



**Testimony of Director Mark Kvamme
Ohio Department of Development
before the House State Government Committee**

January 25, 2011

Chairman Mecklenborg, Ranking Member Gerberry, members of the committee: Thank you for the opportunity to testify today as a proponent of House Bill 1. I would also like to thank Representative Duffey for agreeing to sponsor this important legislation.

House Bill 1 is Governor Kasich's proposal to replace Ohio's government-run economic development functions with JobsOhio, a new nonprofit, public-private partnership that will report to the governor and lead the state's economic development efforts.

We believe that in order to strengthen our economy and to create the jobs that Ohioans desperately need, strategies must be rooted in the belief that economic vitality comes from a strong, innovative, flexible private sector: not from government.

In 1963, this General Assembly enacted Amended Substitute House Bill 270, which created the Ohio Department of Development. At the time, it was a cutting-edge idea to establish a government agency whose narrow purpose was to enhance the economy. Its prime backer, former Governor Jim Rhodes, was featured in *Time Magazine* as an innovative state leader for undertaking this groundbreaking approach. It was so successful that other states began to copy Ohio, and now every state in the union and most local governments all have some type of agency or office dedicated to economic development.

The charge for this new department was quite simple and straight forward. It said, and I read here from the original Ohio Revised Code Chapter 122:

"The Department of Development shall develop and promote programs designed to make the best use of the resources of the state so as to assure a balanced economy and continuing economic growth for Ohio."

There were eight sections to this original chapter, and it occupied approximately five pages of the printed version of Ohio Revised Code as enacted in 1963. It was both brilliant and effective in its simplicity.

Over the years, what once was simple and straightforward has become bureaucratic and cluttered. Today, Chapter 122 of the Ohio Revised Code has more than 170 sections; it runs about 165 pages and contains 71,429 words

of law describing hundreds of wide-ranging powers and duties of the Department. And that's not the end of it: You'll find responsibilities of the Department of Development in at least 13 Chapters of the revised code, including the majority of Chapter 166.

The Department's charge now includes numerous boards and advisory councils, each with its own governance statutes, powers, and duties. The Department now administers programs ranging from diesel emissions to housing to brownfield clean up. It is charged with administering home energy efficiency programs and even sporting event site selection for local governments.

All of these duties, taken individually, are very important. And, no doubt, their inclusions into the Department's list of duties were at the time well meaning and well intentioned. In fact, I believe a strong community development program is an important part of a holistic economic development strategy. But the Department's mission has expanded well beyond the original one, contemplated more than four decades ago.

The result is that today, we have an organization that is ponderous and slow, while the business world around us- the very companies we're trying to retain and attract to Ohio- is moving faster and faster.

This growth in bureaucracy has run directly counter to the trends in private-sector business. The most undeniable change is the speed at which business must operate in today's global economy. The private sector must respond to rapidly changing domestic and international markets. And, entrepreneurs, in particular, cannot afford to wait for government to catch up with their "first to market" imperative.

Ohio needs to once again be on the cutting edge. If Ohio does not respond to the challenges of the marketplace, it will not succeed in its mission of economic growth ... period.

House Bill 1 is the first step in Governor Kasich's plan to create jobs, revitalize our economy, and bring practical and sophisticated business acumen to the table.

House Bill 1 simply creates the framework for JobsOhio. First, it establishes a nonprofit corporation called JobsOhio.

Second, it requires a review of the current Department's functions and requires us to report back to the General Assembly with detailed recommendations on further statutory changes. During this review, we will closely examine every program and function within the current Department and assess what should be moved to JobsOhio, what should be eliminated, and what should remain in a different government entity or be moved to a different agency.

And third, it creates the authority for the Ohio Department of Development to contract with the new corporation once it's created to begin tasking it with some of the more fundamental job creating responsibilities of the current Department.

We are also aware that there have been concerns raised in the past about transparency and accountability of a private entity performing the economic development functions of the state.

