

Proponent Testimony – House Bill 1

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Greater Cleveland Partnership

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Good morning, Mr. Chairman, members of the Senate Finance Committee. My name is Joe Roman and I am president and CEO of the Greater Cleveland Partnership. On behalf of the more than 15,000 members of the GCP and our small business partner, the Council of Smaller Enterprises, thank you for the opportunity to speak today in support of House Bill 1.

The mission of the Greater Cleveland Partnership is to mobilize private sector leadership, expertise and resources to create jobs and leverage investment to improve the economic vitality of our region. Our job – 24 hours a day and 365 days a year – is to work with business, government and non-profit leaders in our region to advance our economy and create jobs.

We are on the front line in the effort to retain, attract and grow jobs in Ohio. And the perspective from that front line is that we need to change the way we approach economic development in Ohio.

We must go faster – to match the pace of inter-state and international competition.

We must achieve a higher return on our investment – our citizens demand it.

And we must devote adequate resources – from private and public sources – to keep pace with our competitors.

Jobs Ohio, as proposed in House Bill 1, takes important first steps toward meeting those goals by bringing the strengths of the private sector and public sector to bear on this challenge in a way that we have not undertaken before. House Bill 1 is a very necessary new ingredient and approach to building our local, regional and statewide economies and resources.

The tired cliché is true -- never more true, in fact -- that we need more people and more companies paying an increased gross amount of taxes at lower rates. Lower tax rates for all of us – individuals, small business owners and corporations. [The metro chambers recent report, “Redesigning Ohio” reminds us how our local tax burdens are perhaps our biggest challenge for a robust economic climate.] These kinds of new resources, derived from investment and new jobs, can grow communities, expand educational opportunities and help to incentivize change. We cannot achieve growth rates, the secret sauce that can help us with every issue you face regularly as a Legislature, without doing some things very differently in Ohio.

I believe that the recent experience of Northeast Ohio can be of value to you.

Since 2003, we have built a robust, nonprofit, PRIVATE system of regional economic development organizations that address a continuum of issues -- from domestic and international business attraction and manufacturing transformation to entrepreneurship and innovation to investment in developing new industry clusters. Our partners – MAGNET, Team NEO, NorTech, BioEnterprise, Jumpstart and the Cleveland Plus Marketing Alliance are likely familiar to you.

This system, in combination with the core economic development expertise of our local chambers, such as GCP and the Greater Akron Chamber, is growing and achieving success by a number of measures. Our proposals for research partnerships between companies and universities compete with anyone in the world. In fact, some of our local partners, such as Jumpstart, are national models and are receiving the highest kind of praise – duplication elsewhere in the US.

This private nonprofit system works well with government and the private sector. Jobs Ohio, in a private form, will ultimately prove that cooperation with government is the key. However, it has become clear to me, as one of the architects of the northeastern Ohio system, that a private approach has several attributes that have led to recent success. By the way, architects can be either talented or just old....

I want to summarize those private characteristics that are working and leave you with a few thoughts on concepts that I hope we can work on together in the next few months as Jobs Ohio outlines its specific structure and priorities for the next few years.

For 25 years, two themes have been constant in the northeastern Ohio business community. First, there has not been enough connection between elected leaders and companies about what they need to grow in Ohio. Business leaders throughout our region have countless examples of leaders from Pennsylvania, or Michigan, North Carolina or Georgia who have called them regularly over the years about where that next plant or office might go and what their respective states could do to attract them.

While a new privatized, focused economic development group alone will not guarantee that those calls will now be made to our own companies, we believe the chances that those calls and visits will happen go up dramatically, if not exponentially. Someone waking up every day, and going to bed every night, with that outreach goal, reporting to a Board that expects results - will be a major step forward. Moreover, if Jobs Ohio teams with local and regional groups like ours, who exist to serve our business members, we can ensure that calls go where they can be most beneficial. We need to share this responsibility and be as efficient as possible.

In a recent meeting between Governor Kasich and some of our member companies, he observed that "you have to love the one you're with" in thinking about economic growth. Fortunately, Ohio has a healthy number of companies to love in this state....we have to demonstrate the capacity to reach out to them.

Secondly, a private approach will enable discussions between Ohio and investors, sometimes very early in a process, that will protect competitive advantages and confidences in order to drive towards a new project, new jobs or a new outcome. I have regularly encountered business managers and owners that are much more open to a first discussion, or a potentially controversial one, if they can first speak off- the- record to an experienced private sector development professional. At the right time, the proper connections can be made with government. But if those discussions never involve anyone in Ohio, due to a privacy concern, we lose....and we shouldn't lose for those reasons.

