

BLUEPRINT FOR OHIO'S ECONOMIC FUTURE

OCTOBER 2022



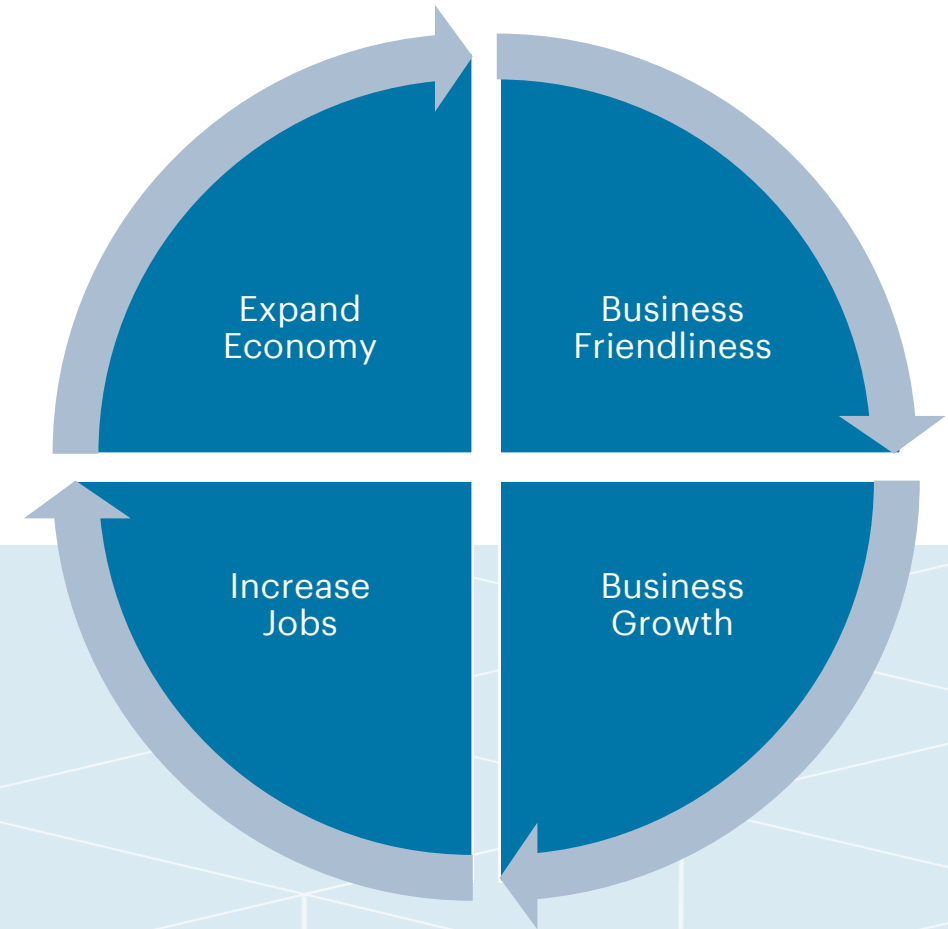
accenture

OHIO CHAMBER
of COMMERCE

The Ohio Chamber of Commerce's Vision: Make Ohio the best place to do business

The State of Ohio, like the nation, is navigating complex challenges that include a decline in its population, persistent urbanization, a lack of childcare resources, and a shortage of talent in its workforce.

Recent national rankings—which placed Ohio near the bottom of the pack in terms of business friendliness (47th) and tax burden (37th)—underscore the importance of addressing these challenges. The state is at a critical juncture, with an urgent need to move forward. Ohio must take steps now to remain one of the most the most competitive states for businesses while laying the foundation for future growth.

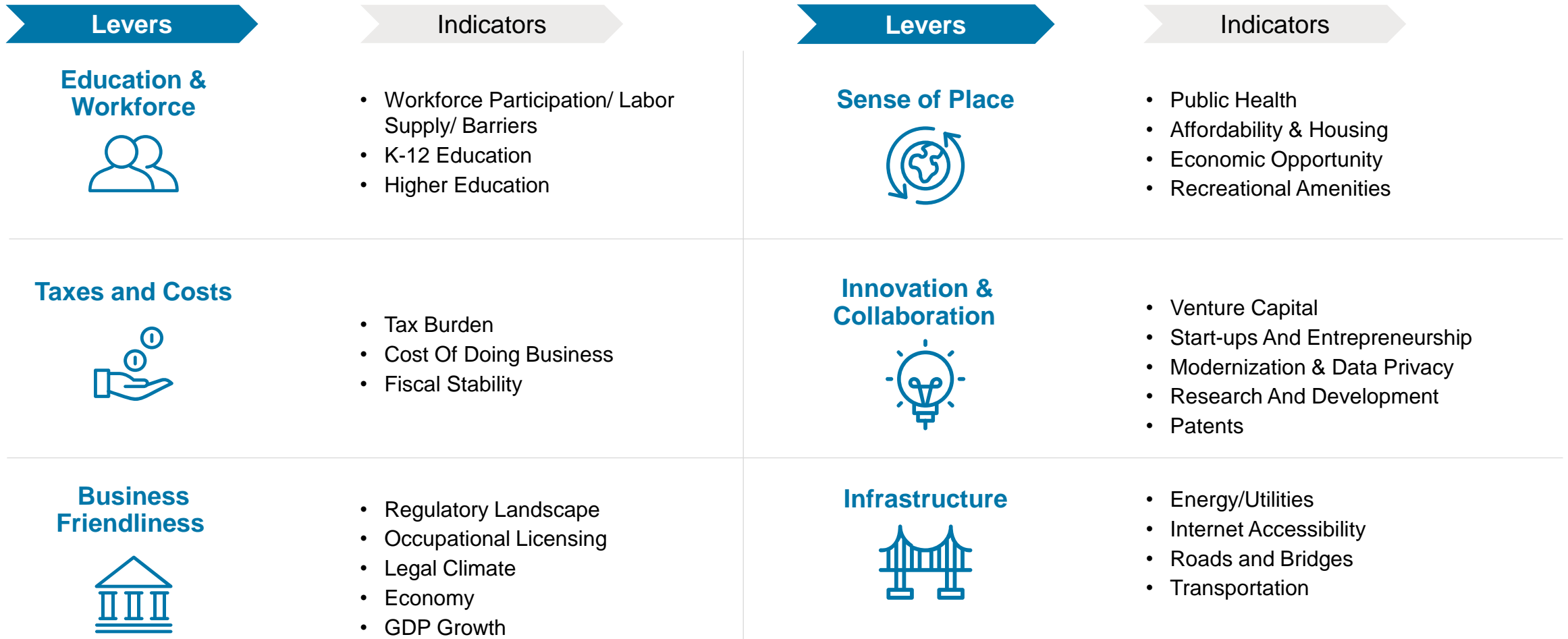


Goals

- The Ohio Chamber of Commerce is the leading Ohio business advocacy and resource, supporting free enterprise, economic competitiveness, and growth for the benefit of all Ohioans
- Create policies aligned with OCC goals to strategically position Ohio as a competitive place of business.
- Develop a **pro-active advocacy effort** to improve Ohio's business climate and economic opportunity

Understanding Key Drivers of Opportunity

The Ohio Chamber of Commerce set out with the initial goal of understanding various rankings of business-friendly states, in order to identify where we can make improvements to effectively ‘move the needle’ on Ohio’s rankings. We organized national rankings into Levers and Indicators to be able to cross-reference comparable categories.



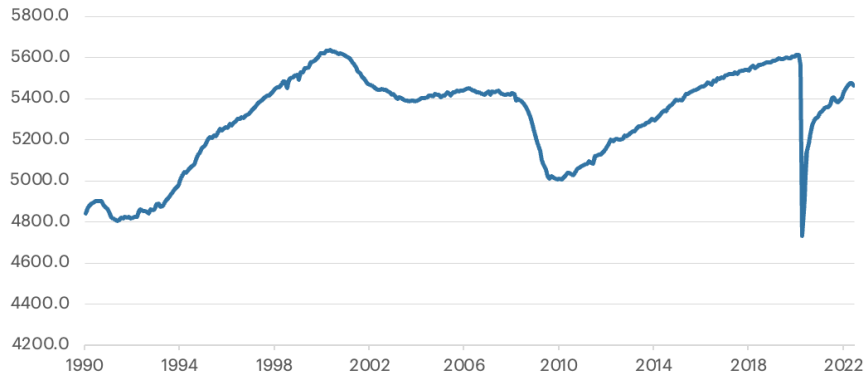
A young girl with long brown hair, wearing safety glasses and a light blue denim shirt, is smiling and holding a complex LEGO Technic robot. The robot is white and grey with a yellow motor and a black wheel. In the background, two other children are working at a table. The scene is set in a bright, modern classroom or workshop with colorful lines on the floor.

