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The Lt. Governor Encourages Lawyers to Take Advantage of State Resources to Aid Ohio's Economic Development

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The Lt. Governor encourages lawyers to take advantage of state resources to aid Ohio's economic development.

by Lt. Governor Lee Fisher

For the last several months, my colleagues and I at the Ohio Department of Development have been focused on the formation of a statewide economic development strategy that will establish our priorities and guide our future decisions. Ultimately this strategy will serve as an economic development plan for Ohio that will be led primarily by the Ohio Department of Development, along with the Governor's office and other state agencies and departments. With full implementation, our strategic plan will not only guide Ohio's long-term investments, but will also help guide our daily decisions.

Gathering input

Stakeholder input has and will continue to be a critical part of the Department of Development's strategic planning process. In November and December 2007, the department held a total of seven meetings throughout Ohio to share the strategic framework we developed and to solicit additional feedback. The department also set up several expert panels to obtain recommendations on key issue areas, while holding internal working groups and forums to help develop key strategies, and more importantly, chart their implementation plan.

Several steps into the planning process, we have received valuable input from our partners in the legal profession, and we are grateful for this feedback and collaboration. Our economic development plan cannot be accomplished by the Department of Development or state government alone. Successful implementation will be achieved only through effective partnerships and collaboration, which is why Gov. Ted Strickland and I are focused on creating new partnerships with the business community, government agencies and consumers. Because Ohio lawyers know the needs, challenges and opportunities facing Ohioans, including your business and municipal clients, you can help the state facilitate these new partnerships.

key for economic plan

Economic development toolkit

To put our economic development plan into effect, we have assembled a multifaceted economic development toolkit, which includes site development assistance, low-interest loans and grants, workforce development funding, and state and local tax incentives. I encourage you to share this information with your clients and prospects who may leverage these resources to grow their businesses in Ohio.

As a former attorney general, I know how important Ohio's fiscal and tax policies are in supporting high-quality jobs, business growth and healthy capital formation. One of our primary objectives is to create a business regulatory system that is clear, predictable and stable. Improving Ohio's business climate will make our state a more attractive place to retain, locate or build enterprises that help all Ohioans prosper.

Tax reform

One of the most important factors that led to Ohio's number-one ranking is the improved tax climate for industry. Ohio now has the lowest capital investment tax rate in the Midwest.

Our tax reform is being implemented over a five-year period, phased in from 2005 to 2009. It includes large tax cuts for both

businesses and individuals. The phase-out of the tangible personal property tax—Ohio's largest business tax, often described as Ohio's most onerous tax on businesses—eliminates the tax on machinery, equipment and inventories. It will be phased out over four years, yielding enormous benefits for retailers, wholesalers and especially manufacturers. According to the Ohio Department of Taxation, Ohio will be one of only seven states that do not tax general business tangible personal property after this tax is fully repealed.

The corporate franchise tax, Ohio's largest state-levied business tax, will be phased out over five years from 2006 to 2010, making Ohio only one of four states with no corporate profits tax. Taxpayer savings are expected to reach \$1.6 billion by fiscal year 2010, according to the Ohio Department of Taxation.

The Commercial Activity Tax (CAT) is a new broad-based, low-rate business tax (0.26 percent) on gross receipts from business activity in Ohio. CAT is designed to produce half the revenue of the two business taxes now being phased out.

Through CAT—and unlike the two business taxes it is designed to replace—companies can increase their investment or payroll in Ohio without increasing their tax liability. This is because the CAT is only imposed on gross receipts generated by

Recent success stories

It is our goal to ensure that Ohio's new tax and regulatory reforms, together with our business development incentives, engender a more favorable climate for Ohio's businesses to increase Ohio's competitive advantage. Every day we seek to more accurately pinpoint what Ohio businesses need to grow and prosper.

We are aggressively aligning our incentives with our opportunities and achieving positive results. Last year, the Ohio Department of Development announced and committed to fund 1,771 community and economic development investments, totaling more than \$900 million. These investments leveraged more than \$7.8 billion in other resources to benefit Ohio businesses, communities and citizens. Of this, 266 investments deal directly with economic development projects creating and/or retaining more than 59,000 jobs. These economic development investments will leverage

approximately \$4 billion. The department, through its resources, also helped provide workforce training to more than 15,000 Ohio citizens. Let me share with you some recent success stories.

