

May 19, 2015

Testimony of Finance Fund CEO James R. Klein  
On behalf of The Healthy Food Financing Task Force  
Before the Senate Finance Workforce Subcommittee

Chairman Beagle, Vice Chair Williams, distinguished members of the Senate Finance Workforce Subcommittee, and honored guests.

I am James Klein, CEO of Finance Fund, a statewide nonprofit financial intermediary working to improve the quality of life for Ohioans through local investment for economic change.

It is my honor to speak on behalf of the Healthy Food Financing Task Force and its policy recommendations aimed at increasing access to healthy affordable food in underserved areas throughout Ohio.

The Task Force is made up of nearly 50 leaders from the grocery industry, community and economic development, public health and civic sectors.

The Task Force identified the need for increased access to healthy affordable food in Ohio through a statewide mapping study conducted last year. This study identified urban and rural areas where one million Ohio residents, including over 275,000 children, live in lower income communities that are underserved by supermarkets and have high rates of diet-related death.

The Task Force also identified access to capital as a key barrier to healthy food retail food development in Ohio. In its policy recommendations, the Task Force calls upon the State of Ohio to invest seed funding in a public private partnership that will generate a pool of grant and loan capital.

This capital will be deployed to stimulate the development of healthy food retail outlets in underserved communities. In its budget bill, HB 64, the House established and framed this public private partnership called the Ohio Healthy Food Financing Initiative. The House-passed budget bill allocated a total of \$3.5 million in seed capital to the initiative.

My aim today is to retain the Healthy Food Financing Initiative established in HB 64, and request the Senate to increase the amount of seed funding allocated to \$5 million for each of two years, totaling \$10 million.

Here's why.

State funds in the Healthy Food Financing Initiative would be managed by a community development financial institution that will leverage significant amounts of additional private investment.

This leveraged funding pool will incentivize the development of new and expanded grocery stores and healthy food retail projects in areas that need them most across the state. Please allow me to stress the importance of adequate state seed capital to the success of this initiative.

Ten million dollars in state seed funding will go a long way when Ohio's Healthy Food Financing Initiative leverages the grant capital with loan funding 3 to 1.

This means that \$10 million of grant funding from the state enables leverage of an additional \$30M for a total \$40M in funding.

This enables creation of a total of 20 projects at an average cost of \$2 million per project.

Each candidate project will be carefully evaluated to ensure that it meets the unique needs of the community in which it operates. Compared to conventional credit, the Initiative will offer more flexible terms and structured financing customized to the needs of each project. With the Senate's support, this Initiative will provide a fresh sustainable and significant solution to those Ohioans in greatest need of healthy food access.

An Ohio Healthy Food Financing Initiative is one step in the right direction for Ohio's existing efforts to improve people's health, reduce infant mortality and create jobs. It will attract new and expanded supermarkets and other healthy food retail to underserved communities across the state.

A similar program in Pennsylvania was established as a public-private partnership. It approved funding for the creation or retention of 88 grocery projects in underserved areas, representing over 5,000 jobs and \$120 million in total investment.

What's more, it brought healthy food choices to over 500,000 Pennsylvanians.

After 10 years, 85 percent of these stores are still in business – illustrating the pent up demand and market opportunity in many areas that grocers don't usually consider. There are similar programs in New York, New Jersey, Illinois, Colorado, California and the cities of New Orleans and Houston. And these programs are having a real impact.

The same opportunity for success exists here in Ohio.

While every state is different, at the end of the day, their needs are often very similar, and applying a proven model to Ohio can help to solve this problem. We spend \$57 billion a year in health costs in Ohio.

Such a public-private partnership is well timed in Ohio, as its rate of childhood obesity is among the highest in the country, with over 30 percent of Ohio children being overweight or obese. And Ohio's infant mortality rate is nearly 30 percent higher than the national average. The Ohio

Infant Mortality Task Force identified access to healthy foods as a social determinant of health and recommends improving food security for high-risk populations and neighborhoods.

Healthy Food Financing has other tremendous economic benefits as well.

A single grocery store can create as many as 120 jobs, and the presence of a grocery store can lead to increased property values and complementary retail development nearby.

Thank you for your time today. I applaud the efforts of this committee and the Senate to improve the health of Ohio's residents and spur economic development by retaining the Healthy Food Financing Initiative.

On behalf of the Healthy Food Financing Task Force, I respectfully request that the Senate provide state seed funding for this initiative at \$5 million for each of two years for a total of \$10 million.

This will serve as the basis for leverage of significant additional private funding to create a \$40 million funding pool that can bring 20 much-needed healthy food retail projects to Ohio.