



**Testimony by Director David Goodman
Ohio Development Services Agency
Ohio Senate Finance Subcommittee on General Government and Agency Review
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Chairman Jordan, Ranking Member O'Brien, and members of the Subcommittee on General Government and Agency Review, thank you for the opportunity to offer testimony on House Bill 49, the main operating budget. My name is David Goodman, and I am the Director of the Ohio Development Services Agency.

When Governor Kasich came into office six years ago, economic development in this state needed an overhaul. The old Department of Development was not able to respond in a nimble way to opportunities to grow jobs in Ohio. When investments were made, there was little-to-no accountability to hold businesses to their commitments.

Something had to change. That's why the Governor and the General Assembly created JobsOhio. JobsOhio has driven job creation and new capital investment in Ohio through business attraction, retention, and expansion efforts.

With JobsOhio focused on marketing Ohio to job creators, today's Development Services Agency has two main functions: First, to ensure that companies receiving state benefits fulfill their obligations to the taxpayer. Second, to focus on small business and community development. We administer over 70 programs. Our goal is to manage these programs in a way that helps create jobs and build strong communities, while ensuring accountability and transparency of taxpayer money and exceptional customer service.

At the Development Services Agency, we serve a wide range of customers. **Small business owners** work with us to finance machinery and equipment to expand their businesses. **Local communities** approach us for help improving infrastructure to make their downtowns shine. **Low-income Ohioans** contact us for home energy assistance so they can keep the lights and heat on.

We also work on behind-the-scenes projects. For instance, in Harrison County, a Critical Infrastructure grant was used to upgrade sewer facilities for the County Home. These investments are not necessarily the first thing you think of when you think of Development. But they are vital. Upgraded sewers improve the safety and reliability of the water system and directly impact quality of life.

As you can see, we manage many different programs - but Development's funding request, as introduced, is at the same level as the previous biennium, with the sole exception of debt service.

We strive to create a culture of continuous improvement. Internal work groups evaluate programs and review best practices. Outside partners take a look at our work and provide suggestions. Other state agencies share skills and knowledge. The more feedback, the better - because our ultimate goal is excellent service at a reduced cost to taxpayers.

Accountability

At the Development Services Agency, we take our oversight role seriously. When a major economic development deal from JobsOhio includes state incentives, Development oversees the job creation and capital investment commitments.

Monitoring involves holding businesses accountable while also partnering with them when possible to help them stay on track. Compliance means jobs. The good news is that compliance – and jobs – keep rising.

Every year, the Attorney General checks our work and issues an independent compliance report. In the latest report, issued in November, the overall compliance rate was the highest it has **ever** been: 84.8 percent - up from 54.9 percent in 2013. When recipients underperformed, each case was reviewed, and benefits were reduced or clawed back. But many companies over-delivered on their job commitments. Overall, 119 percent of the jobs promised were created – above and beyond what was originally committed.

As Director of the Development Services Agency, I want to assure you that we are carefully guarding each taxpayer dollar that has been entrusted to us. We work hard to make smart investments that have a real impact.

Ohio. Find It Here.

One of the smartest investments we can make is marketing Ohio to visitors. Tourism is a \$43 billion industry in Ohio. That sometimes catches people by surprise – especially during an Ohio winter! But consider the sheer variety of experiences within Ohio's tourism industry, from roller coasters to vibrant downtowns to Amish Country.

From my first day as the Director of the Development Services Agency, I promised the General Assembly that we would spend the additional money you appropriated for tourism wisely. We committed to develop a modern - yet lasting - sustainable brand for Ohio. And we are on our way.

Ohio. Find it Here. represents how people think and feel about their experiences in Ohio. The “it” is the emotion visitors feel here. “It” may be Joy, Love, Anticipation, Opportunity, Happiness, or Excitement. People make meaningful connections when they travel in Ohio.

This brand is versatile, functional, and emotional. It was tested against brand statements from our neighboring states, and consumers found it to be overwhelmingly more appealing.

TourismOhio has introduced the brand to partners across the state, and the integrated marketing campaign is now being executed year-round. I believe that we are just beginning to see the fruits of these investments.

The 5-year pilot funding model for TourismOhio concludes after Fiscal Year 2018. The model was built in collaboration with industry partners and is based on the year-to-year increase in state sales tax generated by tourism. Funding is capped at \$10 million per year plus an adjustment based on the Consumer Price Index. This year, for example, the adjustment provided an additional quarter-of-a-million dollars.

