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COVID-19

Putting JobsOhio to work for Ohioans

Using public resources to rebuild after COVID-19

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Introduction

The people who live in Ohio do the work and make the purchases that keep the state's economy moving. COVID-19 has infected over 20,000 Ohioans and killed more than 1,100 as of May 5, 2020.¹ In March, Gov. Mike DeWine closed parts of the economy to slow the spread of the virus. Since then, 1 million Ohioans have filed for unemployment insurance.² Ohio's elected leaders must harness all available resources to create a recovery that protects health and financial security, and leaves no Ohioan out.

With a million people out of work and many businesses closed, state and local tax revenues have evaporated. Yet the need for government services grows every day. People must be tested and all who are sick must be treated. As many people return to work, workplaces must be safe, with proper oversight to dispel fears. Many jobs will be slow to return or may disappear: Many people will need employment. At the same time water plants must stay open, children must be educated, college students must continue their studies, garbage must be collected, public safety must be maintained and emergency services must keep running. All governments, partners and entities that act in the public interest must coordinate and invest strategically to ensure public services are sustained and to build for a safe and secure recovery. In this paper we scrutinize one partner of the government: Ohio's privatized economic development agency, JobsOhio. We propose new and direct ways the agency can target resources to help Ohio and Ohioans.

The highly profitable JobsOhio is part of a \$2.2 billion entity that administers and is funded by the state's liquor profits operations. JobsOhio is known as the entity responsible for job creation in the state. Gov. DeWine appoints the JobsOhio Board; he should ask them to harness those resources to make Ohio the safest state for all people to live and work and the best place to do business. There are several key ways JobsOhio can directly and immediately support hard-working Ohioans and keep families and communities afloat during these hard times:

- Use its resources to create jobs directly for people whose jobs are slow to come back or have disappeared. It can fund job corps, putting people to work weatherizing homes and addressing the lead poisoning crisis.
- It can also put unemployed workers in a job by boosting the public health work force through a job corps that expands the extent and duration of public health testing, contact tracing and other needed public health services.
- It can immediately work to expand Ohio's broadband capacity in underserved areas, like the Civilian Works Administration of the Depression, employing people and ensuring a service essential to education, health and business everywhere in the state.
- It can focus resources and investment to support minority owned businesses in the communities where people have been hit hardest by the pandemic and recession.

¹ Ohio Department of Health COVID 19 dashboard at <https://bit.ly/353aVll>

² "The number of initial jobless claims filed in Ohio over the last five weeks stands at nearly 1 million (964,566)," Ohio Department of Job and Family Services, e-mailed release on unemployment claims, April 22, 2020.

What is JobsOhio?

The Kasich Administration created JobsOhio in 2011. It is organized as a separate 501(c)(4) non-profit organization controlled by a board of directors appointed by the governor³ although the Ohio Revised Code removes it from the definition of a public office under certain laws.⁴ On its financial statements, JobsOhio describes itself as a “component unit of the state.”⁵

JobsOhio took over many important functions of the state’s economic development agency. Former Governor John Kasich claimed the privatization was to speed a process slowed by the government.⁶ Presumably, this referred to oversight of the loan and grant process by boards, approvals by legislators and other controls. The privatized JobsOhio does not have these controls, which allow the public to see and understand its use of resources. The agency has faced criticism over its lack of transparency.⁷

JobsOhio works alongside the state and local governments providing economic development services to private companies. It gives grants and loans and works with the Ohio Development Services Agency to arrange state tax breaks to lure companies to locate or expand in Ohio, among other activities. It is known as the job creation entity of the state and measures its success by growth in employment related to its investments.

