to expand its capacity to support economic growth. The state's capacity for economic growth will ultimately be determined by its ability to make strategic community readiness investments now so Ohio's communities have the assets necessary to support additional business attraction, retention, and expansion efforts into the future.

These assets include but are not limited to sites, infrastructure, workforce, housing, broadband, transit solutions, population, and reliable and affordable energy. While major metropolitan areas and target industries may continue be the backbone of Ohio's economy, future opportunities will depend on the state having additional capacity in every region of the state. Redevelopment of urban areas, suburban infill projects, and greenfield preparedness will play rolls in not just business attraction and retention but also housing and placemaking to attract and retain Ohio's workforce. Infrastructure to move people and product, broadband to support the gig economy and keep friends and family connected, and a workforce prepared with the skills to tackle in-demand jobs will be integral parts of a prepared Ohio.

Resources must be invested today if Ohio is going to remain competitive well into the future. Few communities have the resources to fly solo in developing assets to support economic development efforts. Likewise, it often the assets of an entire region, such as regional transportation infrastructure and workforce, that are under consideration in business location decisions. As such, collaboration between political jurisdictions, public private partnerships, innovative state programs and community readiness investments are necessary for sustained economic growth in Ohio.

Making community readiness investments now will help ensure all of Ohio's regions have the assets and infrastructure to support continued business attraction, retention and expansion.

4. Place-Based and Collaboration Criteria, ROI, and Metrics

A. Place-based ROI Metrics

There is no question that return on investment (ROI) must be part of the criteria used to determine the appropriateness or need for any economic development program or tool, likelihood of achieving results, minimize risk, safeguard investments and protect the public interest. However, traditional economic development ROI methodology related to payroll, jobs created, and jobs retained do not capture or consider the value of the potential community impact. Traditional ROI criteria consider the state as a whole and are not indexed or tied to community or region-specific factors. The impact to a local community or region is a critical consideration if economic development efforts are to achieve their main goal of "improving the economic well-being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life." (Source: Economic Development Reference Guide, International Economic Development Council).

A model which includes place-based ROI metrics such as employment, population, and poverty rates has a greater probability of achieving the overarching goal of economic development. Other states such as Georgia and North Carolina have successfully incorporated these factors without creating a cumbersome or overly complex system by creating tiers that allow communities to move from one to another based on shifts within those key factors. For example, a community could be in one tier in 2020 and, after experiencing significant economic distress event such as the loss of a major employer or natural disaster, move into another tier that reflects “real-time” data.

B. Collaboration Metrics

Collaboration can be an important factor in the success of economic development efforts and reflect that a regional approach to economic development is often necessary given that assets such as transportation, utilities, large land parcels, and workforce do not stop at city or county lines. This lack of asset boundaries, when coupled with the ripple effect-whether positive or negative--of many economic development actions, reinforce the need for collaboration between state, regional, and local partners. Adding criteria that rewards demonstrated collaboration, partnership, or cooperation can encourage regional efforts as well as partnership and cooperation between multiple political subdivisions such as counties, cities, towns, and townships. Awarding additional points through the use of a multiplier or similar approach that prioritizes collaboration is preferred over criteria which would require collaboration or partnership so as not to allow any one entity to make an application less competitive.

5. Local Control & Flexibility

Ohio has a long history of valuing local control and recognizing the diversity of the state’s regions and individual communities. These differences, evident in everything from topography and natural resources to industry and population, are an asset to the state. But they also create a unique set of economic development opportunities and challenges in each community. Legislators, policy makers and state-level economic development leaders must be ever-aware of that diversity and realize that a one-size-fits-all approach to economic development is not good for Ohio. Flexibility at the local level, based on a community’s strengths and weaknesses and assets and needs, is key to successful economic development efforts. The use of any program or tool should be via opt-in rather than mandate, to allow local communities the flexibility they need and maintain local decision-making authority. Requiring the use of any program or automatically providing an incentive that forces a community to forgo revenue or dictates revenue use is highly problematic.

Summary

The members of the Subcommittee are grateful for the opportunity to participate in the regional meetings and hear first-hand from elected officials, business and industry leaders, economic development professionals, representatives of academia, and concerned citizens among others.

The purpose of this report was to identify strategies to address the most pressing challenges and potential opportunities.

