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Testimony on House Bill 1: JobsOhio
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Good morning, Chairman Mecklenborg and Ranking Member Gerberry. Thank you for the opportunity to testify today on House Bill 1, JobsOhio. I am Wendy Patton, Senior Associate of Policy Matters Ohio, a nonprofit, nonpartisan research institute with offices in Cleveland and Columbus.

JobsOhio was described at yesterday's hearing as a public-private partnership between private business and the State of Ohio that will work with companies to encourage the development of the economy and creation of jobs through economic development programs. The Legislative Service Commission's bill analysis points out nine areas within which directors, employees and the corporation itself are exempted from rules governing public offices and entities or made subject to alternative requirements. While relaxed standards may be reasonable within a corporation with primarily private funding, significant public funds may pass through this new entity. Appropriations for the facilities establishment fund, for example, which underwrites the loan functions of the Ohio Department of Development, amounted to \$65 million in the current fiscal year. Economic development programs appropriated within the General Revenue Fund totaled \$92.2 million. If large sums of public funds flow through this new corporation, standards of transparency and accountability need to reflect the volume of public dollars and the involvement of the taxpayer.

The state's existing economic development accountability law (Revised Code § 125.112(G)) requires the Attorney General to monitor the compliance of recipients of economic development assistance with the terms and conditions of the assistance, and to report annually to the General Assembly on compliance. However, HB 1 makes JobsOhio something other than a state entity, and this appears to exempt it from such monitoring. The first report of the Attorney General under this law however, issued in this past month, suggests that more, not less, monitoring is needed. Hundreds of economic development awards could not be reviewed for lack of information. Substantial non-compliance was found with regard to 76 agreements, involving taxpayer investment of over \$11 million. More than 7000 jobs the state had been promised under incentive agreements did not materialize. Five recommendations were presented to improve the stewardship of taxpayer funds used in economic development services.

1) **Clarify award agreements:** The state should convene a task force to review template award agreements for all ODOD programs and determine how to eliminate ambiguity and otherwise clarify the agreements. Among the considerations before this task force should be master agreements controlling all awards benefiting a single award recipient, greater standardization of ODOD award agreements and stronger enforcement mechanisms.

2) **Centralize reporting:** The state should require all businesses receiving its assistance to complete a standard report that captures performance regarding all material requirements of awards.

3) **Take action with respect to egregious non-compliance:** The state should consider taking more consistent action to address non-compliance. When the state enforces the terms of an award agreement, it should make that information public.

4) **Include reference to the economic development accountability law (Revised Code § 125.112(G)) in economic development award agreements:** Future ODOD award agreements should include an acknowledgement of Revised Code § 125.112(G), the state's economic development accountability statute.

5) **Institutionalize the economic development accountability program within the Attorney General's office:** This would take one step to structurally separate the function of provision of services from monitoring, ensuring accountability in actual delivery of public services. In addition, the individuals responsible for business attraction should not also be the ones to enforce contract performance.

HB 1 currently focuses on accountability in operations, which is important, but does not have much on accountability in services and subsidy. An annual strategic plan and standards of measure to be used in evaluating the corporation's success are prescribed in Section 187.03(E); this is where the economic development accountability statute could be added. The data needed for scrutiny could be provided under Section 187.04 (B), which lists the types of records created or received by JobsOhio to be made available to the public under the same conditions as public records.

Implementation of the economic development accountability program (Revised Code § 125.112(G)) through the JobsOhio contract, as well as adoption of the recommendations of the first report, would ensure greater transparency, enforceability and accountability of public service in the use of public monies for economic development purposes. It would ensure that monitoring and reporting of development activities remaining within the state match those of JobsOhio. It would facilitate more comprehensive monitoring of corporate and economic development subsidies across departments. This should be done through a unified development budget, which would allow legislators, administrators and taxpayers to understand the enormous investment the state makes across agencies in economic development and job creation activities.

We do not endorse HB 1. Changing location and management of the delivery of a public service is not a panacea for service delivery nor for the economy. However, ensuring transparency and accountability through monitoring and enforcing contractual agreements is desirable regardless of the placement or structure of the services. Safeguarding the public investment and honoring the public trust should remain the highest priority in the handling of public funds and delivery of public services.