01 EDUCATION & WORKFORCE

Ohio still needed over 62,000 employees to return to February 2020 employment numbers, as of July 2022

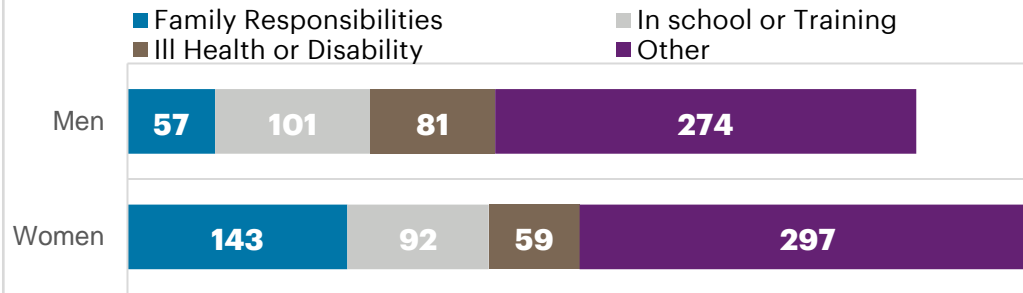
Over the past decade, Ohio hit a peak of 5.6 million total employees, both in the early 2000s and right before the pandemic. Ohio's labor force began recovering from the pandemic earlier than initially thought. While the total number of employees has increased significantly since early 2020, as of July 2022, Ohio still needs over 62,000 additional employees to reach its pre-pandemic total employment.

Ohio's Total Employment Over Time



Source: Accenture analysis of Bureau of Labor Statistics Total Employment

US Barriers to Finding a Job, Other Than Discouragement (May 2022, in thousands)

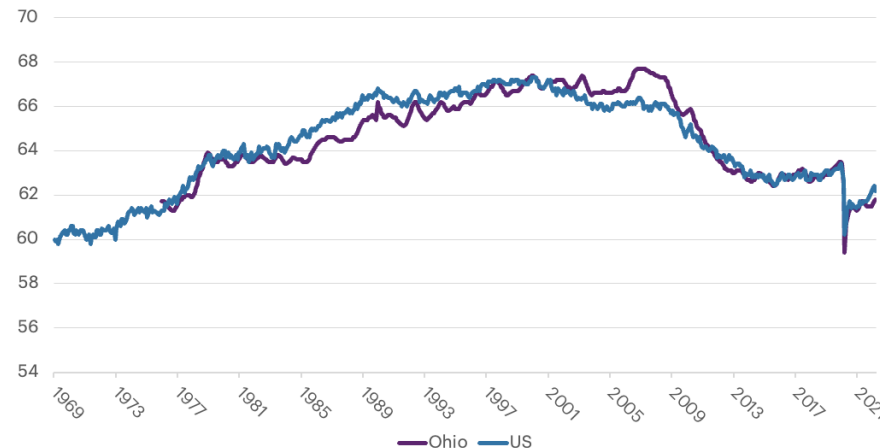


Note: Other includes those who did not actively look for work in the prior 4 weeks for such reasons as **childcare** and **transportation** problems, as well as a small number for which reason for nonparticipation was not ascertained.

July 2022 Labor Force Participation Rate by State

Florida	59.3%
North Carolina	60.6%
Michigan	60.1%
Pennsylvania	61.7%
Ohio	61.9%
United States	62.1%
Georgia	62.2%
Virginia	63.8%
Texas	63.8%
Minnesota	68.4%

Ohio Labor Force Participation vs National Average, Over Time

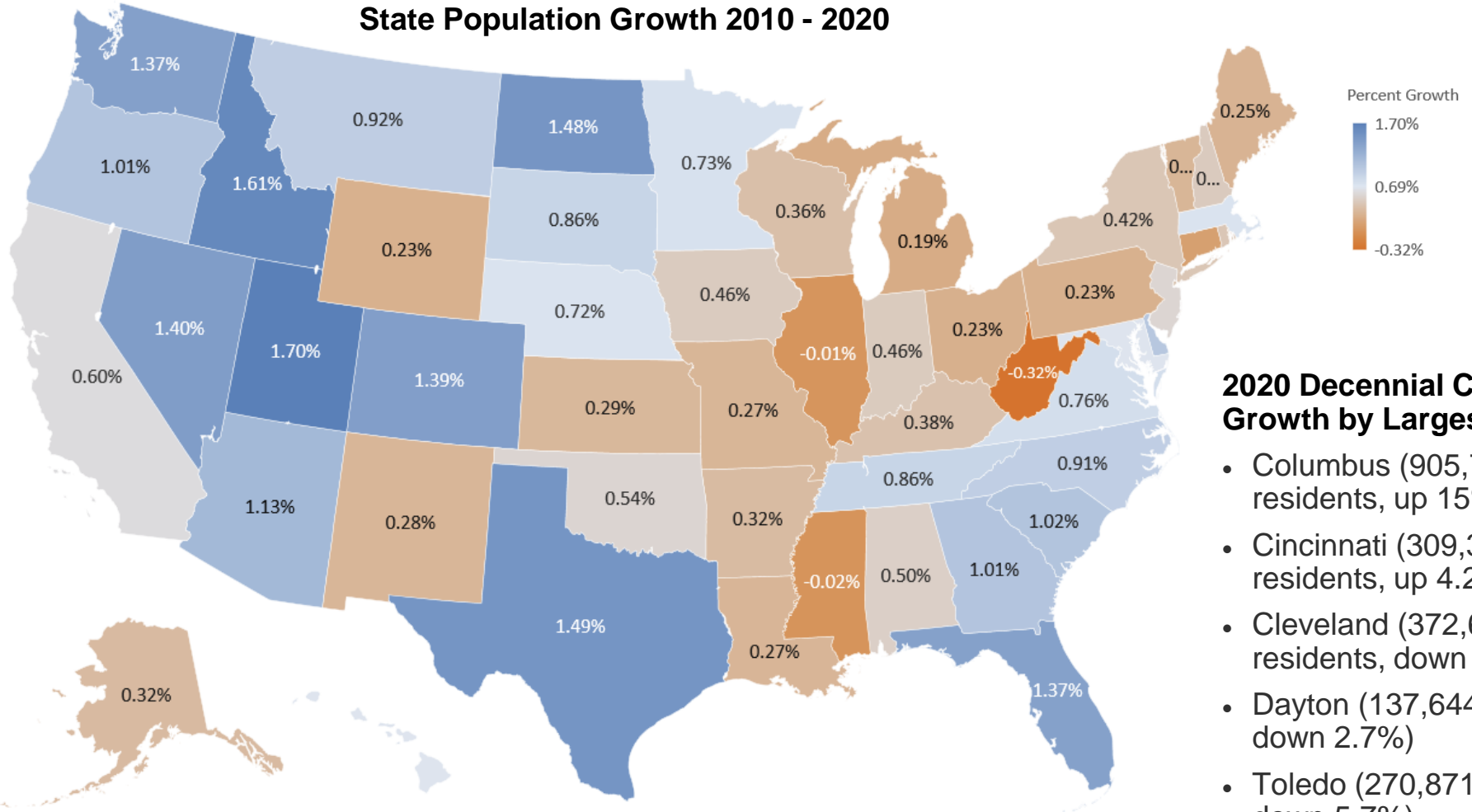


[FRED Labor Force Participation](#),
[FRED Job Postings](#)

Ohio's population has grown 0.23% in the past 10 years and is not keeping up with national averages

15 Fastest growing states (2010-2020 Growth Rate)^[1]

State	Growth Rate
Utah	1.70%
Idaho	1.61%
Texas	1.49%
North Dakota	1.48%
Nevada	1.40%
Colorado	1.39%
Washington	1.37%
Florida	1.37%
Arizona	1.13%
South Carolina	1.02%
Oregon	1.01%
Georgia	1.01%
Delaware	0.98%
Montana	0.92%
North Carolina	0.91%
US Median	0.55%
Ohio	0.23%



2020 Decennial Census Growth by Largest City

- Columbus (905,748 residents, up 15%)
- Cincinnati (309,317 residents, up 4.2%)
- Cleveland (372,624 residents, down 6.1%)
- Dayton (137,644, down 2.7%)
- Toledo (270,871, down 5.7%)

Source: U.S. Census Bureau

Source: Accenture analysis of Bureau of Labor Statistics Current Employment Survey
[\[1\] Population Growth Sputters in Midwestern, Eastern States](#)

