

Business Leadership to Build a Better Ohio

Chairman Dolan, Vice Chair Cirino, Ranking Member Sykes and members of the Senate Finance Committee, thank you for the opportunity to present testimony on priority provisions in House Bill 33, including the low-income housing tax credit (LIHTC) and net profit tax returns.

My name is Alexandra Denney and I am the Vice President of Government Relations and Communications for the Ohio Business Roundtable, a statewide business association of CEOs and Presidents of the top companies in the state. We currently have just over 100 members and the companies collectively employ over a half a million Ohioans and generate a revenue of more than \$1.5 trillion, which helps support Ohio's economy.

Our membership is inclusive of industry leading companies representing over 20 Ohio industries which includes—but is not limited to—companies such as KeyBank and Huntington representing the banking sector; Cincinnati Financial and Nationwide in the insurance sector; Kokosing representing construction; CareSource, Cleveland Clinic, and many of Ohio's children's hospitals representing healthcare; Bowling Green and Miami University in the higher education space; Owens Corning, RPM International, Inc, and Cleveland Cliffs in the manufacturing sector; AEP and Marathon in energy and utilities; and many more.

The Ohio Business Roundtable is a staunch supporter of provisions included in House Bill 33 that authorize a nonrefundable state tax credit that can pair with the federal low-income housing tax credit (LIHTC) for workforce housing projects. This language is based on the language of House Bill 3, which has received four hearings in the House Economic and Workforce Development Committee.

Currently, Ohio is experiencing a dire lack of housing at every price point in various regions throughout state. We have seen a significant increase in the cost of housing because of increased demand in parts of our state, which will only continue with the economic development projects that our state has recently won.

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While outlook has improved in our state economic development-wise over the last 8 years, we still lost a Congressional seat—again—last year. We may have added quite a few economic development wins throughout the state recently, but only a third of Ohio counties gained population according to the 2020 census data. However, within those 32 counties, the crunch is on to find housing, and that demand will only grow as the projects such as Honda, Intel, GM, Abbott, and more become operational.

Why does OBRT care about housing? We care about economic development. You cannot care about that without caring about workforce and ensuring we have the capacity in our state to house the workforce. We do not right now. Employers are concerned by this trend, and realize this shortage will make Ohio less competitive if it continues.

History of the Tax Credit

In 1986, a landmark tax bill was passed in bipartisan fashion at the federal level with a Democrat House and Republican President, Ronald Reagan. The Reagan Administration came up with a brilliant idea to deal with affordable housing, which at that point was a federally regulated and owned program, with the exception of the Section 8 voucher program. President Reagan's idea was to unleash the private sector in support of competition with state government oversight in all 50 states, but with a federally supported tax credit.

This was a significant change in how housing would be built and operated across the country. In this new proposal, private developers and nonprofit developers compete for federal tax credits issued by each state. Banks would lend to those developers for the project. Private investors would invest. Developers would receive a fee up front, but their profit would be capped and not guaranteed. As a result, private market forces put pressure on the developer from the investors, from the banks, and from the state, which would result in a much more market-based development being built, but it was still able to provide housing at an affordable rate. In fact, so much so, that these projects were no longer the substandard housing complexes we had come to associate with affordable housing.

The program became so successful that many state legislatures, both Republican and Democrat, passed their own state tax credit for workforce housing that can be combined with the federal credit to attract for-profit and non-profit developers and investors.

Unfortunately, in our state today, while demand has created a lack of supply at all levels, the economics to build affordable housing are not market based. Land prices are often inflated and climbing in areas where housing is in most demand. Both issues cause housing to be more expensive and harder to build in areas that need it most. Having an additional tax credit will help solve at least part of that problem.

OHFA Role in Ohio's Tax Credit

The LIHTC provisions in House Bill 33 represent the only housing program that the state can play a role in and does so through the Ohio Housing Finance Agency (OHFA).

The Ohio Housing Finance Agency plays a critical role, providing financing for the development and rehabilitation of affordable housing through the LIHTC program. They also maintain comprehensive data and information about every tax credit project across the state, including the amount of the credit, profits, and rent. You may hear that developers are making money off this program, but the reality is, there is a cap on what exactly an affordable rate developer can earn.

For most, this is not free housing—residents can be gainfully employed, yet their salary does not accommodate the rapidly increasing housing prices.

