



**Ohio Senate**  
1st District

**Cliff Hite**

**State Senator**

Senate Building Room 142  
Columbus, Ohio 43215  
614.466.8150

Committees:

Agriculture – Chair  
Education Finance Subcommittee – Chair  
Education  
Energy & Natural Resources  
Public Utilities  
Correctional Institution Inspection Committee  
Rules and Reference

**Senate Bill 147 Sponsor Testimony**  
**September 6, 2017**

Good morning Chairman Eklund and members of the Senate Ways and Means Committee,

Thank you for the opportunity to testify today on what should be familiar legislation to you, the Ohio Rural Jobs Act (SB 147.) Last General Assembly this legislation passed unanimously both in this Committee as well as on the Senate floor. I would also like to point out that similar language was agreed upon only a few months ago by the conference committee for House Bill 49, but was subsequently line item vetoed by Governor Kasich.

In the spirit of working together and compromise, I am actively having discussions with the Administration to address their concerns as outlined in the Governor's veto message, and we are willing to make adjustments as necessary in order to see this important legislation across the goal line.

It is often said that small businesses are the backbone of the economy and this has never been truer than today. In our rural communities, small business growth is critical to providing those quality opportunities to our young workers. Small businesses employ nearly 50 percent of the private sector workforce, contributing two-thirds of new job creation annually. If we want to sustain and grow our communities, we must encourage the same small business production in rural Ohio.

Small businesses need many tools, but, arguably, the most fundamental of those tools is capital. Engaging the private market to invest in underserved rural communities may be the best way to tackle poverty and spur economic growth in these areas.

What does it really mean to have "access to capital?" Large expansions, projects or lines of credit for businesses were traditionally financed by banks and still may be today, although less often. Increased federal and state regulation, stricter lending standards and a fight to sustain thin margins have driven big banks away from small business lending. In 1995, half of all business loans went to small businesses. Today that ratio is lopsided, with less than 29 percent of all business loans going to small businesses. This is not helped by the fact that since 2000, 28



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percent of local and community banks have gone out of business or been acquired by a regional or national bank.

What can we do to fix the disparity in access to capital and help small businesses? While there is not a single tool that can solve all of these problems, there are steps we can take to proactively drive capital into these underserved markets. The Rural Jobs Act is one such tool.

The Ohio Rural Jobs Act, outlined in SB 147, is based on USDA's Rural Business Investment Program and would create a post-performance tax incentive for certified investors to invest in small businesses in Ohio's rural communities. The investors are USDA-certified Rural Business Investment Companies (RBICs) or SBA-certified Small Business Investment Companies (SBICs) with proven track records of performance. The Rural Jobs Act would authorize up to \$75 million of private capital to be raised and invested in Ohio.

Under this legislation, investment decisions are made by the private sector instead of the government, and there are strict statutory requirements that must be met. Qualified applicants are given permission to raise a state-only Rural Jobs Act fund that will be eligible for a 12 percent net annual tax credit that is delayed for the first two years and back-end loaded in years three to five. Additionally, private capital must be raised and invested into the fund as leverage. This ensures that all parties have skin in the game.

In order to qualify, small businesses must be located within a defined rural community or be in agribusiness, with fewer than 250 employees, and have made less than \$15 million in revenue during the previous year. The small businesses will be provided flexible and patient capital which, in effect, will fill the void between bank lending and other sources of risk capital rarely available for these businesses.

It is estimated that the creation of 100 manufacturing jobs can have an economic impact of over \$20 million in the community. The creation, growth, and sustainability of small and historically underutilized businesses are central to the economic growth and stability of Ohio and that is why I urge timely consideration of this important legislation. Our Ohio small businesses are real companies, run by real people, and their impact is pronounced in our communities. The Rural Jobs Act will draw upon proven mechanics and credible investors to help our small businesses thrive and bring even more job opportunities to rural Ohio. Thank you again, and I am happy to answer any questions.