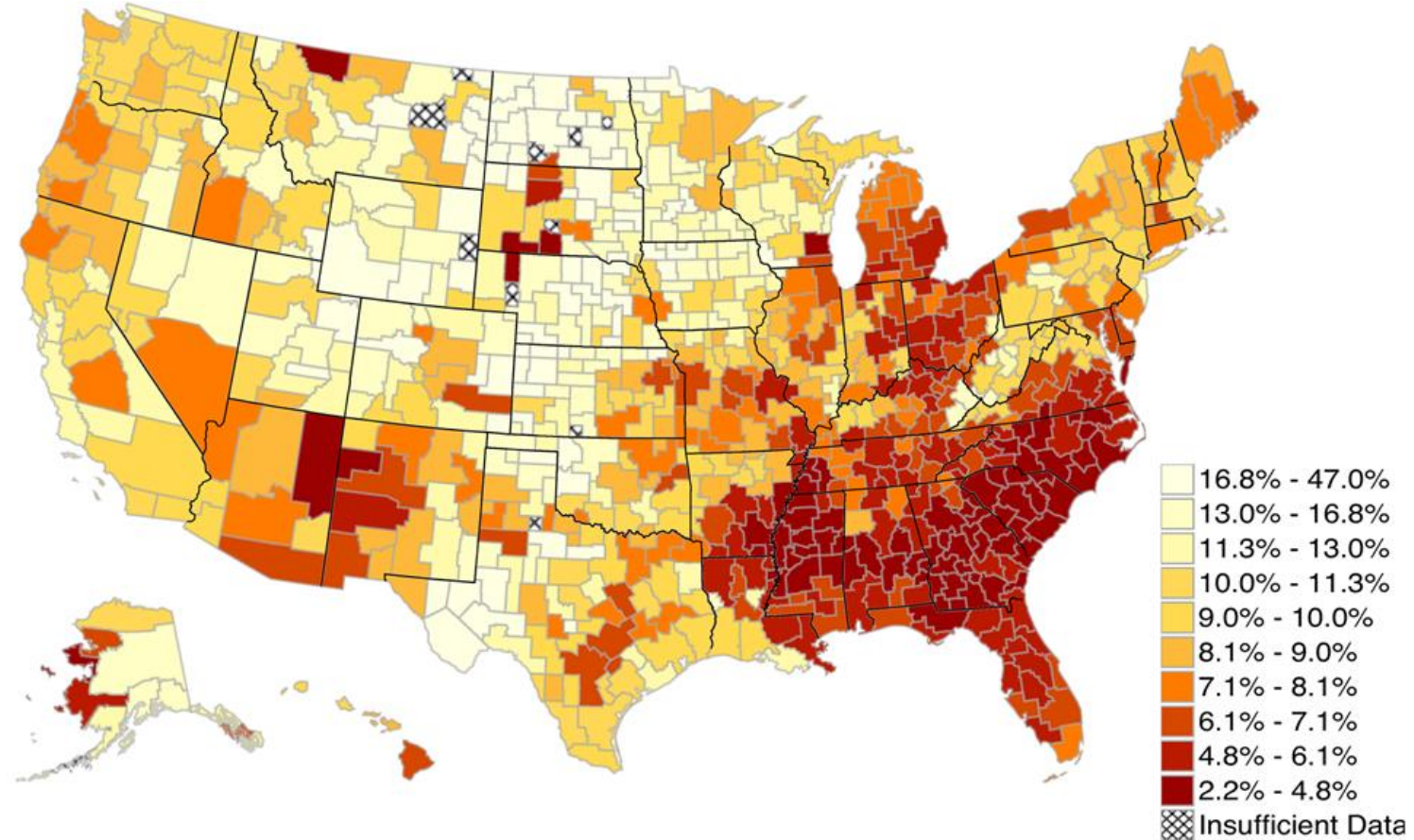
Ohio's major cities are in the bottom quartile of cities across the nation that support upward mobility

Findings

- The Midwest has faced the sharpest decline of upward mobility over time.
- Only one Midwest city was in the top two quartiles. Pittsburgh was ranked second, Grand Rapids was 29th, and Kansas City was 30th.
- The South also was in the bottom for economic mobility.
- The West and Northeast cities dominated the top rankings.
- Substance use disorders and lagging health quality may be responsible for some stagnation of workforce participation and upward mobility.

Source: [Equality of Opportunity](#)

The Geography of Upward Mobility in the United States: Odds of Reaching the Top Fifth Starting from the Bottom Fifth



NOTE: Lighter color equals more upward mobility.

Upward Mobility Rankings in the 50 Largest Cities

Dayton, Ohio (39th)

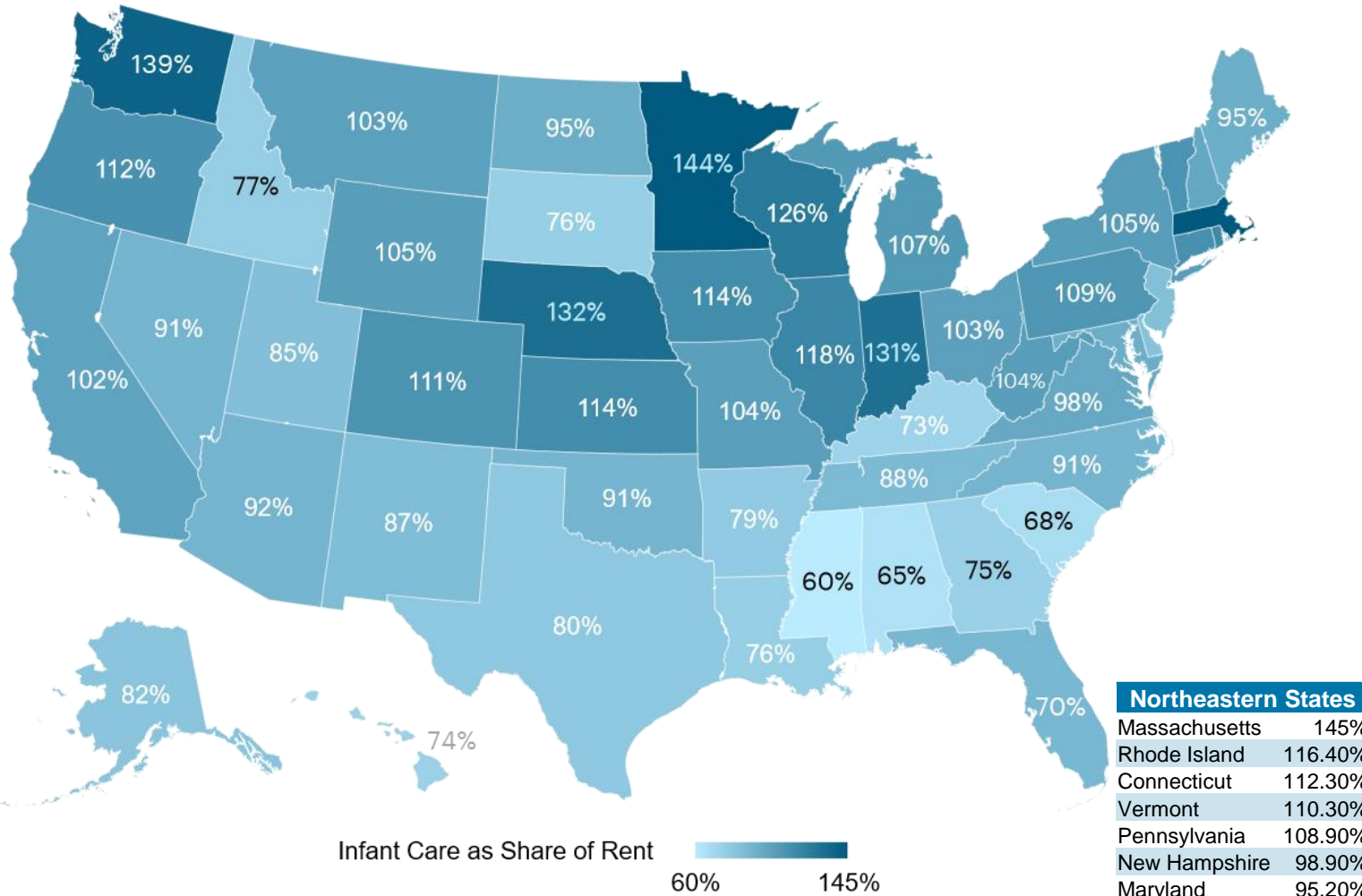
Cleveland, Ohio (40th)

Cincinnati, Ohio (43rd)

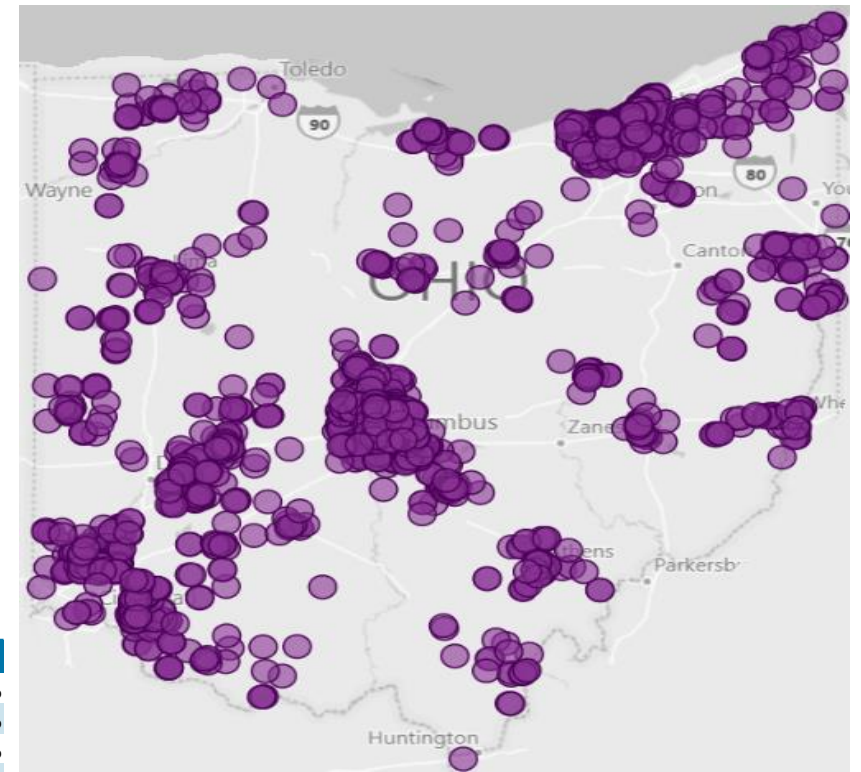
Columbus, Ohio (44th)

Ohio's infant care on average is more costly than rent

A 'childcare desert' is any census tract that contains more than 50 children under age five where no childcare providers are available OR any tract in which there are more than three times as many children as licensed childcare slots.