The Subcommittee knows that no single strategy can be the solution, particularly in a diverse state like Ohio. As such, the Subcommittee focused on five strategies that have the potential to enhance Ohio's "economic development toolbox" and which encourage the state to make community readiness investments to help communities develop the assets they need to compete for business attraction and expansion projects and support existing businesses.

In keeping with one of the goals of the Regional Economic Development Alliance Study Committee, the Tools and Programs Subcommittee sought to identify actions that could be taken in the near term. Additionally, the Subcommittee believed it was important to look forward and identify potential future actions and long-term strategies. Finally, the theme of flexibility and place-based metrics is woven throughout the strategies in recognition of the diversity of Ohio's communities as well as the barriers which have caused some areas of Ohio to not receive the same level economic development activity as other communities during the most recent economic expansion.

In summary, the Subcommittee recommends the administration, legislators, policy makers, and the state's economic development leaders consider the following five strategies to support economic development efforts across Ohio.

1.) Revise the criteria and/or statutes for existing economic development programs and tools that have been underutilized or for which there is a barrier to data sharing that could be helpful,

2.) Create new programs and tools to allow the state to compete in the ever-changing global marketplace and respond to new and emerging opportunities and challenges in Ohio,

3.) Expand the state's capacity for economic growth by funding community readiness investments to ensure all regions have the assets and infrastructure to support business attraction, retention and expansion,

4.) Recognize the need for place-based metrics and criteria that reflect community and region-specific metrics, qualitative criteria and community impact and also allow for collaboration metrics to be considered in criteria to incentivize collaboration, 5.) Maintain local control and flexibility in economic development decision making as a reflection of the diversity of the state's regions and communities and the value the role of the local economic development professional.

The Subcommittee asks that the full Regional Economic Development Alliance Study Committee consider these recommendations and adopt this report. These strategies outlined within the report align with Ohio's economic development priorities and complement current economic development efforts while meeting the unique needs of Ohio's communities.

Better Aligning Infrastructure Decisions on Economic Development Planning Report:

INCENTIVIZE REGIONAL PROJECT PRIORITZATION PROCESSES

Background:

• Some regions already have processes for prioritizing regional priorities connecting infrastructure to economic development, such as Dayton's Priority Development and Advisory Council (PDAC) and Central Ohio's Competitive Advantage Projects (CAP) initiative.

• Ohio's biennial capital budget often includes community projects related to economic development and/or quality of life improvements

• During past capital budgets, various processes have been used to prioritize projects, including using regional organizations to prioritize local projects and using a statewide committee to prioritize arts and cultural projects

• JobsOhio, ODOT, and ODSA have infrastructure programs related to infrastructure for economic development.

Recommendation:

• **Require each JobsOhio region to use a regional prioritization process to communicate infrastructure priorities to administrative departments and General Assembly**

- Require that each process include the following:
    - Defined large regions that cover all of Ohio and align with JobsOhio's districts

- Include representation from the entire region in each regional process
- Utilize coordinating organization(s) with infrastructure or economic development-related expertise
- Leverage existing prioritization and planning processes to provide potential capital fund dollar estimate ranges to each region to use as a basis for a fiscally-constrained prioritization.

ENCOURAGE ECONOMIC DEVELOPMENT DISTRICTS (EDDs)

Background:

• EDDs are federally-designated districts that create a framework for regional economic development partners, local governments, and other stakeholders to coordinate efforts

• EDDs create and follow a Comprehensive Economic Development Strategy (CEDS)

• CEDS include a full-analysis of the regional economic and determine steps to maximize development potential and economic resiliency

• EDDs are best positioned to access federal economic development funding through the Economic Development Administration

Recommendation:

• Support the state's five existing EDDs and encourage districts to be created in other parts of the state

• Provide state funding for 25% of the annual cost of operating a district, approximately $35,000

- Proposed funding split: EDA: 50%, State of Ohio: 25%, Locals: 25%

INCENTIVE EMPLOYER INVESTMENT IN WORKFORCE ACCESS SOLUTIONS

Background:

• Workforce access remains one of the greatest challenges for employers to attract and retain employees

• Employees at lower-wage jobs may not have or be able to afford to commute by automobile

• Jobs are often not located in locations easily served by transit and bike/pedestrian facilities

• Throughout the state, employers, transit agencies, and local governments have developed various solutions, such as first/last mile shuttles and free or discounted transit pass programs

Recommendation:

• Create a tax credit or deduction for employers that invest in workforce access programming

- Eligible expenses could include 1) purchasing transit benefits for employees, 2) providing first/last mile solutions, and 3) subsidizing regional shuttle or transit program.