OHFA also maintains information on the income limits to qualify for the program in each county, which are higher than you may think. Workforce housing properties that utilize this tax credit can house anyone within 30 to 80 percent of the county AMI, however the average income for all residents within the property combined cannot exceed 60 percent.

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For example, the top end of the 2022 income limit in Franklin County was \$52,500 annually for an individual (~\$25/hr) and \$74,950 annually for a family of four (~\$37/hr), which represents 80 percent of the county's average median income (AMI). Sixty percent of the AMI in Franklin County is \$39,360 annually for an individual and \$56,220 annually for a family of four. In contrast, in Belmont County the top qualifying income level (80% of AMI) is \$41,040 annually for an individual and \$58,560 for a family of four.

When applying for the workforce housing, an individual's rent is calculated to be 30 percent of their income. If they were to receive a raise, their rent would continue to be 30 percent of their income and they can continue living within the complex so long as their income does not exceed 80 percent of the area median income (AMI). This helps prevent a tenant from turning down raises or from losing their housing based on a promotion.

I want to acknowledge that the program offers tremendous flexibility for communities. The Catholic Diocese of Columbus is a large organization using these tax credits to provide affordable housing to seniors, ensuring they have a good quality of housing to accommodate their needs as they age. Additionally, the National Church Residencies has used these credits with the Veterans Administration to establish veteran housing.

During Pat Tiberi's time as a Congressman—now serving as OBRT's President and CEO—he worked with the National Church Residencies to establish a facility that provided veterans a place to live for up to a year, giving them the opportunity to get sober, find employment and get back on their feet. In order for a property to offer this type of accommodation, however, it has to be subsidized by an outside entity, not the state. Furthermore, these examples are the exceptions, not the rule.

Local Involvement

It is important to note that this LIHTC language does not change the current zoning statutes. Local governments still maintain their authority to adopt and enforce zoning regulations and can decide whether to permit these workforce housing projects in

their areas. This will only continue to incentivize developers to offer high quality projects to communities.

The low-income housing tax credit will serve as another essential tool in the toolbox to help communities attract investment and assure that the construction workers, service industry workers, and others will have the housing needed to support these economic development projects across the state. This will not solve every problem in the housing world in Ohio, but it is certainly a step toward addressing the shortage.

Business Net Profits Reporting

The Ohio Business Roundtable is also a proponent of amendment SCO556x2 (House Bill 121) because it reduces complexity for employers when it comes to reporting the net profits earned by a business within a municipality. This language is not currently included in HB 33, but OBRT respectfully urges support for incorporating it in the Senate substitute bill.

Given the new work from home realities, businesses face a greater burden in tracking and filing net profit returns in every taxing jurisdiction where their employees are working from home. Prior to the pandemic, many Ohio Business Roundtable members would file one municipal net profit return in Ohio to the city of its physical office. With many employees now working from home, this could subject these companies to track and file new net profit returns to dozens of additional municipalities.

House Bill 121 allows businesses to opt-in to an approach that permits the remote work profits of an employee to be assigned to a reporting location designated by the employer based on reasonable facts and circumstances. It is important to note that the bill is optional, so businesses can continue using current law if it would rather maintain status quo and track apportionment where its employees work.

Ohio has one of the most complex taxing systems, ranking second in the nation for the greatest number of taxing jurisdictions. As the Ohio Business Roundtable works to advance economic development within the state, reducing the tax burden of doing

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business in state will help attract and retain business invest in Ohio. While we believe there is still much more to be done to simplify our tax code, amendment SCO556x2 is a positive step toward reducing the burden for businesses.

Conclusion

The Ohio Business Roundtable respectfully urges your support in preserving the low-income housing tax credit language (HB 3) and requests inclusion of amendment SCO556x2 (HB 121) into the Senate version of the budget.

On the following pages, we have included a full list of Ohio Business Roundtable budget priorities for your review.

Thank you for the opportunity to testify. I am happy to answer any questions.



Ohio Business Roundtable

BUSINESS FOR A BETTER OHIO

BUDGET PRIORITIES



WORKFORCE HOUSING



TAXATION SIMPLIFICATION



PRIMARY & HIGHER EDUCATION

WORKFORCE HOUSING

Expand Opportunities for Workforce Housing: With recent economic development announcements, it is apparent that there is not enough temporary or permanent housing to meet the coming workforce demand, and employers will face increasing pressures to house their workforce. OBRT is supportive of efforts to expand housing assistance and programs, such as the state low-income housing tax credit (LIHTC), housing technical assistance for local governments, and the Homeownership Savings Linked Deposit program.