60% of rural Ohioans live in 'childcare deserts.'



Childcare Locations in Ohio – ODJFS 2020 Data

Education and Workforce Recommendations



Reduce Barriers to Employment

- Remove Childcare as a barrier for caregivers and working parents
- Support workforce participation for individuals with a criminal record
- Support employers to increase recruitment & retention of veterans and employees with physical/mental disabilities
- Pursue strategies to alleviate public assistance benefits cliffs

Expand Education and Job Training

- Ohio Chamber to support and lead a robust Business-Education Network (BEN)
- Promote employer-led work-based training
- Empower the rural workforce through the Ohio BUILDS Program
- Reskill midcareer workers and create opportunities for older workers
- Support efforts to increase labor force participation of 16–24-year-olds

Grow Ohio's Population & Recruit out-of-state workers

- Consider recruitment campaigns, incentives, and advocacy to recruit and retain top talent
- Foster a culture more explicitly supportive and inclusive of foreign workers and international students

Modernize Ohio's Workforce for In-Demand Occupations Now and in the Future

- Focus business recruitment and retention efforts on occupations using Ohio's "Top Jobs List" to ensure adequate labor supply for in-demand jobs
- Promote Computer Science and STEM offerings at the primary, secondary, and post-secondary education levels

02 SENSE OF PLACE

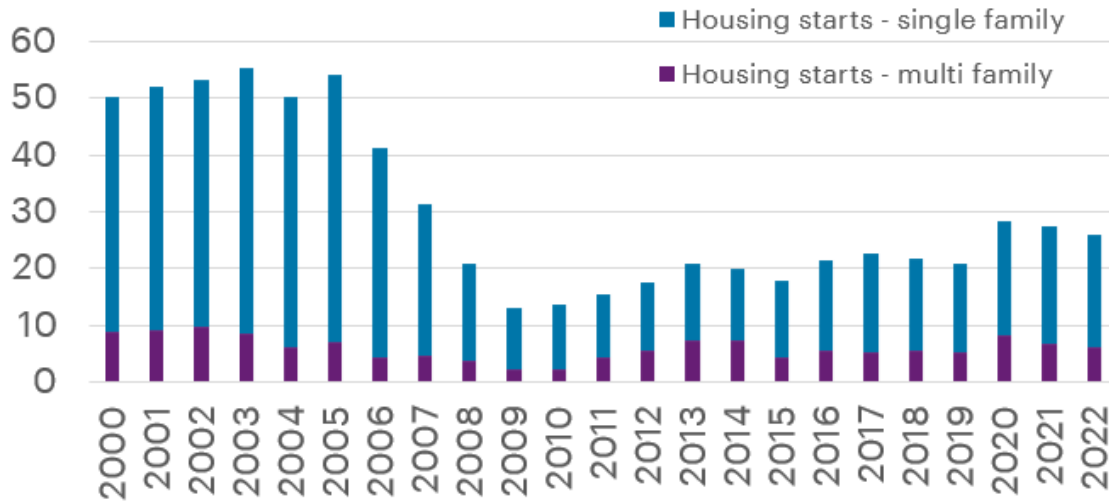




Lack of housing starts, especially starter home builds, is fueling the housing shortage

In 2020, the U.S. had a housing supply deficit of 3.8 million units.

Housing Starts in Ohio
(thousands)



Shortage of rental homes (affordable and available) for extremely low-income renters

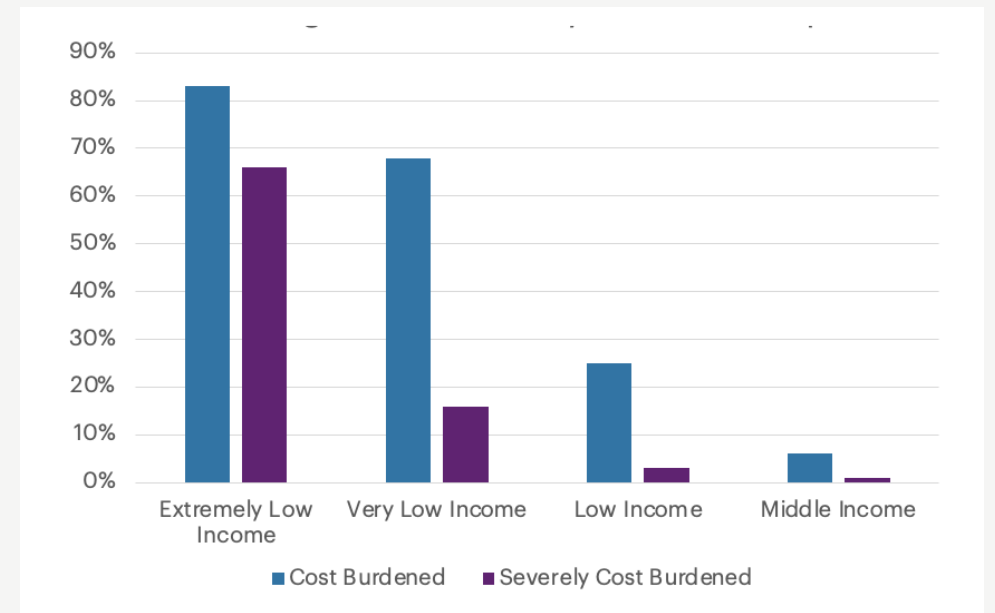
254,545 units

Source: WYSO Rural Ohioans Live in 'Childcare Deserts, EPI: Child Care Costs, National Low Income Housing Coalition, Oxford Economics Housing Starts, freddiemac.com/research/insight/20210507-housing-supply

Many Ohio households are severely cost burdened by housing costs

Severely cost burdened poor households are more likely than other renters to sacrifice other necessities like healthy food and healthcare to pay the rent, and to experience unstable housing situations like evictions.

Housing Cost Burden by Income Group



Cost Burdened: Renter households spending more than **30% of their income on housing** costs and utilities

Severely Cost Burdened: Renters spending **more than half of their income** are severely cost burdened

Source: [National Low Income Housing Coalition](#)

Ohio ranks 47th on health value out of 50 states and DC

Ohio ranks low for health outcomes
(1st is best, 50th is worst)

- Drug Deaths 47th
- Cardiovascular disease 41st
- Multiple chronic conditions 40th
- Premature death 39th
- Depression 37th
- High Blood Pressure 35th
- Obesity 37th
- Diabetes 37th
- Cancer 34th

[Source: America's Health Rankings, Untied Health Foundation, 2021](#)

[America's Health Rankings analysis of America's Health Rankings](#)
[Health Policy Institute of Ohio](#)

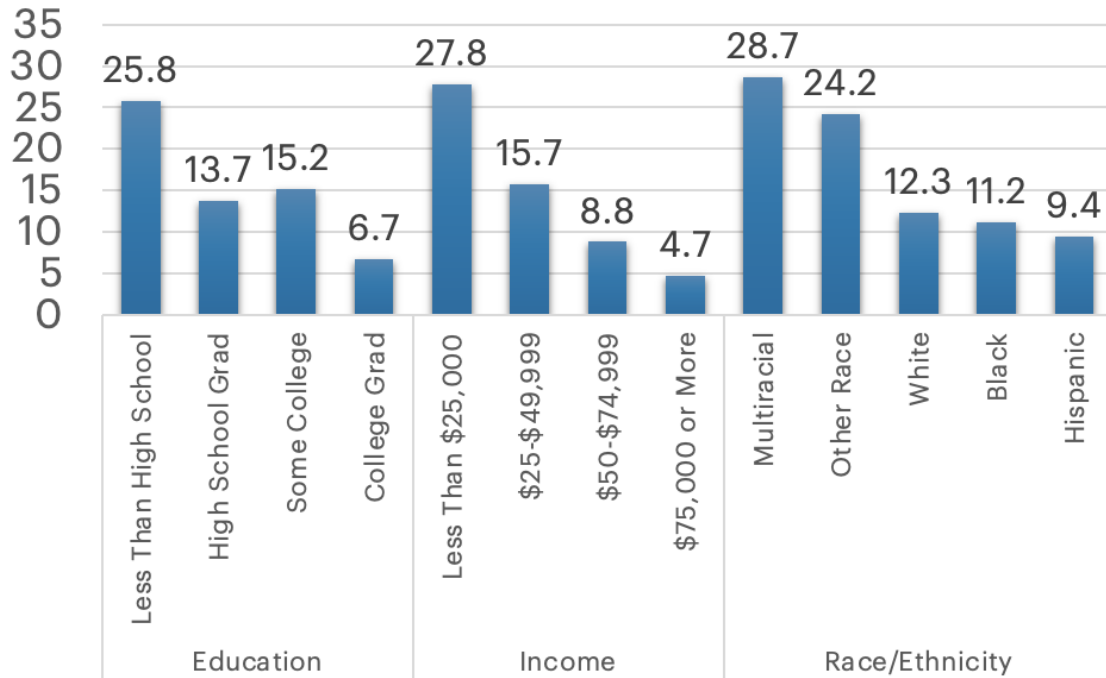


Public health spending per person
is the fourth lowest in the nation.