House Bill 1, as introduced, addresses these concerns directly:

- Directors of the board will be prohibited from receiving compensation for their service as board members.
- JobsOhio will be required to adopt a conflict of interest policy, the terms of which are spelled out in detail in the bill.
- Directors will be required to sign an acknowledgment that they have read, understand, and agree to the conflict of interest policy.
- Directors will be required to file a financial disclosure with the Ohio Ethics Commission, just as a university's board of trustees files under current law.
- Lobbyists representing interests before JobsOhio will be required to register and disclose just as they currently would for matters before the Department.
- The contract between the Department and JobsOhio would be required to designate records of JobsOhio, which would be made public pursuant current public records laws.
- JobsOhio will be required to retain an independent, certified public accountant to conduct an annual financial audit of the corporation, and the full audit will be made public as part of the contract with the Department. Additionally, the Auditor of State will have authority to audit all public funds of the corporation.
- Compensation of employees, including their names, salaries, and any bonuses, will be made public and provided annually to the Department as part of the contract.
- Expenditures made by JobsOhio on behalf of the governor or any public employee in the course of fulfilling their duties with JobsOhio will be required to be recorded and reported to the Department and made public.
- The contract between the Department and JobsOhio would be required to be approved by the Controlling Board.
- The four required board meetings per year will be open to the public.

If we do our job right, we should have nothing to fear from full disclosure and transparency of the activities of JobsOhio. In fact, the goal of JobsOhio is not to conceal the economic development activities of the state, but rather to enhance them.

Primarily, the Department will be run in a "performance counts" manner where leadership and staff will be directly accountable for their success or failure under JobsOhio's contract with the state. Success in attracting jobs and companies to Ohio will be rewarded, and ineffectiveness will be penalized.

We will seek the very best and brightest to staff the agency, who will be expected to both talk and walk the language and practice of modern business, responding to challenges with sharp, timely, thoughtful solutions for prospective business partners of our state. Traditional public concepts of 8 to 5 service will be replaced with an ethic of "whatever it takes" to fulfill the JobsOhio mission.

Members of the Committee: Our state and our families are in trouble. We owe it to them to field the very best team possible in the global quest for jobs and economic success, and that is only possible through the kind of entrepreneurial approach we have put forward. It is only in this way that we can renew the promise created by Ohio's first development department in 1963, and differentiate Ohio in the world marketplace as a state "open for business" and determined to succeed.

Principally, a private entity performing the economic development functions of the state will provide continuity, flexibility, and speed to match the pace of today's business.

Equally important as what this bill does, is what it does not do.

This bill does not abolish the Ohio Department of Development. This bill does not make statutory changes to any existing programs in the Department. This bill does not eliminate the jobs of all Department employees. This bill does not move any specific program currently housed at the Department to another state agency. And, the bill does not eliminate any existing program of the Department.

All this bill will do is create the authority to establish the new corporation, allow that new corporation to contract with the Department, and start a review of the Department. Any further changes will occur only after further action by the elected members of this General Assembly.

Finally, some brief comments on our long term vision.

As I've said, House Bill 1 is just the first step in a multi-step process in creating a private economic development corporation. This first step will allow us to begin rationalizing a business plan and build the DNA around it. We will do that by drawing upon the expertise, knowledge, and success of our private sector board's experience.

The complete replacement of the Department will not happen overnight. And, at the end, it is likely that there will still be some successor government agency, perhaps in the form of a division of another department that will be needed to perform certain back office functions for JobsOhio.

We are taking a thoughtful and deliberative approach to this process. We do not think this should be done in haste. The reason for the six month review of the current Department is because we also want to seek input from interested parties. We will welcome ideas on improvements and changes so that our recommendations to this legislature at the end of the review are sound and reasonable.

One of the reasons I accepted the Governor's invitation to join his administration is because I see great opportunity in Ohio. I am not a politician. And, I admittedly see the world through the filter of a venture capitalist. Venture capitalists don't just invest in ideas, we invest in people with ideas. Whether it is an 18-year-old kid or two guys in a garage, we look at the people and we look for the market. From my vantage point, I see a tremendous market for Ohio. Just like in business, I see the state's mission as one of capturing more market share. And, like business, no one state will ever capture 100 percent of the market share. But, there is plenty of market share out there still to capture.

My goal in helping the Governor get JobsOhio up and running is to establish something that becomes an important, productive, and respected institution for many generations to come. It will remove politics from the process and act independently with its only mission being continuing job creation and fostering the economic growth of Ohio.

I urge your favorable consideration of House Bill 1 so that we can together begin that legacy here today.

Thank you and, Mr. Chairman, I would be pleased to answer any questions the committee may have.

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