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Ohio Development Services Agency
Ohio Senate General Government Budget Committee
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Chairman Schaffer, Ranking Member Craig, Vice Chair Wilson, and members of the Senate General Government Budget Committee, thank you for the opportunity to offer testimony on House Bill 110, the state operating budget. My name is Lydia Mihalik, and I am the Director of the Ohio Development Services Agency.

2020 was a challenging year, for the country, our state, and our communities. But Ohioans and Ohio businesses are resilient and have met those challenges head on. And now, we are well-positioned for a strong comeback.

During this time, the DeWine-Husted Administration has been a strong partner, and the team at Development has not hesitated to step up and do our part.

We established the Office of Small Business Relief to assist our small businesses as they identify funding support, purchase and manufacture Personal Protective Equipment (PPE), and implement guidelines to help them operate safely.

This included establishing grant programs such as the \$125 million Small Business Relief Grant, the \$38 million Bar and Restaurant Assistance Fund, the \$20 million PPE Retooling and Reshoring Grant, and the \$5 million Minority Micro-Enterprise Grant.

We also invested \$10 million in Appalachian Growth Capital, LLC, which is a Community Development Financial Institution, to provide low-interest loans to businesses in Ohio's Appalachian region.

Companies like Carriage House Printery in Carroll (Fairfield County) used its \$500,000 PPE Retooling and Reshoring grant to produce community masks and gowns. Another example is ROE Dental Laboratory in Independence (Cuyahoga County). The company used a \$450,000 grant to produce community dividers and face shields.

To help Ohioans and our communities, we worked closely with our partners at the 47 Community Action Agencies (CAAs) to provide mortgage, rent, and utility relief. To date, Development has provided \$200 million for this assistance and will administer an additional \$464.8 million from the federal government in the coming year. We also provided \$36 million for the CARES Act-Community Services Block Grant program to our Community Action Agency partners last year to help with needs such as food banks, internet assistance, and transportation.

I want to take this opportunity to thank Phil Cole at the Ohio Association of Community Action Agencies and each of the local agencies across the state for our outstanding partnership over the past year. Our joint effort to quickly stand up these programs has had a real impact on Ohioans in crisis this year, and we truly appreciate them.

Development provided an additional \$20 million in funding from the CARES Act for homeless shelter operations, homeless prevention, and re-housing programs, and will continue to provide assistance to the homeless shelter network with our CARES Act - Emergency Solutions Grant Funding. We also continue to support Ohio communities with our traditional Community

Development Block Grant program. Development provided more than \$31 million in Fiscal Year 20 to assist infrastructure projects that impact nearly 749,000 Ohioans, funding such projects as new water and sewer lines and plant upgrades.

While I am incredibly proud of the work our Agency did over the past year, I am also very optimistic about what lies ahead. Development's operating budget for Fiscal Year 22 and Fiscal Year 23 reflects our dedication to investing in Ohio's businesses, communities, and people, as well as our commitment to fiscal responsibility.

Development's GRF request for Fiscal Year 22 represents a 3% decrease from Fiscal Year 21. The GRF request for Fiscal Year 23 is a 4% increase from Fiscal Year 22, which is due to debt service obligations. Our Agency's operations appropriation remains neutral year-over-year.

While many of the requests outlined in our operating budget will be familiar, there are a handful of initiatives we believe will have a positive impact on community and economic growth throughout the state.

Ohio is well positioned for success in 2021, if we take advantage of the opportunities presented to us. It's time to double down on what makes our state a great place to live, learn, work and visit. That is what we are going to do at Development – increase our investments in our small and minority businesses, communities, and workforce.

Ohio Small and Minority Business Development Centers have worked with a record number of clients over the past year, helping to guide them through the pandemic. These dedicated business counselors work every day to ensure that small business owners have resources and access to training programs that help them grow their business.

Development would like to do more. Our budget proposes establishing a \$25 million Small Business Job Creation Tax Credit by transferring tax credits from the InvestOhio program. Structured like the current Job Creation Tax Credit, this program would be available to businesses that do not meet the current minimum job and payroll thresholds for the program. As with the existing Job Creation Tax Credit, it will be performance-based, overseen by the Tax Credit Authority, and the company will be required to show the tax credit is a major factor in proceeding with the project.

We also propose two new loan programs: the minority-owned business micro loan and the women-owned business loan. Funded at \$5 million, minority-owned business micro loans would start at \$10,000 and be up to \$45,000. The loans may be used for working capital, machinery and equipment purchases, leasehold improvements, inventory, rolling stock, and the refinance of existing business debt. A loan program of this size fills the gap in the financing programs we currently offer by allowing us to provide loans in smaller amounts.

Our request for the women-owned business loan also is \$5 million. The program guidelines and eligible use of funds will follow the established guidelines for the Minority Business Direct Loan. In the past year, 51.5% of the business owners and entrepreneurs using the services of the Small Business Development Centers across the state were women. This program would broaden the resources we can provide these businesses as they look to grow.