Ohioans who hold less than a high school degree, make less than \$25,000 a year, and/or are multiracial experienced increased probability of having multiple chronic conditions

Percent Of Demographic With Multiple Chronic Conditions (2021)



Researchers have noted a clear connection between low health rankings and low rates of workforce participation and higher rates of government programs. One national estimate suggests that up to 40% of prime working-age men not in the workforce have a health condition that may prevent them from working.

[Where Have All the Workers Gone? An Inquiry into the Decline of the U.S. Labor Force Participation Rate, NIH, 2017](#)

Source:
[2018 Health Care Cost Institute](#)
[America's Health Rankings analysis of America's Health Rankings.](#)
[Health Policy Institute of Ohio](#)

Sense of Place Recommendations



Improve Affordability that Allows for Generational Wealth Building

- Make dedicated efforts to increase home ownership
 - First-Time Home Buyer Savings Act
 - Ohio Affordable Housing Tax Credit Program
- Make efforts to provide affordable rent

Improve Health Outcomes and Address Drug Crisis

- Increase residents' ability to access care by improving and enhancing delivery systems
- Make efforts to eliminate health disparities via targeted outreach to at-risk communities
- Increase awareness and access to addiction treatment, harm reduction, and mental health services
- Incentivize long-term care insurance among younger Ohioans

Further Understand Opportunities for Ohio's Natural Amenities

- Capitalize on Ohio's unique features including parks, libraries, and museums etc. for compelling first impressions
- Utilize public-private partnerships to maximize economic opportunity in conjunction with recreational assets

A close-up photograph of a person's hands holding an open brown leather wallet. The wallet is filled with several US dollar bills, with the top bill being a \$100 bill. The person's hands are positioned as if they are about to take out the money. The background is a soft, out-of-focus teal color.

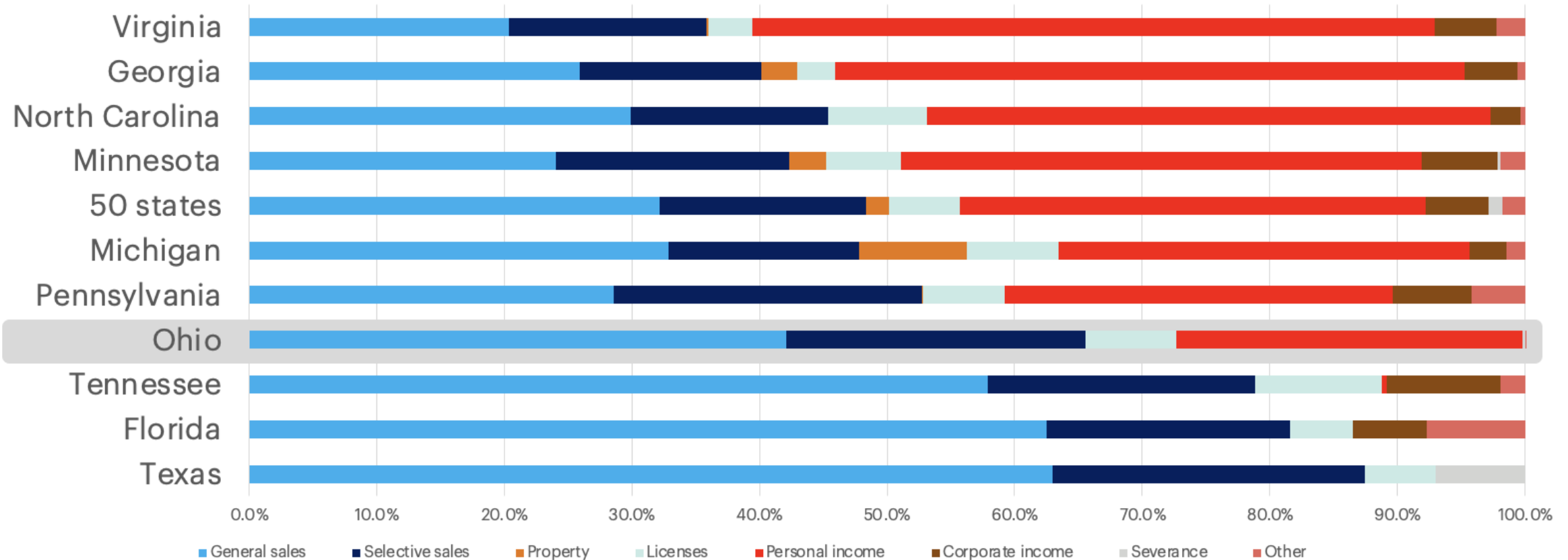
03 TAXES AND COSTS



How does the state government raise its tax dollars? Consumption vs. Income Tax Reliance

Ohio is most reliant on general sales, selective sales, and personal income tax. Tennessee, Florida, and Texas do not tax personal income.

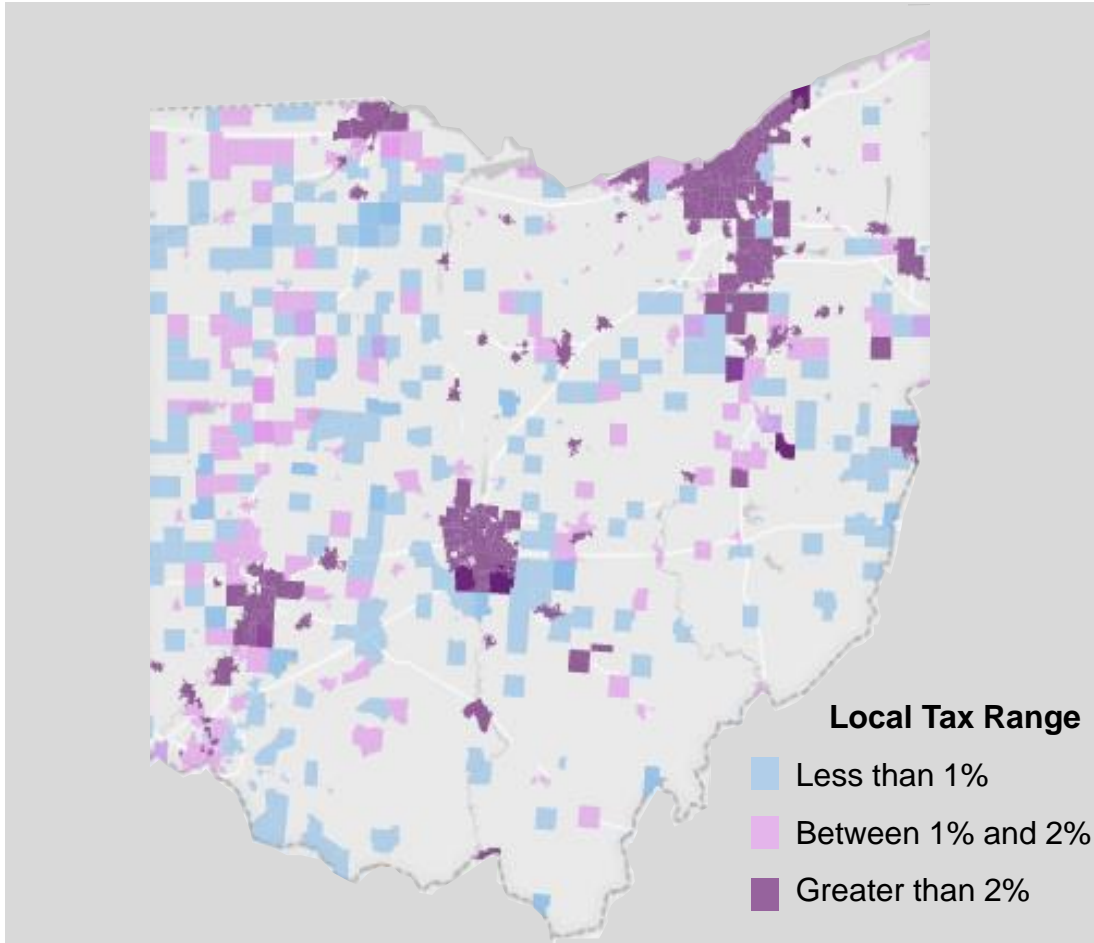
Mix of Tax Source, by Dependence



Source: [Pew: How States Raise Their Tax Dollars](#)



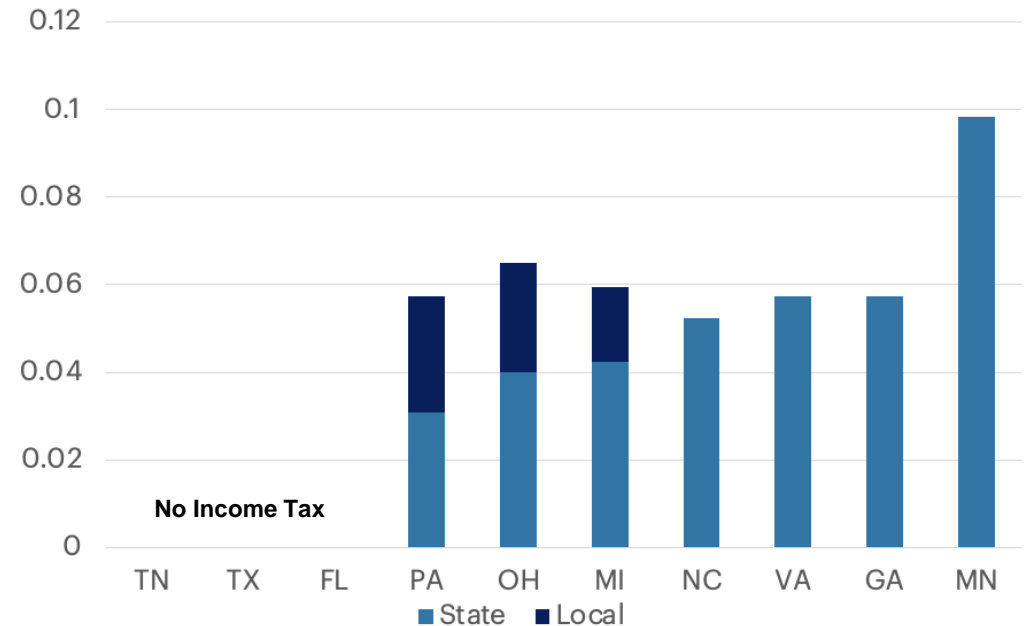
More than 3.2M Ohioans pay an additional 2% or more for local income tax on top of state income tax



Only 17 states statutorily allow local jurisdictions to impose a local income tax. Ohio has the second-highest number of local Income Tax Jurisdictions in the nation.

