

**Brian Frederick
President & CEO
Community Foundation of Lorain County
Ohio Senate Workforce Subcommittee Hearing
May 19, 2015**

Chairman Beagle, Vice Chair Williams, Members of the Senate Workforce Subcommittee, thank you for allowing me the opportunity to testify today about the next state budget and a proposal that can help build Ohio's workforce for the 21st century.

My name is Brian Frederick and I am the president & CEO of the Community Foundation of Lorain County, which for the past 35 years has impacted the community through strategic grantmaking and scholarships, connecting people who care to causes that matter. So far this year, the foundation and its donors have invested over \$1 million in nonprofit programs addressing critical needs. I am also a member of the state's strong network of community foundations who are members of Philanthropy Ohio.

I'd like to share an example of the power of endowment from my experience in Lorain County. The Community Foundation of Lorain County (along with the Cleveland Foundation, Stark County Community Foundation, and Akron Community Foundation) was founding members of the Fund for Our Economic Future. For the past 10 years, these community foundations have used grants from our endowment funds to collaborate through the Fund for Our Economic Future, to build a strong NE Ohio economy. The Fund has invested more than \$100 million in research, strategy development and pooled grantmaking with a focus on both economic growth as well as economic opportunity.

One of our collective efforts is Work Advance, a regional sector-specific career pathway program coordinated by Towards Employment, with significant funding from the Fund for our Economic Future, and by extension endowment funds at our community foundations. Work Advance delivers a continuum of appropriately aligned services to meet business needs and move unemployed and low-income working adults onto career pathways in healthcare and manufacturing. By delivering the right services at the right time in response to business demand, WorkAdvance helps move participants from poverty

onto career pathways with better wages and increased economic stability, while meeting local business workforce needs.

Let me briefly share the story of one success. David entered WorkAdvance in February of 2014 for the manufacturing pathway, with a goal of becoming a CNC (computer numeric controlled) machinist, an occupation identified by our industry partners MAGNET and WireNet as in demand by their member manufacturing businesses. David had a 10 year old felony conviction, a history of substance abuse and a spotty work history--consistently underemployed and cycling through low wage jobs, the most recent of which was as a shuttle driver earning \$9.00 an hour. David went through the Advancement workshop focusing on soft skills development and understanding manufacturing career pathways, followed by technical training in CNC Operations provided by Cleveland Industrial Training Center. During this time WorkAdvance staff continued to provide wraparound supports to ensure that David had transportation, stable housing, attended AA meetings and remained focused on succeeding in training. He was an excellent student and was hired directly out of training by Wiseco Piston Company, with a starting pay of \$16.00 an hour and company benefits. As of May 13, David has completed 218 days on the job. David's is but one success story from WorkAdvance and WorkAdvance is but one of the promising initiatives made possible by the power of endowment at community foundations throughout Ohio.

For these reasons I ask that you include this amendment as you deliberate on the budget bill. Thank you for the opportunity to testify. I will be happy to answer any questions.

**Ted Vander Roest
Executive Director
The Springfield Foundation
Ohio Senate Workforce Subcommittee Hearing
May 19, 2015**

Chairman Beagle, Vice Chair Williams, Members of the Senate Workforce Subcommittee, thank you for allowing me the opportunity to testify today about the next state budget and a proposal that can help build Ohio's workforce for the 21st century.

My name is Ted Vander Roest and I am the executive director of The Springfield Foundation, which for the past 67 years has helped donors and the community improve the quality of life for all Clark County residents; last year, the foundation and its donors invested over \$3.8 million in nonprofit programs addressing critical needs. I am a board member of Philanthropy Ohio, a statewide membership association that provides the network, tools and knowledge to help people engaged in philanthropy become more effective, powerful change agents in their communities. Philanthropy Ohio has over 220 member organizations, whose assets total nearly \$11 billion and who contribute more than \$700 million annually to thousands of nonprofits in Ohio.

I am here today on behalf of the nearly 70 community foundations that operate in 78 counties in Ohio and that form the backbone of Ohio's strong philanthropic tradition; indeed, the first community foundation in the world was established over a hundred years ago in Cleveland and community foundations are still being established today. Our community foundations support local nonprofits that address a wide array of critical needs; in 2012, they gave more than \$340 million to fund initiatives in areas including education, health, human services, the arts and community development.

Community foundations in your districts and across the state are able to make these significant investments because of generous Ohioans who create endowments at community foundations. An endowment is a fund that invests donated dollars and uses only the earnings generated from that investment to make grants. Because it uses only the earnings and doesn't touch the principal, these funds are sustainable sources of revenue in perpetuity. I'd like to share an example of the power of

endowment from my experience here in Springfield. With me today is Joshua Jennings, Founding Director of the Global Impact Stem Academy, who will provide further comments about how funding provided to the STEM Academy from endowments at the Springfield Foundation has been critical to its success.

You can help build endowments at community foundations by adopting the attached amendment, which would create a tax credit for gifts to endowments at eligible community foundations. This provision was passed last year by the House, with broad bipartisan support evidenced by the 84 – 9 vote, and has been introduced this year by Representatives Sears and Amstutz as HB 128. Specifically, this idea would enable any Ohio taxpayer to receive a non-refundable tax credit for his/her charitable gift to a permanent endowment fund at an eligible community foundation. The credit limit would be set at 10,000 dollars per year for a single filer and 20,000 dollars per year for joint filers. Individuals making a contribution of less than \$1000 would receive a 50% tax credit and those making larger gifts would receive a 20% credit. The entire tax credit would be capped at 20 million dollars per year and would sunset in 2019. It would hold harmless the impacts to the local government and libraries funds.