Thirdly, a private development group representing the best interests of growing Ohio will attract and hire development professionals with greater experience and industry knowledge than can be achieved within a government pay structure. In today's competitive economic environment, business executives considering a move from or to Ohio, or considering a new investment, want to speak with people who know their industry and business environment. Or better, people who have run a business.

I have worked with many dedicated economic development professionals who have worked for the state, our counties and our cities. Their skills continue to be needed to help close deals in certain communities and they can be very good at that. But the candid business-to- business

discussions which entice people to first consider our state, or to favor our state over other suitors when approached, requires the very best professionals we can recruit. We should want the staff of Jobs Ohio to be at a caliber that businesses in our state view as potential future employees. And yes, they will cost more. But an investment in the best people will pay off and the tax dollars that follow will assuredly eclipse the up-front personnel costs in short order.

I would be happy to expand upon any of these core considerations that we feel bolster the need for a private vehicle for economic development in Ohio that can truly be a game changer at a time when we are still in the game.

As I mentioned, I want to leave you with just a few thoughts on ideas and concepts that I hope are debated thoroughly in the next few months before a final Jobs Ohio structure is in place. We plan to work with the Governor's team and with Mark Kvamme to supplement and augment these ideas in the coming weeks. I would like to start with a few ideas that sometimes are so obvious, we blow right past them.

First -- retaining and growing firms and investments that are already in Ohio should be our top priority. While not the sexiest part of economic development, keeping and growing existing Ohio companies will always stand a greater chance of success. These companies are already deeply woven into the fabric of local communities, living patterns and other supply chains. We need to ensure that the allocation of any economic development budget is appropriately balanced to grow what we have. A good offense aimed at our current companies is the best defense against external competition.

Secondly, we need to leverage regional economic development systems and our larger metro chambers that are already engaged in development work. There are some wonderful regional models in Ohio that can link their strategies and talents to Jobs Ohio and vice versa. We will achieve great leverage and efficiency with Jobs Ohio as the coach rather than the entire team. Rather than remaking the wheel, let's just put more air in the tires....and hold local organizations accountable to agreed upon metrics. Jobs Ohio can act to replicate best practices from one state region to another and create new capacity only when necessary.

Thirdly, Jobs Ohio must be sustainable. Jobs Ohio needs a dedicated public revenue stream, coupled with private investment in order to be the game changer it can be. Even in a difficult budget cycle, perhaps Ohio's most challenging fiscal times, we must find a stream of financial support that will unwaveringly support growth in Ohio. It may go up and down, but hopefully never zero out. Placing a funding expectation entirely on the private sector will likely be difficult to sustain over the long-term and more importantly, will likely come from other regional development priorities those targeted companies already support. The Ohio Business

Development Coalition, already funded with public dollars, is a good example to study. In northeastern Ohio, we have regularly matched state dollars 2:1 with local investment in order to market our region to companies around the world. And, the message has been consistent with the state's branding over the same period of time, demonstrating that the two can work together. As you know, OBDC is already structured as a nonprofit entity in Ohio.

Fourth, we must hire industry professionals and entrepreneurs with demonstrated expertise in their field. We need economic development professionals who have made things talking to manufacturers, employees who have made money for investors talking to venture capitalists and entrepreneurs who have succeeded in Ohio talking to new start-ups or mobile, high growth firms.

Fifth, we must be sure that initiatives undertaken by Jobs Ohio are carefully coordinated with the Third Frontier without diverting that investment away from its intended purpose. The Third Frontier is one of Ohio's most successful economic development tools and is bringing us great rewards. It should be strengthened and protected. But it should not become a tool to use outside the parameters that guide our Third Frontier investments.

Finally, we should find ways to collaborate with existing coalitions and potential allies. As I mentioned earlier, Ohio's Metro Chambers and the Ohio Chamber have developed a strong alliance and are working together in an unprecedented manner. Please take advantage of this. And, on a larger scale, many of Ohio's metro chambers are working closely with colleagues from a 12-state region known as the Great Lakes Metro Chambers Coalition. We share many of the same values and goals. To the extent that we can achieve better results by working together, we should do that. The Great Lakes region, including Quebec and Ontario (also part of our coalition,) is the third largest economy in the world. We need to recognize that reality and use it to our advantage.

Mr. Chairman and members of the Committee, that concludes my remarks. I appreciate the opportunity to speak to you today and will be happy to answer your questions.