State	Total Number of Local Tax Jurisdictions
Pennsylvania	2,978
Ohio	848
Indiana	98
Michigan	23
GA, FL, MN, NC, TN, TX, VA	0

Highest Tax Bracket plus Median Tax of Most Populous Cities



Source: [The Finder - Muni Rate Database Table Instructions \(ohio.gov\)](#), [U.S. Census Bureau QuickFacts: United States \(2020\)](#)



Taxes and Costs Recommendations

Target Comprehensive Tax Reform

- Conduct a comprehensive review of state and local tax liabilities for businesses, including: property, sales and excise, gross receipts, local net profit, corporate license, unemployment insurance, and individual income taxes paid by owners of pass-through entities
- Perform a review of incentives to ensure they attract and retain business operations in Ohio
- Analyze any proposed tax changes to consider the impact on services that benefit businesses and communities, such as education, public safety, and infrastructure

Improve the Municipal Tax Complexity and Burden

- Pursue uniformity of tax rates and tax filing requirements to reduce the complexity and compliance of municipal income tax
- Address municipal workplace vs. residence tax withholding as this creates an administrative burden for the employer
- Ensure any reforms provide municipalities with adequate funding for key local services

Conduct Further Analysis on the Business Gateway's Impact on Businesses

- Create robust one-stop shops, including conducting further analysis on the Ohio Business Gateway, to better relieve the administrative burden of taxes, licenses, and fees on businesses.

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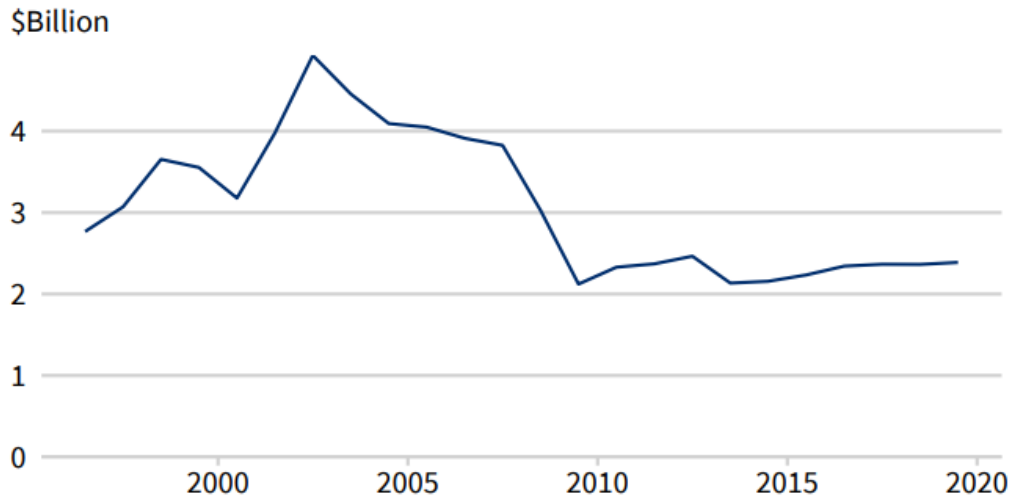
04 INNOVATION AND COLLABORATION



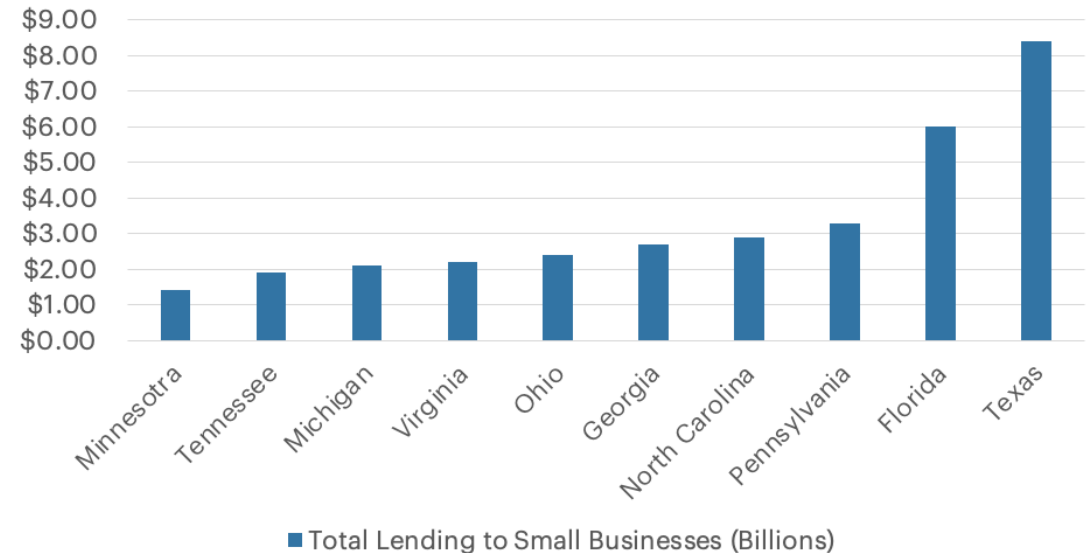
Ohio has lower amounts of small business lending than other comparison states

- Ohio **small business lending** (to businesses with under \$1 million revenue) has decreased since the early 2000s, but has stayed flat in the last 10 years.
- Texas and Florida are **outliers with significantly higher levels of lending.**
- Ohio performs similar to other **Midwestern** states (MI, MN).

New lending to businesses with revenues under \$1 Million



Total Lending to Small Businesses (Billions)

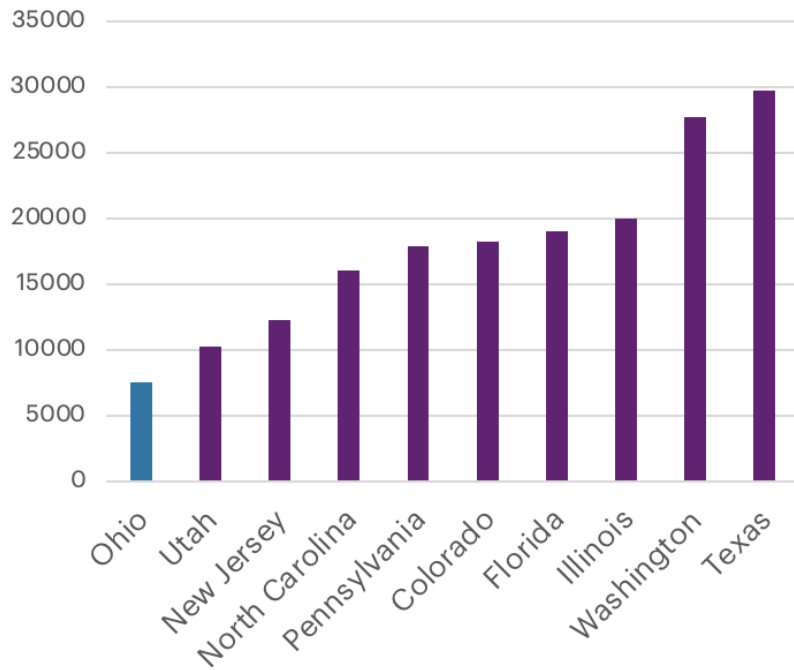


Source: [U.S. Small Business Administration Office of Advocacy, CRA Aggregate Data](#) (FFIEC)