In 2017, then-Ohio Attorney General Mike DeWine’s Economic Development Manual named JobsOhio 100 times in describing the economic development activities of the state.⁸ Access to significant state resources – like the Job Creation Tax Credit, one of the state’s 20 largest tax breaks, valued at \$108 million in 2020⁹ – must be negotiated through JobsOhio.¹⁰

Many state and local governments engage in the “war between the states,” in which they bid against each other to get a corporation to locate or expand a factory, warehouse, office complex or other activity in their boundaries.¹¹ These competitions are driven by political pressures more than economic pressures; research shows that in the majority of cases, companies have decided where to go or expand before the bids are in.¹² The competition yields millions of dollars in subsidies to some of the wealthiest corporations, like Amazon.¹³

³ Ohio Revised Code 187.01(B)

⁴ Ohio Revised Code 187.03(A)

⁵ JobsOhio Financial Statement, June 30 2019 at <https://bit.ly/2S6HOXn>. There has been a legal fight over the term “component unit.” Typically, it conveys a relationship with government, but JobsOhio has claimed it is private, with no relation to the state. See Buchanan, Doug, Morning Edition: JobsOhio controversy, Patch.com troubles, Fifth Third turning to AEP, praise for messy desks and more,” Columbus Business Journal, October 16, 2013 at <https://bit.ly/3eRDHbC>

⁶ Higgs, Robert, “Dismantle the Department of Development and privatize job-creation efforts,” Politifact, Poyntner Foundation, March 20, 2013 at <https://bit.ly/3aNwXs4>

⁷ Ibid.

⁸ DeWine, Mike, Ohio Attorney General, “Ohio Economic Development Manual,” 2017, at <https://bit.ly/2vJhxYs>

⁹ “Tax Expenditure Report The State of Ohio Executive Budget for Fiscal Years 2020-2021,” Ohio Office of Budget and Management, 2019 at <https://bit.ly/3ciaAp4>

¹⁰ DeWine, Op. Cit.

¹¹ LeRoy, Greg, “The Great American Jobs Scam, Corporate Tax Dodging and the Myth of Job Creation,” Berrett-Koehler Publishers, 2005 at <https://www.goodjobsfirst.org/GAJS>; See also Ferrin, Michael D. and St, Jean, Phillip, “Quotable Quotes: The Prisoner’s Dilemma of Targeted Economic Development Subsidies - The only winning move is not to play,” Mercatus Center, July 2019 at <https://bit.ly/3ePg4Ao>

¹² Timothy J. Bartik of the W.E. Upjohn Institute reviewed 30 studies on such incentives and found at least 75% of the time – and possibly up to 98% of the time – the firms would have made the same decision without the incentives. See Bartik, Timothy J. 2018. “‘But For’ Percentages for Economic Development Incentives: What percentage estimates are plausible based on the research literature?” Upjohn Institute Working Paper 18-289. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. <https://doi.org/10.17848/wp18-289>

¹³ In January of 2018 JobsOhio grants to Amazon totaled \$15.9 million, through three programs, a small component of the much larger tax breaks provided to Amazon by the State of Ohio. See JobsOhio Metrics 2018 at <https://bit.ly/3cL8rsY>

JobsOhio offers millions of dollars in grants to businesses in these bidding wars. For example, in an effort to keep Sherwin-Williams in Ohio, JobsOhio gave that company \$37.5 million in grant money¹⁴ to keep part of its operations in Cleveland (and move some of them to Brecksville from Cleveland and Warrensville Heights) in March. JobsOhio granted the money even though the DeWine Administration withheld state incentives in light of the COVID-19 crisis.¹⁵ The speculative nature of JobsOhio's activities is highlighted by the April 30 announcement of the PTTGC America-Daelim Chemical USA partnership to put a hold on plans to build an ethane processing plant in Ohio¹⁶ despite the \$50 million in grants they already received from JobsOhio.¹⁷

How is JobsOhio Funded?