The Revised Code requires Development, OBM, and the Department of Taxation to analyze the TourismOhio funding model and issue a report in Fiscal Year 2018. For this reason, the budget extends funding for an additional year – through Fiscal Year 2019 – to allow time for this study to be conducted without interrupting our investments in tourism.

Entrepreneurship. Find It Here.

Small businesses are the backbone of the Ohio economy. In fact, 98 percent of all businesses in Ohio are small businesses. And we are investing in them.

The Development Services Agency partners with a variety of business assistance centers located across the state. In the last biennium, a major initiative at Development was to encourage sharing, collaboration, and partnership between:

- Small Business Development Centers (SBDCs),
- Minority Business Assistance Centers (MBACs),
- Manufacturing Extension Partnership affiliates (MEPs),
- Entrepreneurial Services Providers (ESPs),
- and other regional resources.

Each of these centers has an important *individual* role to play. But *together*, they increase their expertise and effectiveness.

One example of a business receiving help from these centers is *Wireless Environment*, located in Solon. This company offers innovative motion sensor lighting, manufactured under the brand “Mr. Beams.” The lights are battery-powered and operate off the grid, saving money on electric bills and making them ideal in a blackout. *Wireless Environment* contacted Jumpstart, one of our ESPs, and received valuable coaching that they credit with being a catalyst for growth.

Our budget proposal funds these centers at the same level as the current biennium.

Opportunity. Find It Here.

Our Minority Business Development Division works every day to help small, minority, and disadvantaged companies. The Division provides technical and professional assistance, access to capital, and connection to opportunities. They also partner with the Department of Administrative Services to support the achievement of the 15 percent procurement set-aside requirement for Minority Business Enterprises (MBEs).

I am very proud of their work. For the second year in a row, the state of Ohio exceeded that threshold - purchasing 23.63 percent of goods and services from certified MBEs. That's nearly \$298 million spent with minority-owned companies across Ohio.

One exciting story of business growth is *Dedicated Motivated LLC*, a minority-owned and MBE-certified fitness center located in Middletown. Membership was rapidly increasing, and the company had outgrown its facility. We were able to offer them a loan to help purchase and renovate a former grocery store space that will allow them to expand and hire 11 new employees.

Supporting hometown businesses like *Dedicated Motivated* also supports local communities.

Community. Find It Here.

As I travel across Ohio, it strikes me that vibrant downtowns can create a snowball effect. People increasingly want to live and work there – no matter the size of the community.

The Development Services Agency provides funding and other resources to help build and grow strong communities. We manage federal and state programs to restore historic buildings, revitalize main streets, clean up old industrial sites, and find solutions to other local development challenges. And we don't do it alone. Local governments, nonprofits, the business community, and other state agencies all play a role. Together, we help make what's old – new again.

One of the programs I am especially passionate about is the Abandoned Gas Station Cleanup Program.

There is a contaminated property in my hometown that had once been the site of a service station. The underground tanks were removed, but petroleum had leaked under the street to another property. There was no longer a responsible party to pay for the cost of cleanup.

Despite its prime location, it is blighted. Liability questions and the high cost of clean-up have made it a bad deal for redevelopment. This is a small town's economic development nightmare.

But it isn't just my hometown. As I traveled the region as a legislator, and the state as the Director of Commerce and Development, I continued to see these prime locations, with so much potential, empty because of abandoned gas stations.

I wasn't the first guy to think we needed a solution to this problem. Every mayor and developer in every town in America has been frustrated by it. But through the Abandoned Gas Station Cleanup program, we are now able to clean up and find new uses for these properties, working with local communities, the Ohio EPA, and the Bureau of Underground Storage Tank Regulations (BUSTR) section of the State Fire Marshal's Office at the Department of Commerce.

And thanks to you! In the last budget, the legislature funded this program using existing bond dollars, so local communities can give new life to these sites. Currently, 25 sites - from Adams County to Summit County - are in contract, and another half dozen are in the pipeline.

An additional resource for communities is the Governor's Office of Appalachia, led by former State Senator Jason Wilson. The office works with four local development districts and the Appalachian Regional Commission to fund neighborhood and economic development projects. These projects focus on improving lives in the 32-county region of Ohio.

Conclusion

At the Development Services Agency, we want to be a resource to you. Economic development is about more than filling out a grant application and hoping the money rolls in. It's about working together to meet the challenges of a project or situation and coming up with a more impactful and sustainable solution. I invite you to contact me at any time when you or any of your constituents want to talk through a potential development project.

At the Development Services Agency, we want to work with our partners in the General Assembly to help create jobs and build strong communities, while ensuring accountability and transparency of taxpayer money and exceptional customer service.

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