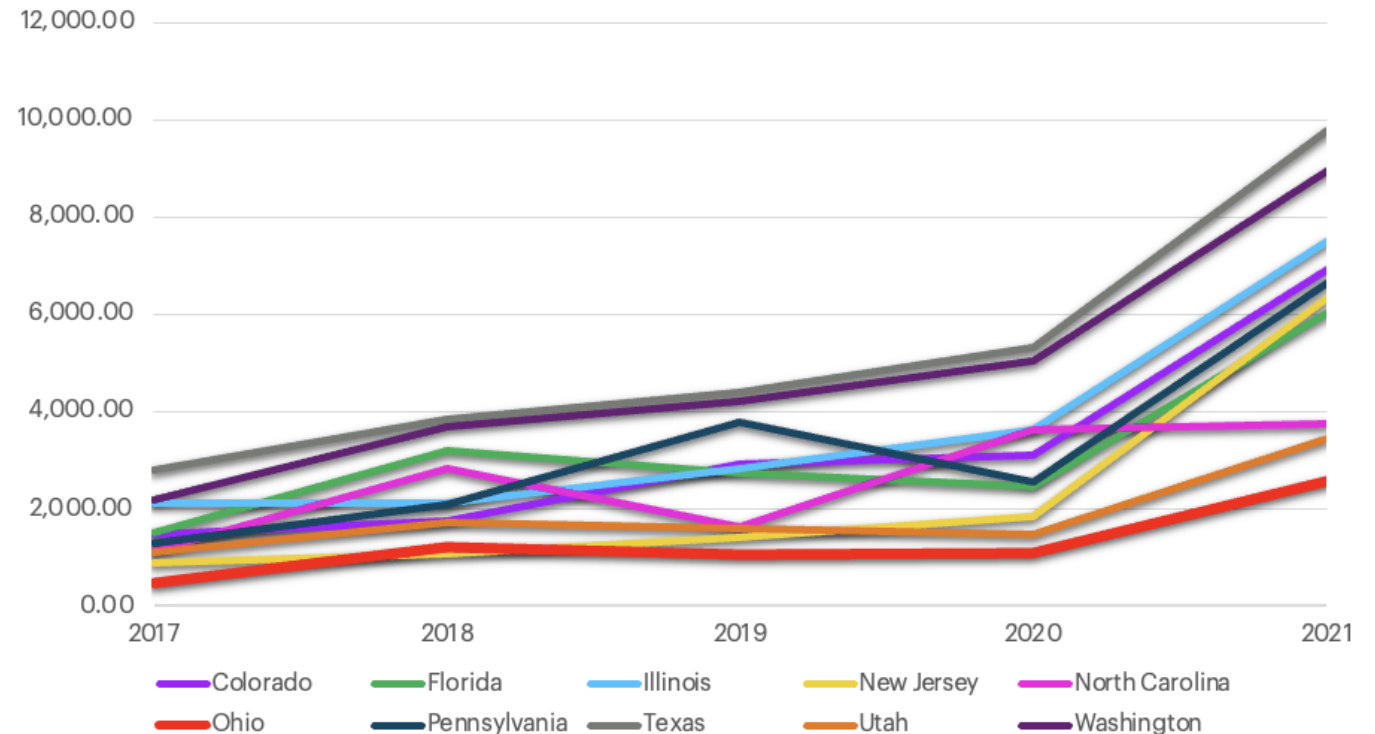
Although venture capital investments in Ohio have increased, they are not growing at the same rate as in other competing states

The state accounted for just \$1.5 billion of \$156 billion in U.S. VC investments in 2020 – or **1%**, up from 0.6% five years ago. In 2021, Ohio had a **record-breaking** year in venture capital (\$2.37B, 180+ deals, 103% increase from 2020). Nationally, 2021 was a record-breaking year for venture capital investment.

VC Funding by State Past 5 Years (\$M)



VC Funding by State (\$M)



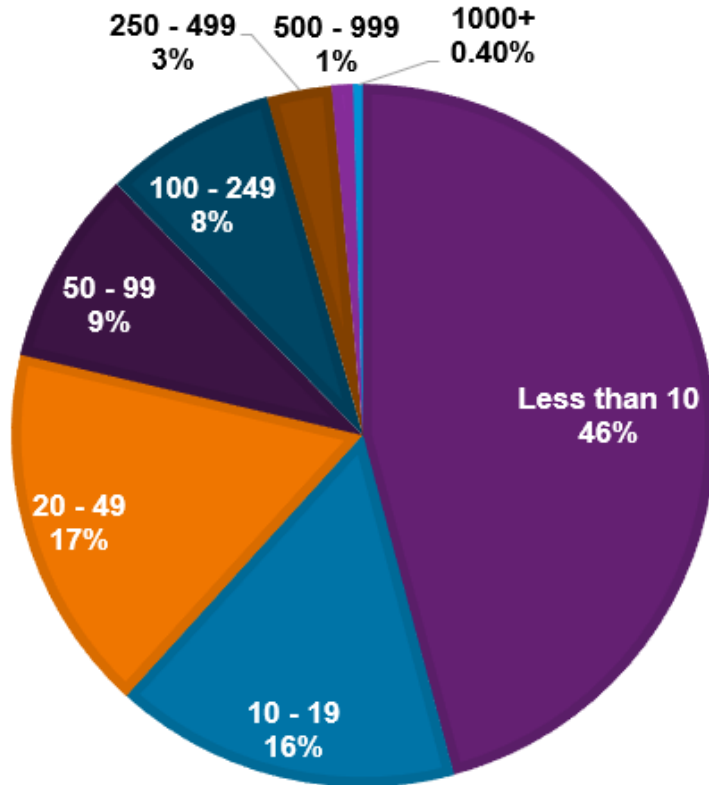
Source: Pitchbook



Manufacturing in Ohio

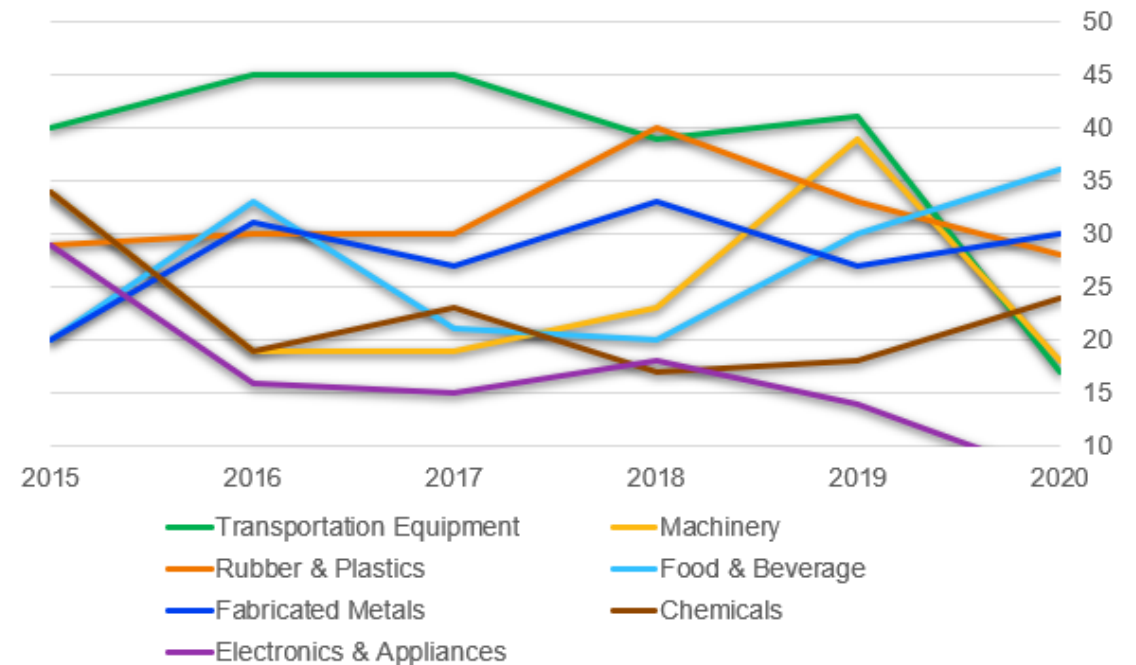
Manufacturing leads Ohio industries at 17.5% contribution to Ohio's Gross Domestic Product in 2020 at \$105.3 billion

Percent of Firms by Number of Employees



Almost 50% of Ohio manufacturing firms employ fewer than 10 people, while 0.4% of firms employ 1,000 or more people

New Manufacturing Project Investments by Industry



In 2020, **Food and Beverage** and **Fabricated Metals** projects led Ohio's new manufacturing investment projects

https://www.ohiomfg.com/wp-content/uploads/OMA_ManufacturingCounts2020.pdf



Innovation and Collaboration Recommendations

Expand Venture Capital

- Continue to expand venture capital and private equity investments throughout Ohio and to a wider array of industries and types of startups by:
 - Incentivizing firms to provide additional investments in early and later stage deals
 - Help prepare/support small businesses to receive those investments and advance their business
- Consider the creation of an Ohio-focused “fund of funds”

Increase Small Business Support

- Advocate and advertise small business development centers and Innovation Districts
- Enhance small business activity tracking
- Create support programs that provide low (or no) interest loans and grants to small businesses

Transition Manufacturers to Modern Equipment

- Support manufacturers to realize greater efficiencies and higher output through innovative advancements
- Adopt a manufacturing readiness grant program

Enact Balanced and Comprehensive Data Privacy Legislation

- Examine comprehensive data privacy legislation to:
 - Equip Ohioans with consumer rights and recourse related to their personal data
 - Promote a business environment that incentivizes implementation of cybersecurity protections of sensitive information