- On Dec. 5, 2007, an iconic Ohio business, Goodyear Tire & Rubber Company, announced it will keep its corporate headquarters in Akron and will build a new headquarters building and research and development facility, retaining 2,900 full-time positions. This announcement was the result of extensive collaboration among Goodyear and representatives at the state, county and local levels. Ohio offered incentives of more than \$90 million, including a 27 percent Job Retention Tax Credit and 166 Direct Loan for a 20-year term in support of the redevelopment effort.
- In May 2007, Amylin Pharmaceuticals, Inc. announced it would expand its

facility in West Chester to manufacture an innovative diabetes drug. This expansion amounts to a \$400 million investment, expected to result in the creation of up to 500 jobs and the retention of 52 jobs. The state's incentive package, valued at more than \$45.8 million, included a \$1.5 million Third Frontier Project Targeted Industry Attraction grant for construction costs and a \$3.5 million Job Ready Sites award. The Targeted Industry Attraction Program provides funding assistance to attract companies that are developing cutting-edge technology new to Ohio, and the Job Ready Sites program provides assistance for preparing sites for immediate occupation.

- One of Ohio's great companies, Cardinal Health, currently is consolidating its two largest business segments and a range of support functions at its Dublin headquarters. Cardinal

will receive a \$750,000 Rapid Outreach Grant from the state for costs associated with the acquisition of machinery and equipment to support this company's expansion. This \$50 million project is expected to create 675 jobs and retain 1,194 positions within the first three years of the project's initial operations. ■



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Ohio activity. Because sales of goods and services outside Ohio are not subject to CAT, any activity, i.e. manufacturing, that results in exports outside Ohio carries a low CAT burden and a high return on investment.

Practical information about the benefits of Ohio's new tax structure has been a compelling factor for many businesses that have chosen to locate in Ohio, but we are always surprised to discover how many firms and consultants are still relying on data from the old system to make decisions. Business and tax counsel

are a valuable resource to enterprises evaluating Ohio's tax structure.

Regulatory reform

We know the importance of

speed and agility—we have been told many times that businesses would prefer a fast no to a slow yes. To give Ohio a competitive edge, we must identify and eliminate inefficient and drawn-out regulatory processes, and adopt a common-sense approach to regulation. This is why Gov. Strickland established Advantage Ohio, a regulatory reform initiative to ease the unnecessary burdens of regulations that constrain business and development in Ohio. The Advantage Ohio initiative calls for a focused review of current regulations and regulatory processes, eliminating those that are unnecessary, redundant and contradictory while ensuring quality of life and health protections for all Ohio citizens.

Under the leadership of Columbus lawyer Scott North, the Governor's special representative on regulatory reform, we are reviewing selected regulations and practices in executive branch agencies that have significant links with the business community. We are also developing regulatory performance standards, as well as working to speed up regulatory approvals, such as permits.

One central aim of the initiative is to improve the relationship between business and state government. Our public-private partnerships have never been more important. This is why our economic development strategy is guided by the principle of collaboration because we know the state cannot achieve success on its own.

Therefore, we are expanding the Ohio Business Gateway, a collaborative initiative of state and local government agencies, into a unified state business portal that will serve as a one-stop shop for most business needs. This will save businesses—especially small businesses—time and money.

Incentives

One of Ohio's strongest economic development tools is our array of business development incentives. Ohio's incentive programs for new or expanding businesses include low-interest financing programs for new capital investments in Ohio, corporate income and property tax exemptions, financial support for employee training, and infrastructure assistance for new facility locations.

Ohio offers assistance to help identify industrial site and building opportunities for new business investment projects through

Contact information

Ohio Department of Development.....	(800) 848-1300
Economic Development Division.....	(614) 466-4551
Business Loans	(614) 466-5420
Business Tax Credits	(614) 466-2317
Investment in Training Program	(614) 466-4155
Minority Business Programs	(614) 466-5700
Small Business Programs	(614) 466-2718
Office of Tax Incentives	(614) 466-2317

Business incentives (useful Web sites)

General information

www.odod.state.oh.us/EconomicDevelopment.htm

Tax credits

www.odod.state.oh.us/EDD/Tax_Credit.htm

Tax reform in Ohio

www.odod.state.oh.us/taxreform.htm

Loans and grants

www.odod.state.oh.us/EDD/Loans_Grants.htm

Employee training

www.odod.state.oh.us/OITP.htm

Site selection assistance

www.OhioSites.com

1st Stop Business Connection..... (800) 248-4040
www.odod.state.oh.us/onestop/index.cfm

Ohio Business Gateway (help desk) (866) 644-6468
www.obg.ohio.gov/

Ohio Department of Taxation

<http://tax.ohio.gov/>

Business Tax Division.....(888) 405-4039

www.OhioSites.com and a network of local economic development organizations. The state's collaborative approach with respect to expedited permitting assistance works to ensure that all necessary industrial, building, environmental and related permits are processed as efficiently as possible. Road work development grants, a public resource for municipal clients, are available for public roadway improvements, including engineering and design costs.

