Ohio Senate
Senate Building
Room 34, Ground Floor
Columbus, Ohio 43215
(614) 644-7718
Jerry.Cirino@ohiosenate.gov

Jerry C. Cirino
18th District

Senate Ways and Means Committee
SB 276 Sponsor Testimony
June 25, 2024

Chair Blessing, Vice Chair Roegner, Ranking Member Smith, and members of the Senate Ways & Means Committee,

Thank you for the opportunity to provide sponsor testimony on Senate Bill 276, which reauthorizes funding for Ohio's Rural Business Growth Program and establishes a fourth tier for Appalachian counties.

The Ohio Rural Business Growth Program was established in SB 8 of the 132nd General Assembly, which authorized a nonrefundable tax credit for insurance companies investing in small businesses operating in counties with a population of 200,000 or less. At the time, the credits were capped at $45 million.

In the 134th General Assembly's operating budget, HB 110, "program two" was established, authorizing an additional $45 million in tax credits, while modifying investment criteria and establishing three tiers, based on county population. Rather than a single tier of all counties with a population of 200k or less, "program two" established tier 1 (large rural counties), counties with a population between 200k-150k, tier 2 (medium rural counties), counties with a population between 150k-75k, and tier 3 (small rural counties), counties with a population of 75k or lower.

The Ohio Rural Business Growth Programs I & II leveraged $150 million of private capital. Since 2017, $126 million has been invested in 34 unique companies across 24 rural counties in industries ranging from manufacturing, trucking & logistics, software, pharmaceuticals, and beyond.

This bill establishes "program three", which would reauthorize the Rural Business Growth Program with an additional $150 million of investment authority, with the state contributing $90 million in tax credits, and establishes a fourth tier. The fourth tier would be the state's Appalachian region, defined in Ohio Revised Code Section 107.21, which includes 32 counties in the eastern and southern parts of the state.

The bill also requires that at least $75 million, or 50% of the investments, must be made in tier 4 counties. It also requires that at least 25% of the $150 million be invested into tier 3 counties and tier's 1 & 2 are capped at no more than 25% per tier.

There is a six step process with safeguards set in place to ensure that state contributions, via tax credits, are issued to investments that are truly making in impact in rural Ohio.

USDA or SBA approved investors apply to the Ohio Department of Development to participate and if approved, fund managers raise the capital from insurance companies or private investors.

Fund managers then work with local officials and banks to locate small business in need of investment. All $150 million must be invested within 3 years or the tax credits are recaptured by the state. All of the $150 million must stay invested for at least 6 years or the tax credits are recaptured.

The state does not issue tax credits until year 3 of the program, and $22.5 million is issued annually in years 3, 4, 5, and 6. Finally, if job creation and retention metrics are not met, which investors must annually report, fund managers are required to pay a penalty to the state.

I will now turn it over to Senator Chavez who will speak on impact this program has had and will continue to have on attracting these investments to the Appalachian region.