



**Testimony by Director Lydia L. Mihalik
Ohio Development Services Agency
Ohio House Finance Subcommittee on Agriculture, Development, and Natural Resources
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Chairman Hoops, Ranking Member Hicks-Hudson, and members of the Subcommittee on Agriculture, Development, and Natural Resources, thank you for the opportunity to offer testimony on House Bill 166, the main operating budget. My name is Lydia Mihalik, and I am the Director of the Ohio Development Services Agency.

Governor DeWine's Executive Budget Proposal is all about investment: in families, the workforce, communities, recovery, and natural wonders. Most of all, the budget invests in a promising and hopeful future in Ohio, where all people – no matter their background or where they live – have a chance to succeed and make life better for their families.

That's a big mission – and big missions require teamwork, bipartisan cooperation, and creative ideas.

How can Development advance that mission? We are all about investment.

From helping a small business owner finance a new piece of equipment, to working with a developer to rehab a historic building, to getting low-income Ohioans on a payment plan for their heating bills – we are investing in a more prosperous Ohio.

Ohio. Find it Here.

Part of *investing* in Ohio means attracting visitors to *experience* Ohio. We are a unique state with a great location and many diverse attractions. The tourism industry is thriving. We have natural wonders, world class museums, cool downtowns, and so much more. And travelers are noticing! In 2017 alone, data shows 219 million visits and \$44 billion in visitor spending in Ohio.

These results do not happen in a vacuum: the industry has worked hard to create authentic experiences here in Ohio. And I have to give credit to the General Assembly for the decision to increase funding for TourismOhio several years ago. We are using these dollars in a smart way – not duplicating dollars but multiplying spend. The work is paying off through the success of our data-driven brand, *Ohio. Find it Here.*

You may think that Tourism is only big business in the large cities, but I want to assure you that our rural and small communities feel the impact. Recently, for example, we partnered with Preble County to drive potential visitors to an online article highlighting the eight covered bridges in the area, including one that was built in 1829. Our marketing match program turned their \$23,000 investment into \$46,000 worth of marketing.

Whether big or small, Development invests in destinations across the state.

Investing in Local Communities

Development works every day to help build vibrant downtowns, safe neighborhoods, and reliable infrastructure. Some investments may be less visible but are still critically important. For example, Development has funding to improve water and sewer infrastructure at the local level. Communities in Appalachia can request assistance building new access roads. These projects may not be glamorous: but as a former mayor, I can tell you that they are absolutely crucial in our communities.

One program, the Historic Preservation Tax Credit, draws private money into older buildings that are frequently sitting vacant and unused. Many of these buildings were the pride of their towns when they were first built – and they can be so again. Vibrant downtowns are a draw for small businesses to set up shop and travelers to visit. They also bring a sense of community that is hard to replicate.

Last week, I visited the Grand Baldwin, an iconic Walnut Hills building which once housed the production of Baldwin pianos. This 1920s-era, Italian Renaissance Revival building with a large clock tower was crying out for renovation. After being officially designated a historic landmark in 2015, it was approved for a Historic Preservation Tax Credit. The Grand Baldwin now houses 176 market rate residential units and will continue to be a neighborhood landmark.

House Bill 166 includes a new state tax incentive to bring investment to Ohio Opportunity Zones. The Opportunity Zone program was created by federal legislation in 2017 and provides for federal tax incentives for investments in designated low-income census tracts. Across the state, Ohio has 320 Qualified Opportunity Zones in 73 counties, which were identified by local communities as having high potential for new investment, development, and job creation. Since the federal government first created the Opportunity Zones designation, Governor Mike DeWine saw the economic impact this could bring to Ohio.

But there are over 8,700 total opportunity zones in the country. And they will all be competing for investors. We want to give Ohio communities the edge. We are proposing a 10% state income tax credit for investment in these low-income, high poverty areas of Ohio. We will also help market these areas and make it possible for even the smallest communities to get the word out to investors about opportunity in Ohio. Ohio has great advantage in our location, the quality of our workers, and the quality of life here. We will help all Ohio Opportunity Zones market their assets to investors.

The Governor's Office of Appalachia, headed by Director John Carey, is housed at Development. This budget invests in an innovative program of training workers in Appalachia for high-paying, in-demand jobs. The unemployed and underemployed people of that region will be connected with jobs that can improve their quality of life. More than \$4 million each year will be invested in a pilot program to bring technology and training into five Appalachian counties: Adams, Brown, Highland, Pike, and Scioto. This represents the most significant new investment in Appalachia in decades.

Throughout the state, Development is proposing to help schools with energy costs. By pairing two existing programs – the State Energy Program and the Energy Loan Fund – we will provide free energy audits to schools with an option of a low-interest or no-interest loan to install new heating and cooling systems.