JobsOhio is primarily funded by the state liquor profits tax. Like many states, Ohio controls the sale of spiritous liquors (through the Ohio Department of Commerce) but its liquor operations are owned and operated through a franchise agreement with JobsOhio. In 2013, the newly-formed entity issued \$1.5 billion of special obligation bonds to buy the liquor operations.¹⁸ Proceeds that once funded the state now go to JobsOhio and will continue to for the 25 years of the franchise agreement. The economic development operation of the enterprise received \$187.2 million in grants from the liquor operations in 2013. In 2019, that amount grew to \$350 million.¹⁹

JobsOhio is richly endowed, with hundreds of millions of unrestricted dollars to spend. As of June 30, 2019, JobsOhio, including the liquor operations, had \$2.2 billion in assets, \$1.6 billion in liabilities, and a net position of \$671 million.²⁰ The management analysis of the economic development component alone ("JobsOhio"), separate from the liquor profits operations ("JOBS"), identified total assets of \$876 million, total liabilities of \$92.8 million, and a net position of \$783.2 million, of which \$782.3 were unrestricted. Columbus Business First reports that JobsOhio maintains a reserve fund of \$573 million and plans to more than double its grants, loans and other economic development programs, spending to up to \$300 million yearly, or \$1.5 billion, over the next five years.²¹

What role can JobsOhio play in the recovery?

The JobsOhio website lists companies in Ohio that manufacture, distribute or provide parts for personal protective equipment (PPE); it has provided \$250,000 for purchase of PPE as

¹⁴ JobsOhio metrics 2019 at <https://bit.ly/358ltqf>; The state provided millions as well: see Williams, Mark, "Ohio Amazon projects land state tax incentives worth up to \$12.1 million," Columbus Dispatch, July 29, 2019 at <https://bit.ly/2vllnkt>; also, see Chilcote, Lee, "State and Local Officials in Ohio Provided Millions of Dollars in Subsidies to Amazon for Jobs That Would Have Come Here Anyway," Cleveland Scene at <https://bit.ly/3bKFQE2>. Economic development grants are given to secure commitments to a location, however, in the case of Sherwin-Williams, the company had paid \$49 million for land for its new headquarters in downtown Cleveland, before city and state incentives had been approved. See Bullard, Stan, "Sherwin-Williams buys downtown land," Crain's Cleveland Business, March 20, 2020 at <https://bit.ly/2Y3Y4wi>. See also Schiller, Zach, "With revenue about to plunge, Cleveland Council should delay vote on Sherwin-Williams incentive package," Policy Matters Ohio, March 23, 2020 at <https://bit.ly/3aBV9qE>.

¹⁵ Tobias, Andrew, "Some state incentives for Cleveland Sherwin-Williams HQ project put on hold amid coronavirus crisis," Cleveland.com, April 1, 2020 at <https://bit.ly/34ZP9qI>; see also Schiller, Zach, "Delay on Sherwin Williams incentives is welcome, but JobsOhio should put off incentives too," Policy Matters Ohio, April 2020 at <https://bit.ly/2S1Oq9C>.

¹⁶ "Developers Say Cracker Plant Decision Delayed Due To Virus," Gongwer-Ohio, April 30, 2020.

¹⁷ JobsOhio metrics at <https://www.jobsOhio.com/jobsohio-results/>.

¹⁸ JobsOhio financial statement for 2019, Op. Cit.

¹⁹ Ibid.

²⁰ JobsOhio financial statements for December 31 2019 at <https://bit.ly/2KtUdiN>.

²¹ Ghose, Carrie, "JobsOhio wants to spend more on economic development in 5 years than it paid for state liquor biz," Columbus Business First, March 3, 2020 at <https://bit.ly/356iViQ>; see also City Club of Cleveland, "Ohio Forward: Investing in Our Economy," presentation by JobsOhio chair J.P. Nauseef., February 4, 2020 at <https://bit.ly/2KC0lqg>.

part of a partnership with Battelle.²² JobsOhio websites and newsletters also indicate that it committed \$100 million in loans for clients of banks in Marietta, Youngstown and Defiance^{23,24} and for Ohio businesses supported by venture capital. It created a forgivable workforce retention loan, invested \$2 million in Appalachian Growth Capital, deferred loans for its own clients, purchased hand sanitizer for 12 food banks and provided free shoes for some health care workers.²⁵ A recent posting on the website indicates a total commitment of hundreds of millions related to the COVID pandemic, but this has not been verified by outside reporting. It is difficult to tell how those funds would be used, and the website also shows about half remains unobligated.²⁶

Unobligated and reserve funds should be used as necessary to help with the state's budget shortfall. Beyond that, those funds could be used to put people to work immediately and directly.