Low-interest loans and grants are designed to assist businesses in building their facilities and buying their equipment. One of the most frequently used grants, the Rapid Outreach Grant, which may be of particular interest to your private clients, provides funding for on- or off-site infrastructure improvements, including water, sewer, road and rail improvements. The Department of Development offers direct loan financing to help with new building construction, building acquisition, and the acquisition of machinery and equipment.

Human capital is our most valuable asset; we are working hard to help employers find and train employees. Another important tool available to employers and of potential interest to your private clients is the Ohio Investment in Training Program, which can assist with up to 50 percent (up to 75 percent in some areas) of training costs, including management techniques, instructor fees, "train-the-trainer" and other related training needs.

Ohio employers need to know that they can count on skilled workers to meet their companies' evolving needs, which is why we have placed workforce development at the center of our economic development strategy.

We recognize the value of lowering on-going business costs through targeted state tax incentives. The Job Creation Tax Credit is a refundable tax credit to companies creating at least 25 new full-time jobs (within three years) in Ohio, while the Job Retention Tax Credit is a nonrefundable tax credit to companies retaining at least 1,000 full-time jobs in Ohio. Additionally, the Department of Development offers tax credits for investments in qualified research expenses incurred in Ohio by eligible C corporations. Qualified research expenses are based on Section 41 definitions in the U.S. Internal Revenue Code and include expenses for both in-house and contract research expenses.

Finally, we remain committed to strengthening the Ohio Third Frontier Project, a \$1.6 billion investment that is changing the face of Ohio's economy. Implemented in 2002, Ohio Third Frontier is providing a vital opportunity to capitalize on Ohio's many science and technology-related assets and is serving a key role in revitalizing the economy. The project is increasing Ohio's high-tech research capabilities, inventing new technologies, developing state-of-the-art products, and creating new companies and new jobs to increase the quality of life for Ohioans. Ohio Third Frontier earns continuous bipartisan support from the Ohio General Assembly and a wide array of key statewide business and industry stakeholders, higher education institutions, state and federal research institutions, and the investment community.

State of perfect balance

Improving Ohio's economic climate entails a multifaceted approach and reaches beyond the office door. Knowing the importance of perception in the world of business, we launched a new marketing campaign for Ohio, "State of Perfect Balance," to highlight that Ohio is a place where personal fulfillment is not sacrificed for professional success. We are publishing customized

public relations plans for targeted companies as well as advertisements in the *Wall Street Journal*, featuring Ohio CEOs who are successfully balancing business and life.

Our success requires those of us in government and the private sector serving businesses and consumers to work together to achieve the same overriding goal: to boost Ohio's ability to keep, attract and create jobs that increase the prosperity of all Ohioans. We, at the Department of Development, are acting in full partnership with our corporate citizens to better help our companies succeed.

The right attitude

Although there are many challenges and many hurdles, Ohio remains a land of promise. While we face our challenges head-on, let us not forget Ohio's many assets and strengths. Ohio is 5th in the U.S. in the number of Fortune 500 headquarters (28); 5th in the U.S. in the number of Fortune 1,000 headquarters (60); and we export \$38 billion a year to more than 200 countries. Our strategic location, world-class infrastructure, 195 institutions of higher education, large labor pool, and renowned work-ethic, are also among our greatest assets.

Ohio has rich resources and a strong foundation for business growth. Ohio won the coveted Governor's Cup for 2006, presented each year by *Site Selection* magazine to the U.S. state achieving the greatest number of business expansions in one year. The number-one ranking for Ohio was based on the number of private capital investments in new or expanded facilities that involved an investment of at least \$1 million; creation of a minimum of 50 new jobs; or addition of at least 20,000 square feet of new floor area. According to *Site Selection* rankings, Ohio had 431 facilities that met these criteria.

In *Good to Great* Jim Collins writes that transformational change is a cumulative process. Collins notes:

No matter how dramatic the end result, the good-to-great transformations never happened in one fell swoop . . . Good to great comes about by a cumulative process—step by step, action by action, decision by decision, turn by turn of the flywheel—that adds up to sustained and spectacular results.

I remain confident and optimistic that with our continued hard work, the exciting strategic direction we are developing, and our commitment to innovation and collaboration, we will, in the long term, bring about an economic turnaround for Ohio. We look forward to collaborating with you to achieve a sustained, economic transformation to increase the prosperity of all Ohioans. □

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In addition to serving as Gov. Ted Strickland's lieutenant governor, Lee Fisher is the director of the Ohio Department of Development and leads the state's efforts to retain, attract and create jobs and grow Ohio's economy. He has more than 14 years of public service, serving as Ohio Attorney General, state senator and state representative. Lt. Governor Fisher also has worked as a private attorney, public company board director and as a federal appellate law clerk.





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