Up-to-date, modern classrooms that are safe and comfortable will reduce the cost to local schools and help create an environment where children can learn and prepare for the future. Under the existing program, Worthington City Schools received a \$2.5 million low interest loan to retrofit 21 of its schools with new windows, lighting upgrades, heating, and air conditioning improvements resulting in reduced energy use and an estimated annual savings of more than \$288,000. In the end, the money saved in energy costs pays for the project. The changes we are making in the program will make it available to more schools on more favorable terms. This is also a workforce program: if the school submits a plan to incorporate students in the project in workforce training, a portion of the loan would be forgiven.

Investments in our communities build upon each other and make Ohio a place where people can live healthy and prosperous lives.

Investing in Business and the Workforce

Development works to support Ohio businesses, large and small, as they maneuver in the global economy. Whether a business is established in the state and looking to expand, a technology company ready to move from the lab to commercialization, or an entrepreneur launching a new small business, Development has resources to assist them as they grow.

The most important challenge for businesses right now is closing the gap between workforce needs and the goals of job seekers. Development has several initiatives in the budget to aggressively invest in Ohio's workforce.

Partnering with the Department of Higher Education, Development will invest in upskilling 10,000 Ohioans with new industry certificates in the first year. This program will be funded at \$15 million annually and will support Ohioans who are enrolled in training programs that may be completed in under twelve months.

The credentials will add to the value an employee can contribute to the workplace. This should lead to increased job security and higher wages. The employee grows in a recognized skill that will also be important to potential future employers. My hope is that this program will be a catalyst for both businesses and workers to succeed in new ways.

While we are always looking for innovative ideas, the High School Diversity and Inclusion Technology Internship Program builds on the success of an existing program for college students. We plan to reach out to younger students who may not realize that a career in tech is even an option for them. Development will recruit companies and students and extend the matchmaking process we have used in other internship programs. We will help with a portion of the student's pay for companies that take on an intern, and this program will be particularly focused on students with diverse backgrounds.

The Minority Business Development Division invests in programs that support the growth of minority-owned businesses in Ohio. People often start a business based on a specific set of skills: the barber, the architect, the personal trainer. They know their area of expertise, but they often need help running the business side. We provide them with technical and professional assistance, access to capital and bonding, and connection to business opportunities through the Minority Business Assistance Centers (MBACs). So far this fiscal year, our centers have served thousands of clients across the state.

To highlight the success of one Minority Business Enterprise, IC3D Inc. is a customized 3D printing company located here in Columbus that was founded in 2012. Just last month, we were able to help with a working capital line of credit to purchase new equipment for their expanding business. This small business with 8 employees plans to hire 6 additional employees over the next two years. 98 percent of Ohioans work for a small business, so the work we do here is critical to the workforce.

When businesses approach Development or one of our local centers, I want them to go back to their business with additional options in hand. That may mean a tax credit, a loan, a grant, or technical assistance. Just knowing these options are there can open up new possibilities.

Innovation

I want to highlight to you a few ways in which Development works hard with the money the taxpayers have entrusted to us. We want to deploy the resources we have in ways that are both wise and innovative.

One initiative involves the Minority Business Development Division. From an Information Technology perspective, the local centers were using legacy software with separate databases, and it was creating inefficiencies and duplication. Our IT office worked with the Division and local partners to streamline communications and data to enhance the user experience and allow staff to more efficiently market our financial incentives and assistance.

In January, we also launched a new annual reporting system for local governments and their tax incentive programs (CRAs, Enterprise Zones, and TIFs). The Revised Code requires annual reports on these programs, but in the past, there were three different websites with different systems and log-ins. We had to get this changed: our local partners have enough on their plates. Consequently, we streamlined the reporting process. A local government official can now log into one site to view and submit all the reports required of them on a simple and easy-to-use form.

Census 2020

Finally, as you know, every ten years, the U.S. Constitution mandates a complete count of the population of the United States. The count is used to determine apportionment for the U.S. House of Representatives. A decline in population could mean less representation for Ohio in Washington. Equally important is making sure that Ohio gets our share of the allocation of federal tax dollars that fund schools, roads, addiction recovery programs, housing, and much more. In fiscal year 2016, \$33.5 Billion dollars in federal money was allocated to Ohio based on our population.

Clearly, it is incredibly important to get an accurate count, and Census 2020 will be the first primarily digital census. We are aware that we have some hard-to-count populations and hard-to-enumerate areas. Development and partners across the state will be working over the next year with local governments, businesses, and community organizations to ensure everyone is counted.

Using established communications channels and networks, we will make sure that all Ohioans get the message to get counted. Working together, we can amplify the message that it is important to participate. The census is easy, it is secure and private. A portion of our communication dollars will go toward this effort, and we are asking other agencies to make the same commitment.

Conclusion

I could spend all day talking with you about all the other ways Development invests in Ohio – through business loans and tax credits, low-income energy assistance, and more. What is most important to remember, however, is that Development is here to help. Many people have not seen the economic recovery in their neighborhoods that we want to see. There are challenges to address, and I am confident that the Governor’s budget addresses many of those challenges head-on and will make Ohio a better place to live, work, and play.

Thank you, Chairman Hoops and members of the Subcommittee. I would be happy to answer any questions.