ENCOURAGE BROWNFIELD REDEVELOPMENT

Background:

• Brownfields can be found in every county throughout the state. In both rural and urban communities, brownfields present challenges in both attracting investment and economic development.

• Under current statute, developers that may wish to take advantage of brownfields face possible liabilities and increased costs due to environmental contamination.

• Per 4313.02(B) of the Ohio Revised Code, excess liquor profits returned to the state can be allocated to fund CORF. Per the Ohio Revised Code, the excess liquor profits returned to the state can: 1) pay off bonding debts from the last bondage of CORF and transfer of the liquor enterprise to JobsOhio; 2) fund the GRF; or 3) fund the Clean Ohio Revitalization Fund. The bonding debt has been repaid, and since JobsOhio's creation, the monies have been deposited into the GRF.

Recommendations:

• Find a dedicated funding source for the Clean Ohio Fund

- Utilize liquor profits from JobsOhio that are returned to OBM on an annual basis
- Other innovative funding mechanisms
- Using the capital budget or operating budget as funding vehicles
- Partner with Governor's office, DSA, and OBM

• Support of HB 168 which would establish an affirmative defense to a release or threatened release of hazardous substances from a facility for certain bona fide prospective purchasers

• Provide incentives & protection to increase brownfield investment

- Align Ohio's law with federal BFPD standards to allow liability protection for investors looking to develop brownfields.

Higher Education Report:

Background:

• The Regional Economic Development Alliance Study Committee Subcommittee on Higher Education focused its conversations on what could be done to better improve the relationship between higher education institutions in Ohio and the broader public/private sector community. The intention was to better improve relationships to bridge the workforce gap, especially when it comes to in-demand jobs in this state.

Recommendation:

• Support legislative efforts currently underway in House Bill 4

- House Bill 4 requires the Governor's Office of Workforce Transformation to act as a liaison between the business community and the Department of Education or the Chancellor of Higher Education with regard to industry-recognized credentials or certificate programs.
- It has been reported from the Senate Committee on Transportation, Commerce and Workforce and has not been scheduled for a vote by the full Senate.

End of final report.

Next page is draft legislation for the <u>revenue gain sharing program</u>

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133rd General Assembly
Regular Session **. B. No.**
2019-2020

A BILL

To enact sections 5755.01, 5755.02, 5755.03, and 5755.04 of the Revised Code to authorize municipal corporations to establish regional economic development alliances for the sharing of services or resources among alliance members.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 5755.01, 5755.02, 5755.03, and 5755.04 of the Revised Code be enacted to read as follows:

Sec. 5755.01. As used in this chapter:

(A) "Region" means the territory included within the boundaries of a central county and of each county that is adjacent to that central county. If two or more central counties are adjacent to each other, "region" means the entire territory included within the boundaries of those central counties and each county adjacent to either of those central counties. If two or more central counties are each adjacent to a common county, "region" may mean either of the following:

(1) The territory included within the boundaries of those

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central counties and each county that is adjacent to either of those central counties;

(2) The territory included within the boundaries of one of the central counties and of each county that is adjacent to that central county, provided that, if a county is adjacent to two or more central counties that are included in separate regions under this division, the municipal corporations in that county may choose to join an alliance in any one of those separate regions.

(B) "Central county" means a county that has adopted a charter under Sections 3 and 4 of Article X, Ohio Constitution and that has a population of at least four hundred thousand according to the most recent federal decennial census as of the date an agreement is entered into under this chapter by municipal corporations located in the county.

(C) "Eligible municipal corporation" means a municipal corporation that is located within a region or in a county adjacent to a county within a region.

(D) "Regional economic development alliance" or "alliance"means a regional council that is established under sections 167.01 and 5755.02 of the Revised Code.

(E) "Agreement" means an agreement entered into under section 5755.02 of the Revised Code establishing a regional economic development alliance.

