



Opponent Testimony on Am. Sub. HB 123 – Modifying Community Reinvestment Areas

To Chairman Blessing and Members of the Senate Ways & Means Committee:

Having managed Medina County's Community Reinvestment Area programs for nearly thirty years, the Medina County Economic Development Corporation speaks in opposition to this bill from a position of experience. Our four-person economic development staff administers 22 CRA programs for cities, villages, and townships in Medina County, both Pre-1994 and Post-1994, and we can verify that the State's CRA program is a powerful tool for attracting and retaining businesses. From this perspective, we certainly appreciate Am. Sub. House Bill 123's goals of streamlining the process of tax abatement administration, but we have a number of grave concerns about the bill's approach and urge the committee to oppose its passage.

The proposed revisions to the CRA program in HB 123 remove the balance of Ohio's property tax incentives programs between pro-active business support and the accountability of companies when a community is trying both to attract business expansion and to justify the use of valuable taxpayer dollars to their citizens and school districts.

By eliminating language in Ohio Revised Code specifying the exact form and content of the agreement between the local government and the owner of a project, the bill no longer requires companies to commit to job creation, job retention, or new payroll. This takes away the moral authority currently provided by state law for communities to plan their growth and hold companies accountable for incentives.

This bill encourages damaging competition among communities within our state, putting Ohio counties in competition with each other, rather than other states. Eliminating ORC language requiring a job commitment makes it extremely difficult for local officials to ask a company to obligate themselves to new jobs, out of fear that their incentive offer may not be competitive enough with a community on the other side of the state which is not asking the company for any accountability. So instead of having consistent requirements that are enforced statewide, the bill encourages a "race to the bottom."

This lack of accountability runs completely counter to the current economic development practice modeled for local communities by JobsOhio, which is given leeway by the State of Ohio to negotiate incentives like the Job Creation Tax Credit. JobsOhio requires a reasonable "Return on Investment" to the State of Ohio's payroll tax system when calculating a specific tax credit offer. This means that the company must provide information on, and make a commitment to, a specific number of new jobs and new payroll. This commitment is evaluated on an annual basis to ensure that the State is receiving the promised payroll that justified the incentive in the first place.

Why would the State of Ohio want to require anything less than full accountability from the local communities who are administering a property tax incentive program that actually diverts more taxpayer dollars for incentives than most other State incentives?

Local elected officials have an obligation to their constituents to use taxpayer dollars wisely, and to be completely transparent with their budgeting process. This transparency must apply not only to the dollars they receive, but to the dollars which they otherwise *would have received* if a tax abatement were not approved. If they can report that in exchange for the future tax dollars they are giving up, the community is benefiting from a



good number of new jobs, new payroll, and capital investment, then local officials can defend their approval of a tax abatement agreement with solid facts and economic impact data on their side. Without a job creation commitment requirement to explain their decisions, elected officials could face very challenging questions from their voting constituents.

Bill proponents have indicated that the proposed CRA program changes would make Ohio more competitive. I would argue that with our current CRA regulations in place, Ohio has been very competitive since the early 1990's, as evidenced by the state rankings for the most "new and expanded" corporate facilities as tracked by *Site Selection* magazine for over forty years. Since 1993, Ohio has been ranked #1 ten times for the most plant expansions, and has been in the top three since 2003, usually in first or second place.

Our existing incentive programs must be quite acceptable by the businesses and development community for Ohio to see these kinds of results decade after decade. On a local level, we have never seen a company walk away from a deal in Medina County because we asked them to sign an agreement committing to new jobs, or even because of the public notice periods.

The CRA property tax abatement program is the one of the state's most-used incentives. Forty-three Ohio counties currently offer a post-1994 CRA program, according to the Ohio Department of Development (ODOD), and we all have created a process to handle these agreements using the model agreement already in place in Ohio Revised Code.