OUR ASK: Include House Bill 3 language in the budget (TAXCD32), including provisions regarding LIHTC property valuation (TAXCD74).

MUNICIPAL TAX

Offer a Modified Municipal Income Tax Formula: Due to the shift towards remote work over the past few years, businesses have taken on significantly more responsibility in tracking and submitting net profit returns for each taxing jurisdiction where their employees are working from home. OBRT is encouraging the inclusion of House Bill 121 in the budget, which will allow businesses to use a modified version of the municipal income tax apportionment formula for remote employees. This optional modification will reduce compliance burdens.

OUR ASK: Include House Bill 121 language in the budget (Amendment: SC0556x2).

HIGHER EDUCATION

Providing Greater Access to Higher Education: The Governor's budget proposal provided a much-needed increase to the Ohio College Opportunity Grant, which would allow the need-based funding to reach middle-class families for the first time since its creation. Ohio continues to fall behind neighboring states, such as Indiana and Michigan, when it comes to investing in higher education. This puts our state at a greater disadvantage for attracting and retaining top talent in Ohio, which is a necessity if we are going to have the workforce needed to support our economic development momentum.

OUR ASK: Restore OCOG funding for GRF ALI 235563 to \$216M in FY '24 and \$346M in FY '25 (Amendment: SC0553).

LITERACY EDUCATION

Literacy & Third-Grade Reading: The ability to read, write and comprehend is fundamental to the success of every Ohioan. Approximately 40% of students across the K-12 spectrum are not reading at grade level. Current law requires third grade students who are not reading at grade level to be retained so they can learn to read before moving on. The Governor's budget made historic investments in supporting schools and educators in literacy curriculum and instructional strategies aligned to the science of reading. While the House budget keeps most provisions in place, they drastically cut spending.

***OUR ASK:** Restore funding for literacy instructional materials and teacher professional development to the as-introduced version of the budget, \$64M and \$43M respectively (EDUCD24). We also request \$12M in funding for computer science (EDUCD74). Lastly, we request House changes to the Third Grade Reading Guarantee be removed and continue retention for third grade students who are not able to read proficiently (EDUCD86).*

ECONOMIC DEVELOPMENT

Invest in Economic Development: OBRT continues to advocate for policies and programs that encourage companies to invest in the Buckeye State, such as the funding for innovation hubs outside of the "3Cs", the All Ohio Future Fund, and funding to continue broadband expansion.

***OUR ASK:** Restore Innovation Hub funding to \$150M (Line item 5ZK0 1956F8) and All Ohio Future Fund allocation to \$2.5B (OBMCD38).*

TRAINING & RESKILLING

Training & Reskilling: Ohioans must be equipped with the skills and training opportunities to meet the growing workforce needs. As a result, OBRT is advocating for targeted WorkFORCE Ohio funding to expand higher education programming for in-demand jobs, and funding for the Internship Pilot Program to connect students with Ohio-based employers and facilitate work-based learning opportunities to increase worker retention in Ohio.

***OUR ASK:** Restore establishment and funding of WorkFORCE Ohio program (BORCD65) and Internship Pilot Program (BORCD82).*

REENTRY & SECOND CHANCE

Reentry & Second Chance Workforce Training: Reentry initiatives have a profound impact on transitioning justice-involved individuals back into our communities. These programs are not just aimed at reducing recidivism, but they also help to connect these individuals with meaningful employment to strengthen Ohio's workforce pipelines. OBRT supports expanding training and education of returning citizens to enhance the ability to provide trained formerly incarcerated employees to Ohio's business community. With over 18,000 individuals last year, DRC can make a meaningful impact on Ohio's workforce shortage.

***OUR ASK:** Restore funding of DRC's Office of Reentry programming, totalling nearly \$20M over the biennium (GRF 501321 and GRF 506321).*



ABOUT US

The mission of the Ohio Business Roundtable is to improve Ohio's economic vitality and ensure we remain an ideal state to live, work, and succeed. Our team and our members are committed to working in a nonpartisan manner with the Governor and other public leaders to address current challenges and build a better Ohio.

The Roundtable is a nonpartisan, nonprofit organization comprised of more than 100 presidents and CEOs and the companies collectively employ over half a million Ohioans and generate a revenue of more than \$1.5 trillion, which helps support Ohio's economy.