(F) "Governing board" means the governing board of a regional economic development alliance.

(G) "Member" means a municipal corporation that is a member of a regional economic development alliance.

(H) "Member representative" means one or more persons appointed by a member's chief executive officer, with the approval of the legislative authority of the member, to represent the member in a regional economic development alliance.

(I) "Resource gain allocation program" or "allocation program" means an arrangement in which the members of a regional economic development alliance agree to contribute to or receive distributions from an alliance contribution fund in accordance with the formula specified in section 5755.04 of the Revised Code.

Sec. 5755.02. (A) Ten or more eligible municipal corporations located within a single region may enter into an agreement with each other to establish a regional economic development alliance. Only one alliance may be established in each region.

(B) A regional economic development alliance shall be established and shall operate pursuant to this chapter and Chapter 167. and section 9.482 of the Revised Code, except that:

(1) The membership of the alliance shall be the eligible municipal corporations within the region that enter into the agreement on the date of the agreement or within two years after that date. An eligible municipal corporation within the region that seeks membership after two years following the date of the agreement, or any eligible municipal corporation that is not within the region, may be admitted as a member only with the approval of a majority of the current members. An eligible municipal corporation that is located within more than one region or within a county that is adjacent to more than one region may choose to join an alliance in any one of those

regions. No eligible municipal corporation may be a member of more than one alliance.

(2) A member may withdraw from the alliance only by submitting a request to withdraw to the members and receiving approval for that request from at least two-thirds of the other members.

(3) In addition to the activities, powers, and functions authorized in Chapter 167. of the Revised Code, and unless otherwise prohibited by law, an alliance may engage in other activities, programs, or functions as authorized by the governing board or in the agreement. The alliance may establish funds and accounts in connection with all such activities, programs, or functions, including any allocation program. In carrying out such activities, programs, or functions, the alliance may cooperate with transportation improvement districts, metropolitan planning organizations as defined in section 5552.01 of the Revised Code, political subdivisions, state agencies, and other public entities, all of which are hereby authorized to cooperate with the alliance. The alliance shall have no taxing powers.

(C) An agreement establishing a regional economic development alliance shall include all of the following:

(1) Procedures by which an eligible municipal corporation that is not a party to the agreement may be admitted as a member, in accordance with division (B)(1) of this section;

(2) Procedures by which a member may withdraw from the alliance, in accordance with division (B)(2) of this section;

(3) Provisions for the creation of a governing board and committees thereof, the selection of member representatives to

the governing board, the election of governing board officers, the specification of officer duties, and the adoption of bylaws governing the organization and operation of the alliance;

(4) A provision stating the length of the initial term of the allocation program and a procedure for the approval of any renewal terms for the program, subject to the limits specified in division (C) of section 5755.03 of the Revised Code;

(5) The method or methods by which members are to determine their respective taxable income values in accordance with section 5755.04 of the Revised Code. If a member shares income tax revenue with a school district under section 718.09 or 718.10 of the Revised Code, the agreement may specify whether and how the participant's taxable income value shall be adjusted to account for such sharing. If a member derives revenue pursuant to a contract or agreement creating a joint economic development district or joint economic development zone, the agreement may specify how the taxable income value of the member shall be adjusted to account for such revenue. The agreement may provide for other adjustments to taxable income values.

(6) Provisions for the establishment of funds and accountsnecessary for the operation of the alliance;

(7) Any other provisions determined necessary for the operation of the alliance and its programs.

(D) Within ten days after the date of the agreement, the member having the greatest population shall certify a copy of the agreement to the secretary of state and to the county auditor and the county treasurer of each county in which the members have territory. If an additional eligible municipal corporation is admitted as a member after the date of the agreement, or if a member withdraws, the governing board shall notify the secretary of state and the county auditor and county treasurer of each county in which the new or withdrawn member has territory of the admission or withdrawal.

(E) Unless otherwise provided in the agreement, members may amend an agreement only with the written approval of the majority of the members, and the terms of an agreement relating to a resource gain allocation program may be amended only with the written approval of at least three-fourths of the members.