By implementing these three programs, we can bridge the gap for many businesses. We'll support them as they grow, and ensure they stay here in Ohio. We also want to make accessing resources easier for our business owners and entrepreneurs.

Right now, minority-, women-, veteran-owned, and economically disadvantaged business owners work with the Department of Administrative Services (DAS) Equal Opportunity Division to receive certifications that can open opportunities for government contracts. After certification, they can then work with our Minority Business Development Division for technical and professional assistance, access to capital and bonding, and connection to business opportunities through the Minority Business Assistance Centers. While the programs are different, the goal is the same – increase the number of minority-, women-, veteran-owned, and disadvantaged businesses that can become successful in Ohio, and for those established businesses, to help them create jobs.

To better serve these entities, we propose merging the two offices to create one office, at Development, to support our minority, women, veteran, and disadvantaged businesses. No more handoffs between our agencies depending on the maturity of the businesses. We'll have a one-stop shop for serving these businesses, which will streamline operations and improve the customer experience.

You will see in our budget that Development's Minority Business Development Division General Revenue Funding will increase to account for the decrease in funding for this division at DAS. We do not anticipate a reduction in the workforce with the merger. This is an opportunity for the state to streamline services and improve overall customer service to our minority and disadvantaged businesses.

Access to a skilled workforce is also important to companies as they look to relocate or expand their facilities.

Ohio has the opportunity to build its workforce by continuing programs such as TechCred and the Individual Microcredential Assistance Program (IMAP). TechCred helps Ohioans learn new skills and helps employers train their workforce for the technology-infused economy. IMAP helps Ohioans who are underemployed or unemployed by providing training and credentials at no cost, so they can start a new career or move to the next step in their current career.

As a former mayor, I am also proud of the work our team at Development does to support and invest in local communities throughout the state.

Recently, Development provided Madison County a \$381,600 grant to help the village of Mount Sterling install 1,950 linear feet of new water main and five new fire hydrants along S. London Street. The project improved the water pressure in the lines, which is essential for the local fire department to protect homes and businesses in the area.

And last year, we provided Morgan County a \$750,000 grant to help construct and install a new sanitary collection system in the village of Chesterhill. The project, which included nearly 50,000 linear feet of sewer lines as well as three lift stations, and 10 grinder pumps, connects the village to the Stockport treatment facility, preventing waste from entering Wolf Creek.

Many times these projects don't make the news, but they are extremely important. Investing in infrastructure improves the quality of life and makes our communities more competitive for job creation or expansion projects. The funding that Development provides can leverage other funds and, in our Appalachian counties, be combined with Appalachian Regional Commission funding or state Governor's Office of Appalachia funding to get a project over the finish line.

Ohio is the only state in the 13-state Appalachian region that has an office and funding dedicated to supporting community and economic development projects. It is our hope that the legislature will fund our request for the Governor's Office of Appalachia, which has provided funding in the past for projects that improve infrastructure, support business expansions, and provide funding for workforce training and recovery programs.

The past year has also made it clear that we need to ensure our communities are connected in this digital age. To that end, BroadbandOhio has been working diligently throughout the pandemic to identify innovative ways to increase access across Ohio. The BroadbandOhio team launched a telehealth pilot with Switzerland Local Schools in Monroe County to support the district's behavioral health specialists, improved the permitting process at ODOT for access to rights-of-way, and with JobsOhio, we have partnered with Starlink to provide service via satellites in Union County. BroadbandOhio has also worked with the Office of Workforce Transformation and the Ohio Library Council to develop digital literacy programs.

Development's work doesn't begin and end with businesses and communities. We also work to support individual Ohioans and their families.

Recognizing that some Ohioans may need a hand up, Development provides many beneficial services to those in need. In Fiscal Year 2020, we assisted more than 260,000 households through our energy assistance programs, such as the Home Energy Assistance Program (HEAP) and the Percentage of Income Payment Plan Plus (PIPP), to help Ohioans manage their bills and prevent disconnections.

Through the Ohio Housing Trust Fund programs, we work with local partners to combat homelessness and increase access to affordable housing across the state. For our seniors, the Trust Fund supports necessary rehabilitation and accessibility projects that help them stay in their homes. Ensuring that Ohioans have a home they can afford brings a family stability, and a place where they can stay healthy, educate their children, and during this pandemic, continue working.

In total, Development administers more than 70 programs that result in more than \$1 billion being invested in our businesses, communities, and people each year.

Our mission is simple: collaborate with community and economic development leaders to build strong, vibrant communities ready for job creation. The work we do is, at its core, development. This is why we are also requesting to change the name of the agency to the Ohio Department of Development, a name that more accurately reflects our role in state government.

As I stated earlier, our operating budget reflects a dedication to making key investments in Ohio and a commitment to fiscal responsibility. When combined with the more than \$1 billion Investing in Ohio Initiative that Governor DeWine and Lt. Governor Husted recently announced, I know our state will have a strong comeback.

Thank you for your time today. I am happy to answer any questions you have regarding our budget proposals.