To demonstrate the potential power of this credit, consider this scenario: With a 20% credit and a tax credit pool of 20 million dollars, endowment growth could reach 100 million dollars in its first year, with 5% of this -- \$5 million -- issued in grants. With a typical return of \$8 for every \$1 given in grants, this would result in a one-year investment of \$40 million in Ohio communities. In one generation -- in 20 years -- this credit could result in \$800 million in grants, grants that will help young people go to college, that will retrain workers, that will help preschoolers get ready for kindergarten. This is a modest investment of state dollars with a big impact that will build and retain wealth for the prosperity and vibrancy of Ohio communities long after everyone in this room is gone.

You might ask: why a credit? As the tax policy center, a project of Brookings and the Urban Institute, explains:

Because deductions cannot reduce taxable income below zero, their value is limited to the filer's tax liability before applying the deduction. In contrast, tax credits directly reduce a person's tax liability and hence have the same value for all taxpayers with tax liability at least equal to the credit.

So, tax credits are stronger incentives to give than are deductions. Research also shows that tax credits like this one have been instrumental in reaching new donors and increasing giving. One study about this kind of tax credit states:

The available evidence indicates that state tax credits. . .stimulate greater additional contributions than they cost the state in the form of lost revenue.

Additionally, nonprofits have marketed the tax credit to garner gifts to their endowments held at community foundations.

You also might ask why now? You are no doubt familiar with studies and recent census data that show Ohio, like many Midwestern states, is experiencing outmigration as retired people move to sunnier climates and as a younger generation leaves the state to pursue opportunity in other parts of the country. It is vitally important that we do something to stem this tide, and offering this incentive for charitable gifts can help retain wealth in our state. Over the next 50 years, Ohio will see an estimated \$1.07 trillion transfer of wealth, as one generation of Ohioans passes on its assets to the next. This bill will help communities capture this wealth. The beauty of limiting the credit to endowments is that these are permanent funds that will spin off dollars in perpetuity: investing the principal results in growth and potential for future gifts to address needs well into the future, needs that we can't begin to imagine. And, the endowments may be set up for any kind of cause or nonprofit organization at qualified community foundations, assuring the donor's passion and choice persist.

The incentive will also increase charitable giving in Ohio. One-quarter of Ohioans in a typical year report their charitable donations to the IRS on their itemized returns. We know that in 2012 these 1.3 million Ohioans gave just over \$6 billion to charity; and this isn't the full picture – think of all us who drop

dollars into red kettles or firefighter boots, who buy Girl Scout cookies or Cub Scout popcorn, who donate when the school athletic team or civic association knocks on our doors. Ohioans are generous. Yet, we rank 37th in the country in average charitable contributions: we can do better, and this tax incentive helps us do so.

For these reasons, I ask that you to include this amendment as you deliberate on the budget bill. Thank you for the opportunity to testify; I'll now turn it over to Joshua and we will be happy to answer any questions.



GLOBAL IMPACT
STEM ACADEMY

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May 19, 2015

Members of the Subcommittee,

Three and a half years ago, community leaders in Clark County Ohio came together with an idea that would increase educational opportunities to students in our region, fill a workforce development need, and stimulate economic growth by providing a trained workforce. That idea was the Global Impact STEM Academy.

Global Impact STEM Academy is one of many designated STEM schools in the state of Ohio. It is an inclusive, tuition free, public school opportunity that is open to any grade eligible student in the state. The idea of the school was to provide a quality STEM education that was student-centered, inquiry-based, and a direct response to the realization that Ohio's future will be built on its capacity for innovation, invention and creative problem solving. What makes Global Impact even more unique is its specific industry focus in the area of agriculture. The approach to teaching and learning shows students the direct link to "Real World" application across all educational disciplines. The ultimate goal of the school is to prepare students for college and careers without the need for remediation and to create a direct pipeline to the high-wage, high-skill, and high-demand jobs of the future and presently in the industry.

This ambitious goal of starting a school from nothing requires the support of a number of different entities that range from higher-ed, community, business, and philanthropic partners. The Springfield Foundation was and is one of those key partners that has contributed directly to the early and sustainable success of our school. From the earliest stages of this project, the Springfield Foundation assisted in not only the much needed financial support to get our school off the ground with critical capital needs, but also in pulling other community partners together to help share in the vision of increased opportunities for kids and families that will help in building a stronger community for the future.

In the fall of 2013, Global Impact opened its doors with 50 ninth grade students. Next fall we will start the school year with over 270 ninth, tenth and eleventh grade students and 20 staff members. Over the summer, Global Impact will also be moving into its permanent facility at the repurposed and historical former Springfield South High building. This Springfield landmark is one of the most recognizable structures in our community and is key landmark in the southern gateway into downtown Springfield.

The Springfield Foundation has played a significant part in bringing together individuals who wished to see this facility repurposed with those who saw the significance in developing a school that would prepare the youth in its region of the state for opportunities and careers that would help our state compete in the global economy.

Respectfully,

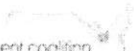
Joshua Jennings
Director

Battelle
The Business of Innovation


THE OHIO STATE
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dayton development coalition
GROWING THE DAYTON REGION