(F) In order to encourage initiative and flexibility in the establishment and operation of regional economic development alliances, the agreement may include provisions that expand upon, modify, or do not comply with the requirements of this section or sections 5755.03 and 5755.04 of the Revised Code if the provisions relate to any of the following subjects:

(1) Governance and administration of the alliance;

(2) The establishment of and the procedures governing an allocation program;

(3) The establishment of and the procedures governing other programs for the benefit of the region;

(4) Generation of revenue from the allocation program or from other alliance programs;

(5) The distribution and use of those revenues.

(G) Each member shall pay, in the manner and at the times set forth in the agreement, an annual contribution to the alliance for administrative and other expenses of the alliance and its programs. The annual contribution may be paid from the general fund or any other fund of the member legally available for such purpose. Annual contributions shall be deposited into the alliance contribution fund in the custody of the alliance's fiscal officer. A member's annual contribution shall equal the following:

(1) If the member is a recipient member as defined in section 5755.04 of the Revised Code, fifty dollars if the member is a village or one hundred dollars if the member is a city, unless otherwise specified in the agreement.

(2) If the member is a contributing member as defined in section 5755.04 of the Revised Code, the amount determined for that member in accordance with division (E) of that section.

(H) In the fifth year after a regional economic development alliance is established pursuant to this section, the governing body of the alliance shall conduct a review of the alliance's programs and their effectiveness. The governing body shall receive input from each of the alliance members and shall compile a report of its findings. Upon completion, the report shall be made available to the public and submitted to the president of the senate and the speaker of the house of representatives.

Sec. 5755.03. (A)(1) A regional economic development alliance may establish and administer, for the benefit of the members and of the region, programs that do any of the following:

(a) Increase the region's competitiveness for new employment and other economic development opportunities while decreasing competition among the region's political subdivisions regarding the location of those opportunities;

(b) Promote the sharing of services, including staff, equipment, and facilities, among members, other political subdivisions in the region, and regional technology and service centers;

(c) Promote cooperation, collaboration, and coordination in planning activities, development of infrastructure, purchases of goods and services, and other activities that may lead to the cost-efficient delivery of governmental services.

(2) An alliance may provide grants, loans, and other support to members that develop or participate in programs described in division (A)(1) of this section in accordance with procedures established in the agreement or by the governing board.

(B) A regional economic development alliance may establishand administer a resource gain allocation program in accordance with section 5755.04 of the Revised Code. The alliance may engage in any activities and functions necessary of the creation and administration of the allocation program. The alliance may contract with a political subdivision, private or public entity, or other regional council for the administration of the allocation program, including for making the determinations required under section 5755.04 of the Revised Code.

(C) The initial term of an allocation program shall be notless than five and not more than fifty years. An allocation program may be approved for up to four renewal terms of up to twenty-five years each. An allocation program shall terminate at the end of the initial term specified for that allocation program in the agreement if the agreement does not provide for a renewal term. If the agreement provides for one or more renewal terms, the allocation program shall terminate at the end of the last approved renewal term. An allocation program may terminate at any time upon the vote of at least three-fourths of the members.

Sec. 5755.04. (A) As used in this section :

(1) "Base period" means the three-year, four-year, or five-year period specified in an agreement over which initial values are determined for the purpose of the computations under this section. The period constituting a "base period" shall include the year immediately preceding the year in which the alliance is established.

(2) "Calculation year" means the calendar year immediatelypreceding the calendar year in which the governing board of an alliance makes the determinations required in division (C) of this section.

(3) "Income tax" means a tax on or measured by income levied by a municipal corporation in accordance with Chapter 718. of the Revised Code and, if applicable, the charter and ordinances of the municipal corporation.

(4) "Taxable income value" means the dollar value of income that was taxable by a member in a calculation year, as determined under the methods and terms prescribed by the agreement and in accordance with, as applicable, Chapter 718. of the Revised Code. "Taxable income value" shall be the measure used in determining resource gain allocation under this section.

(5) "CPI" means one of the annual consumer price indexes prepared by the United States bureau of labor statistics for the United States (U.S. city average), the midwest region, or the urban area comprising all or the majority of the territory of the members, as specified in the agreement or bylaws of the alliance.

(6) "Base period CPI" means the average of the CPIs for the years constituting the base period. If the bureau of labor statistics changes the composition or base year of the CPI, the base period CPI shall be adjusted accordingly.

(7) "Annual CPI" means the CPI for the calculation year.

