

Testimony to the House Finance Subcommittee
on Agriculture, Development, and Natural Resources
on behalf of the
Southern Ohio Agricultural and Community
Development Foundation
Don Branson, Executive Director

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Good morning Chairman Thompson and members of the House Finance Subcommittee on Agriculture, Development, and Natural Resources. I am Don Branson, Executive Director of the Southern Ohio Agricultural & Community Development Foundation (Foundation). Thank you for this time and opportunity to meet with you and discuss our portion of H.B. 49, Ohio's Operating Budget for FY18 and FY19.

A brief history. The Foundation was created by the 123rd General Assembly in 2000 and was charged with the responsibility to provide agricultural, economic and educational assistance to southern Ohio's traditional tobacco-producing counties. The Master Settlement Agreement (MSA) was the unique mechanism that provided funding to achieve those legislative mandates. For the next several years, Ohio received its annual payment and distributions to the various trust funds occurred pursuant to the allocations established under O.R.C 183.02.

In the FY 2008-2009 biennium budget, Ohio securitized its future income stream from the MSA for estimated one-time net proceeds of \$5 billion. Monies were earmarked to finance school construction and a one-time Homestead property tax exemption for seniors. As a result, the Foundation's revenue sources prematurely and abruptly ended 5 years and an estimated \$25M dollars short of original projections. Sound fiscal management by the board coupled with conservative investment practices, which are overseen in conjunction with the Treasurer of State, have allowed the Foundation to continue to make long term strategic investments, albeit at much lower levels.

A recap of these investments includes the following data:

- Approximately \$54.5M dollars invested in agricultural development projects
- Approximately \$22.5M dollars invested in economic development projects
- More than 1,400 jobs created or retained
- Approximately \$15M dollars invested in educational assistance

The Executive Budget Recommendation addresses the following legislatively-mandated objectives:

- Increase the variety, quantity and value of agricultural products other than tobacco produced in those parts of Ohio in which tobacco has traditionally been grown.
- Preserve agricultural land and soils in the same parts of Ohio where tobacco has been grown.
- Make strategic investments in communities that have been affected by the reduction in the demand for tobacco.
- Provide education and training assistance to tobacco growers to aid them in the transition away from tobacco production.

Three Foundation signature programs have been designed as objectives to achieve those mandates.

1. Agricultural Development – Provides competitive cost-share grant funding to more than 75 eligible farmers each year, from Clermont County in the west to Noble and Monroe counties in the east. Revitalizing agriculture in Appalachian Ohio is accomplished by making investments in infrastructure, production livestock and equipment. Awards are issued based on projects that have a long term impact while improving farm income levels. Seven years ago, the Foundation instituted a standalone program to assist 20 young farmers annually, with objectives similar to the Agricultural Development program, while accelerating their growth in a very capital intensive industry. Reference is often made to the fact that Agriculture is Ohio's number one industry. Approximately \$1.2M dollars are invested by the Foundation each year in agricultural projects which helps drive the larger economic engine of agriculture. Since its inception, the Foundation has and continues to rely on close working relationships with the Ohio Department of Agriculture, Ohio State University Extension, and the multi-faceted Ohio agriculture industry.
2. Economic Development – Provides for strategic investments in communities by making available competitive cost-share grant incentives for certain public and private-sector projects that are driven by job creation and retention. Partners include county commissioners, port authorities, community improvement corporations, local development districts, JOBS Ohio, and businesses in the private sector where the end purpose is for manufacturing, distribution, warehousing or health care. About this time two years ago, the Foundation made an investment in Speyside Bourbon Cooperage, a supplier of white oak barrels to the bourbon industry, which purchased and renovated the former Merillat cabinet making facility in Jackson County. After millions of dollars of investment in excess of 60 jobs have been created and they are currently planning on adding a second shift. Additional examples – Health Source of Ohio – 6 new jobs, Silver Bridge Coffee Company – 1 new job, CandleLite – 8 new jobs, Altivia Petrochemicals – 15 new jobs.

The bottom line is that whether large or small, the desired cumulative effect is more jobs and additional economic activity for the region and the state.

3. Education – Encourages eligible students in Appalachian Ohio to complete college degrees or acquire skills necessary to transition to new or supplemental income-generating occupations. The Foundation assists approximately 150 students each year toward that goal. Approximately \$500,000 is budgeted annually in educational assistance, because we believe improving the overall educational attainment level in Appalachian Ohio benefits all of Ohio. The Educational Excellence Competitive Program identifies on average 20 exceptional students yearly and makes available a one-time grant of up to \$7,500 to offset the cost of attending college.

Summary

As of the end of last fiscal year, more than \$93 million dollars of total investments have leveraged in excess of \$210 million dollars. That's \$303 million dollars of economic activity which has helped to revitalize the southern Ohio region. Economic realities have forced our footprint to be smaller than in years past, but our commitment to our mission remains strong. The Foundation truly appreciates the difficult decisions you have to make. While this budget only allows for spending authority to cover personnel costs, we feel the Foundation has developed a model that can, with restored funding, be replicated in other parts of Ohio.

We thank the legislature for all its past support and ask for the opportunity to do this work for many years to come. Mr. Chairman, members of the committee, thank you for your time and I will try to address any questions you may have.