The changes being proposed in HB 123 purport to streamline the process by eliminating the requirement for ODOD to approve a proposed community reinvestment area (CRA), and by repealing certain reporting requirements. In actuality, the changes made in the bill do not actually streamline the process. Referring to lines 97-101 and lines 127-133, the new regulations would require that the director of development services "assigns to each community reinvestment area a unique designation by which the area shall be identified...." From a practical perspective, this "assignment" process acts virtually the same as approval of the proposed CRA area, in that the local community cannot grant any CRA tax exemption until such time as ODOD assigns it a designation – or in other words, until the CRA is registered with the State, which right now occurs during the ODOD approval process. Just as we feel it is vital to have checks and balances on companies receiving tax abatements, it is logical to have a State agency verify that a CRA program has been created correctly and according to ORC.

The repeal of annual reporting requirements is also of great concern from a transparency perspective. The bill eliminates locally impacted boards of education from receiving reports on agreements that are in place during a given year (lines 455-458). This seems to target our school districts as an enemy in the tax abatement process, deliberately making it difficult on them to receive updates on information which has a significant impact on their school systems.

The other two elements of the bill that directly target school districts is the increase from 50% to 75% for proposed CRA exemptions that require obtaining prior permission from a school district, and the increase of a municipal income tax-sharing requirement from \$1 million in new payroll to \$3 million.

With over 80% of the existing Post-1994 CRA agreements allowing for tax abatements in excess of 50%, it seems that most school boards in the State of Ohio have been very cooperative in approving this incentive to encourage investments, but these changes undermine the strength of local public education. They send a message that Ohio does not value local schools which are already struggling with school funding issues.



The importance of strong partnerships with educators cannot be overstated from an economic development perspective, as schools provide the pipeline of future workers to companies in the State of Ohio. An ongoing supply of quality labor is one of the most critical elements in business attraction, even more important than incentives offered for the construction of a new building.

Strong schools mean we can offer an effective workforce, attract new population, and provide a great quality of life. We have seen business attraction deals that decided on our community based on the strength of our school systems, and pro-active communities use the tax abatement approval process to help companies see partnerships and engagement with the school system from the very beginning.

HB 123 would also reduce the eligibility of a company to apply in between tax exemption programs from five down to two years. We believe that the existing five-year rule has actually helped Ohio avoid lots of cases of such "jurisdiction jumping." By keeping this five-year limit in place, we are avoiding the circumstances common in other states with lower requirements where companies do move back and forth over jurisdiction lines just to avoid property taxes.

One last issue of concern is the elimination of fees paid by tax abatement beneficiaries to the local authority and ODOD to cover the cost of administering such projects. Fees paid to the municipal corporation or the state that are associated with the processing of CRA agreements are used by many municipalities to cover the very real expenses incurred in managing these agreements. Even if reporting requirements are streamlined through HB 123, the work required to administer and monitor CRA agreements still must be done, such as coordinating with public bodies, investigating the status of facilities with abatements, organizing Housing Council meetings, and reporting to the state.

If these fees are not able to be collected, this loss of non-tax revenue could damage communities which are trying to be creative with other economic development incentive programs. The lack of non-tax revenue inhibits a local community's ability to fund grants to businesses through local Job Creation Grant programs that also incentivize job creation, but which cannot be funded from local payroll taxes; this and other creative incentives depend on non-tax revenue. I also note that while negotiating dozens of tax exemptions over two decades, I have never seen one company decline to make an investment because of a CRA fee structure.

HB 123 encourages the creation of an unlevel playing field. For those communities which choose to continue the responsible administration of CRA tax abatements by involving their school districts and holding companies accountable to a job creation commitment in their CRA agreements, they will be pitted against communities who throw caution to the wind and enact no standards in the cavalier distribution of valuable taxpayer dollars.

We encourage you to oppose the passage of HB 123 and continue allowing for public accountability and transparency in the administration of a very useful and powerful business attraction tool for the State of Ohio. Thank you for the opportunity to testify on this important issue.

Sincerely,

A handwritten signature in blue ink that reads "Bethany Dentler". The signature is written in a cursive, flowing style.

Bethany Dentler, CEcD
Executive Director, Medina County Economic Development Corporation