Policy Matters Ohio

PRESS STATEMENT
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Kudos to Yost for report on incentives

But stronger action on economic development programs needed

Ohio Attorney General Dave Yost recommended this week that the state tighten up on its enforcement of economic development incentives when he delivered his mandated annual report on that topic. Yost found that many of those receiving state incentives failed to live up to their agreements. According to the report, recipients of grants, loans and tax credits complied with their commitments just 65.1% of the time, including less than half of loans and barely half of the job creation tax credits. Noncompliant companies received $21 million worth of loans or tax credits from the state. Policy Matters Ohio Research Director Zach Schiller made this statement about the Yost report and recommendations:

"Policy Matters Ohio applauds Attorney General Yost for outlining the need for stricter enforcement of the commitments companies make to receive support from Ohio's economic development programs. We agree with many of his recommendations, though we believe that additional, stronger action is needed to assure accountability.

"Loans, grants and tax breaks like those Yost reviewed cost money that could be used to fund our schools, fight infant mortality, or keep Lake Erie clean. That's why it's important we don't waste resources on projects that don't deliver results.

"We support Yost's recommendations to make it more difficult to modify existing job creation and other commitments after agreements are in force and to set job creation and retention requirements for all roadwork development grants. We also agree that achieving 90% compliance with commitments – which the Development Services Agency (DSA) has found acceptable in many instances – is not full compliance, and that practice should not be allowed.

"Yost's recommendation that the agency provide a list of the awards JobsOhio has given to entities getting DSA assistance is a wise one, and the General Assembly should require it. JobsOhio offers grants to companies separate from DSA's, and that would provide additional context for the resources being offered for economic development.

“However, the people of Ohio need additional, stronger action to safeguard their public resources. The General Assembly should stop approving new economic development incentive programs when state agencies aren’t properly enforcing existing ones. Even now, bills such as Senate Bill 95 and Senate Bill 39 could generate new programs worth a total of more than $100 million a year. Such bills should be shelved.

“Attorney General Yost also ought to support reining in one of the state’s largest tax breaks, which favors suppliers of big drug distributors. As Policy Matters and the Columbus Dispatch have detailed, this tax break is worth hundreds of millions of dollars a year. It benefits distributors – the companies whose $18 billion settlement offer in response to opioid litigation Yost called “inadequate” at the same press conference where he detailed his report on incentives.

“Finally, we disagree with Yost and believe the Attorney General should continue the job of monitoring compliance under economic development programs, instead of turning the job over to the auditor. As the one with legal authority to pursue claims against nonperformers, the attorney general is best situated to oversee this.”

“Despite this, we are pleased that Attorney General Yost has highlighted this important issue and look forward to further action by DSA and the General Assembly.”

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.