(8) "Base period taxable income value" of a member means the average of its taxable income values for the years included in the base period.

(9) "Contributing member" means a member for which the amount computed in division (C)(6) of this section is greater than zero.

(10) "Recipient member" means a member for which the amount computed in division (C)(6) of this section is less than or equal to zero.

(B) The governing board of an alliance shall determine each of the following:

(1) The base period CPI;

(2) The base period taxable income value of each member. The member's fiscal officer shall provide the governing board with the member's base period taxable income value or any information necessary for the governing board to determine the member's base period taxable income value.

(C) Annually, at the time specified in the agreement, the governing board shall determine each of the following for the calculation year:

(1) The annual CPI;

(2) The taxable income value of each member. The member's

fiscal officer shall provide the governing board with the member's taxable income value or any information necessary for the governing board to determine the member's taxable income value.

(3) The sum of the taxable income values of all members;

(4) The "inflation factor," which is the quotient of the annual CPI divided by the base period CPI. If the annual CPI is less than or equal to the base period CPI, the inflation factor equals one.

(5) The "inflation-adjusted base period taxable income value" of each member, which is the base period taxable income value of the member multiplied by the inflation factor;

(6) The amount, if any, by which the taxable income value of each member exceeds the member's inflation-adjusted base period taxable income value;

(7) For each member for which the amount computed in division (C)(6) of this section is greater than zero, the "contribution base," which equals the product obtained by multiplying the amount computed under that division by one-fifth or a different fraction specified in the agreement;

(8) The "alliance contribution base pool," which equals the sum of the contribution bases computed under division (C)(7) of this section.

(D) After making the determinations required under division (C) of this section, the governing board shall determine the following:

(1) The "income tax capacity" of each member, which equals the quotient obtained by dividing the taxable income value of

the member by the population of the member;

(2) The "distribution index" of each member, which equals the member's population divided by the income tax capacity of the member;

(3) The "distribution ratio" of each member, which equals the quotient obtained by dividing the member's distribution index by the sum of the distribution indexes of all members;

(4) The "distribution allocation" for each member, which equals the member's distribution ratio multiplied by the alliance contribution base pool;

(5) For each contributing member, the member's "net contribution base," which equals the amount by which the member's contribution base exceeds its distribution allocation;

(6) For each recipient member, the member's "recipient allocation," which equals the member's distribution allocation multiplied by the income tax rate levied in the calculation year by the member.

(E) At the times and in the manner provided in the agreement, each contributing member shall contribute to the alliance contribution fund in the custody of the alliance's fiscal officer an amount equal to the member's net contribution base multiplied by the income tax rate levied by the member in the calculation year, provided that such amount shall not exceed either three per cent of the total revenue received by the member in the calculation year from the member's income tax or a different amount specified in the agreement. The contribution shall be paid from any fund of the member legally available for such purpose.

(F) Subject to division (H) of this section, the fiscal officer of an alliance annually shall make the following distributions from the alliance contribution fund:

(1) First, an amount necessary to provide for the operation of the alliance and its programs, as determined annually by the governing board, shall be distributed to the alliance operating fund or to other program funds established by the governing board or in the agreement.

(2) Second, each recipient member shall receive an amount equal to the member's recipient allocation. If the total amount of recipient allocations does not equal the balance to the credit of the alliance contribution fund, the fiscal officer shall increase or reduce the amount transferred to each recipient member on a proportionate basis.

(G) Recipient members shall use recipient allocations for infrastructure improvements, economic development projects, or any other municipal purposes specified in the alliance agreement.

(H) In lieu of, or in addition to, the amounts transferredunder division (F) of this section, and in accordance with procedures established by the governing board, the alliance fiscal officer may transfer from the alliance contribution fund an amount determined by the governing board to one or more of the following funds, which may be established in the agreement or by the governing board:

(1) The alliance infrastructure fund, which shall be used to fund, or assist in the funding of, the construction or reconstruction of infrastructure projects within the region;

(2) The alliance economic development fund, which shall beused to fund, or assist in the funding of, economic development

projects within the region;

(3) The alliance economic reserve fund, which shall be used to distribute money to members that have suffered significant loss of economic resources, as determined according to procedures established by the governing board;

(4) Any other fund or account, which shall be used to support programs or activities of the alliance.