The governor, Ohio lawmakers and all of their partners throughout the state must prioritize recovery and coordinate investment to contain the COVID-19 virus and employ Ohioans who were laid off. The first order of business must be controlling the life-threatening virus. JobsOhio is contributing to that, through work on providing PPE and sanitizer. Beyond that, there is much that should be immediately done. Many Ohio workers are threatened by loss of livelihood. Many businesses in the service sector – retail and food service, for example – may not reopen or return to full strength for some time. Over the next 15 months, Ohio faces a likely budget shortfall twice the size of the \$2.7 billion Budget Stabilization Fund (“rainy day fund”).²⁷

The governor should call on the JobsOhio board to redirect reserve funds and other unobligated funds to help close the state's budget shortfall. If Congress passes another bill that provides federal funds to help close the budget shortfall, there are other productive uses for JobsOhio funds.

The Congressional Budget Office projects a national unemployment rate of 15% on average over the next six months, subsiding to 9.5% by the end of 2021.²⁸ JobsOhio could directly address job creation for the hundreds of thousands of Ohioans whose jobs come back slowly or disappear.

Job Corps: While it was developing the Public Works Administration during the depression of the 1930s, the federal government hastened job creation through an interim agency, the Civil Works Administration. It provided direct investment, acted as the contractor and quickly employed people in infrastructure, domestic and conservation projects.²⁹ In the recession of 2008, the Ohio Woodlands Job Corps worked on conservation projects in southeastern Ohio.³⁰ The governor can ask the JobsOhio board to fund similar initiatives, offering

²² “JobsOhio and Battelle Announce Partnership in Supplying N95 Masks to Ohio Health Care Workforce,” Cision prnewswire, April 10 2020 at <https://prn.to/2W2Y64H>

²³ Smith, Raymond, “Home Savings merging with First Federal Bank of the Midwest,” Warren tribune, September 10, 2019 at <https://bit.ly/3eM8iHm>

²⁴ Stambaugh, Drew, “New Testing Reagent Approved, Strike Team Created,” Fulton County Expositor, April 22, 2020 at <https://bit.ly/3fi7D5d>

²⁵ JobsOhio at <https://www.jobsohio.com/ohio-safe-ohio-working/>

²⁶ JobsOhio website at <https://bit.ly/3ftwgrt>

²⁷ Lieutenant Governor John Husted, in a telephone conversation with mayors hosted by the Ohio Municipal League, April 29, 2020; see also “Government Finance Outlook Grim Amid Shutdown,” Gongwer-Ohio Newsletter, April 22.

²⁸ See Leachman, Michael, “New CBO Projections Suggest Even Bigger State Shortfalls,” Center on Budget and Policy Priorities, April 29, 2020 at <https://bit.ly/2VKPz7E>

²⁹ Dayton H. Frost, Administrator, Federal Emergency Relief Administration in Ohio, Emergency Relief Administration in Ohio, 1931-1935. Cited in Patton, Op. Cit.

³⁰ Niquette, Mark, “Stimulus funds to help state forests by creating jobs,” Columbus Dispatch, July 31, 2009, cited in Patton, Op.Cit.

immediate employment opportunities to people whose jobs do not come back with the reopening of the economy. Such job corps could provide badly needed services:

- **Energy Efficiency Job Corps:** Ohio used \$265 million in federal stimulus funds to weatherize 18,832 homes in 2009 and 2010 with Recovery Act funding. A similar job corps now would find trained workers among the unemployed: people who learned skills in the last recession and need a job now.³¹
- **Residential rehabilitation:** Children across Ohio have been poisoned by lead from aging house paint and other sources, and there are fears about lead in pipes carrying water into homes as well. Funding could support lead abatement in thousands of homes and replacement of waterlines in hundreds of communities.³²
- **Public Health Security Job Corps:** Gov. DeWine announced Ohio will become one of the first states to launch a large-scale “contact tracing” program to find and isolate people exposed to coronavirus. The goal is for 1,750 people to help contact those who test positive for coronavirus to determine who may have exposed.³³ Contact tracing will need to go on for a long time, possibly well after the expiration of federal funds that initially support it. JobsOhio could fund the program throughout 2021 and beyond if needed. A typical public health worker would get paid on average \$17 per hour, or \$35,360 a year, according to estimates from Johns Hopkins.³⁴ After federal funds expire, it would cost the state government \$62 million to maintain or enlarge a program of 1,750 public health workers for 12 months.

Broadband: JobsOhio’s 2020 strategic plan listed broadband expansion as a priority.³⁵ The JobsOhio Board could accelerate the development of this urgently needed infrastructure with immediate coordination and investment.³⁶ This could create jobs, allow unemployed workers to access job search sites as the economy reopens and ensure children in rural regions and urban neighborhoods can access online teaching.

Minority businesses: JobsOhio recently announced a new focus on bringing new investment to underserved areas of the state, a concentration on areas that have suffered the most over the last 10 to 15 years, and areas that have been hit especially hard by the economy.³⁷ In accordance with that commitment, JobsOhio should set up grant programs to keep small, locally-owned minority businesses from going out of business during the health crisis. It could reach out through partnerships to local banks and other community-based institutions located in and serving these communities, as it has with other banks elsewhere in the state.

Summary and conclusion

Governor DeWine, lawmakers of the 133d General Assembly, local government officials and all related entities and partners acting in the name of the public should focus on stemming the spread of COVID-19. The top task is making Ohio safe. Then Ohio’s leaders must turn with equal determination to ensuring a safe re-opening of the economy based on public health

³¹ Patton, Wendy, “Recovery in energy and the environment: Use and distribution of Recovery Act Awards in Ohio,” Policy Matters Ohio, October 4, 2010 at <https://bit.ly/2K0Ic8J>; see also Woodrum, Amanda, “Weatherizing homes of low income families,” Policy Matters Ohio, October 14, 2014 at <https://bit.ly/2VBpV4Z>

³² Patton, Wendy, Ohio’s 2020-21 Budget, Policy Matters Ohio, November 7, 2019 at <https://bit.ly/2KEDI5g>

³³ Pelzer, Jeremy, “Ohio will ramp up coronavirus test kit assembly, expand testing efforts, Gov. Mike DeWine says,” Cleveland.com, April 24, 2020 at <https://bit.ly/35iAXPZ>

³⁴ Watson, Chrystal, et al., “A National Plan to Enable Comprehensive COVID-19 Case Finding and Contact Tracing in the US,” Center for Health Security, Johns Hopkins Bloomberg School of Public Health, <https://bit.ly/3bMePzM>

³⁵ JobsOhio 2019 annual report/2020 strategic plan at <https://bit.ly/2VSxaol>

³⁶ Callahan, Bill, “COVID-19 makes tearing down nation’s digital barriers more important,” Policy Matters Ohio blog, April 3, 2020 at <https://bit.ly/3bTCYV6>

³⁷ Gnau, Thomas, “JobsOhio plans to double grants to \$300M to bring new business to state,” Dayton Daily News, December 26, 2019 at <https://bit.ly/3elbFiF>



standards. In order to do so, they must backfill for a huge budget gap and balance the budget.

Government is the only actor large enough to coordinate strategic response across communities, regions and sectors. Gov. DeWine has led Ohio through the initial phase of the terrible pandemic; he must continue with strategic approaches that keep Ohioans safe. He should call on all partners – especially JobsOhio – to act boldly and decisively and use all available resources to limit and contain the damage of the COVID-19 health crisis and to meet the dire economic needs affecting millions of Ohioans. In the long run, he should consider the cost and benefit of reabsorbing JobsOhio into the state, in case the significant funds it marshals are needed again during what is projected to be a long and difficult crisis.