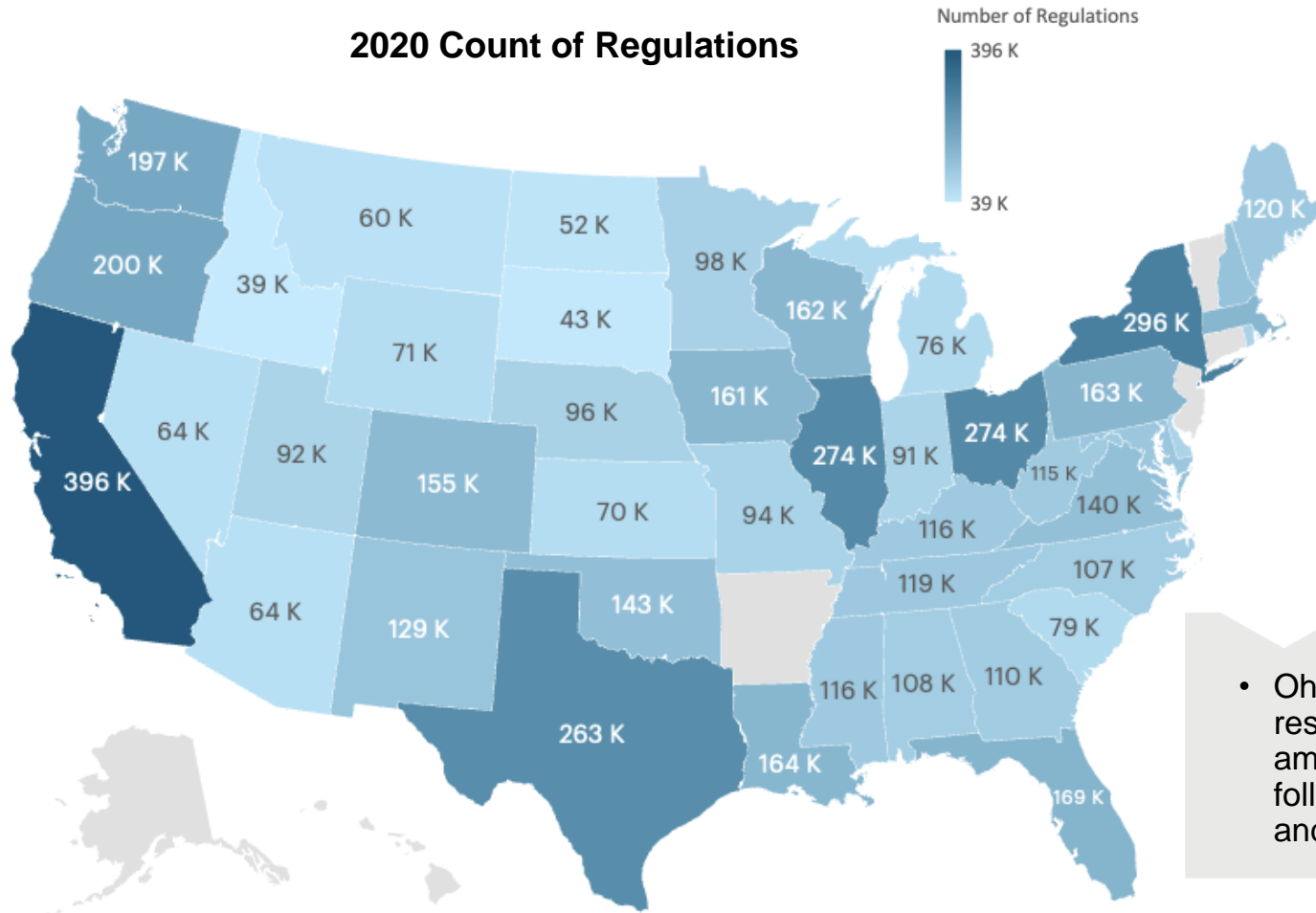
05 BUSINESS FRIENDLINESS



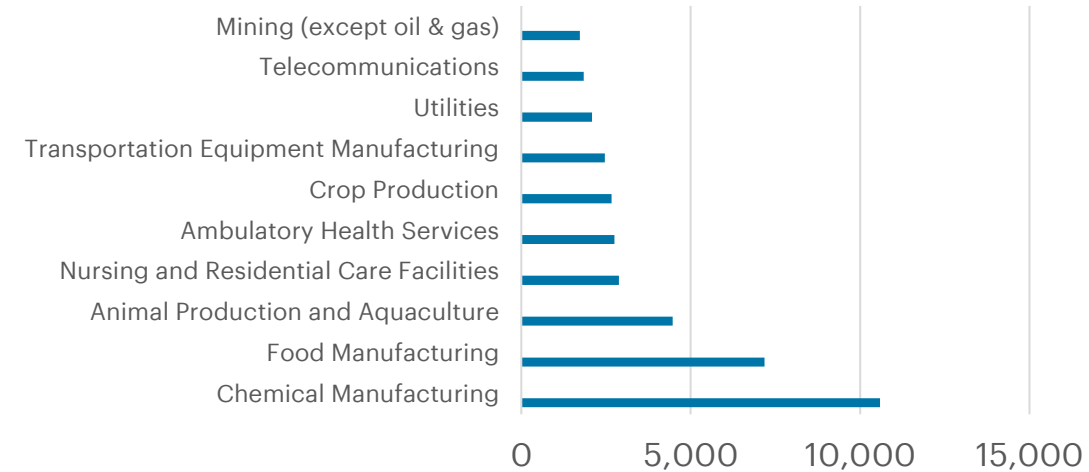
Why is Ohio's Regulatory Landscape ranked so low?

Many sources used the Mercatus Center findings as part of its Regulatory Definition, in this ranking Ohio is 47th

2020 Count of Regulations



Top Ohio Industries Targeted by State Regulations



- Ohio ranks the highest for restrictions and number of words among our comparison states, followed closely by Texas, Florida, and Pennsylvania.
- Restrictions are instances of the words and phrases “shall,” “must,” “may not,” “required,” and “prohibited” within a regulation.

Source: [Quantifying Regulation in US States](#)

Most indices heavily weighed data on regulatory landscape and lawsuit/liability climate in the business friendliness category. These rankings stem largely from the sheer volume of requirements or restrictions. Given the length and complexity of regulations, most indices rely on sources that count total number of pages and/or total number of restrictive words (“must,” “shall,” “prohibited,” etc.) rather than rating on the quality and conciseness of each individual regulation. This approach is not a very reliable metric for measuring regulatory landscapes. Uses [QuantGov](#), an open-source machine learning and text analysis platform for analyzing regulatory text



Business Friendliness Recommendations

Expand Cleanup of Regulatory Policies

- Revisit current cleanup efforts through Cut Red Tape Ohio and the Common Sense Initiative in order to maximize impact.
- Review and reduce occupational licensing restrictions where applicable
- Mitigate lawsuit abuse against businesses

Create Efficiency and Transparency of License and Permit Applications

- Examine the coordination of all licenses and permits across governmental layers, to determine where duplicative efforts create burden and identify opportunities for standardization
- Improve transparency in the application process, with links to direct contact information, timelines for completions at each stage, costs, and the number of procedural steps related to each application
- Reduce licensing or permitting barriers to entry for those opening or relocating a business to Ohio

A photograph of a worker in a white hard hat and a high-visibility yellow safety vest standing inside a large, circular industrial tunnel. The worker is pointing towards the left. The tunnel is lined with blue-painted metal rings and bolts. Large pipes run along the floor of the tunnel. The lighting is warm and focused on the worker.

06 INFRASTRUCTURE



Ohio Consumes More Electricity Than It Generates

Ohio is a **top 10 state** for net electricity generation; however, Ohio is also the **second-largest** electricity importer.

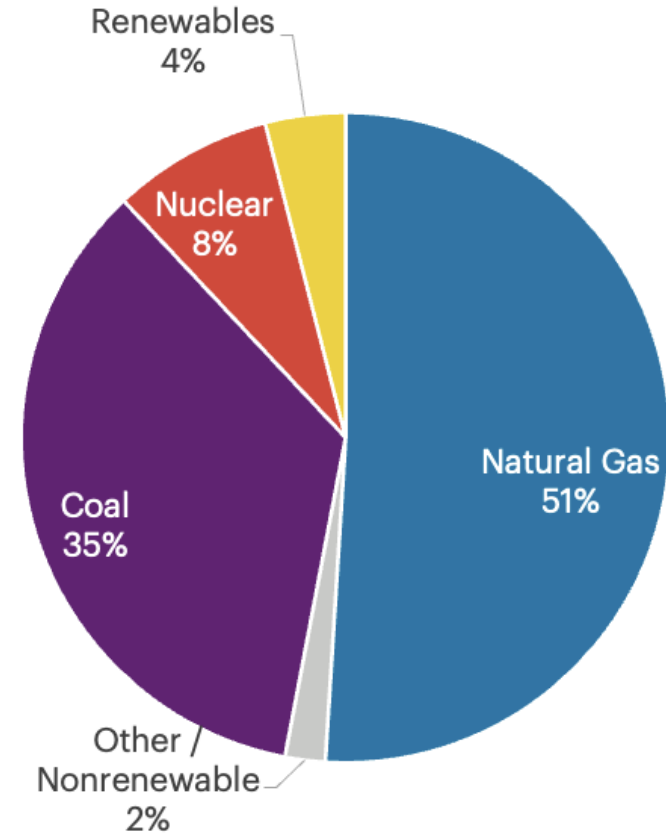
On average, Ohio generates

3,186.94
trillion Btu

On average, Ohio consumes

3,404.48
trillion Btu

Ohio Electricity Generation Capacity by Source



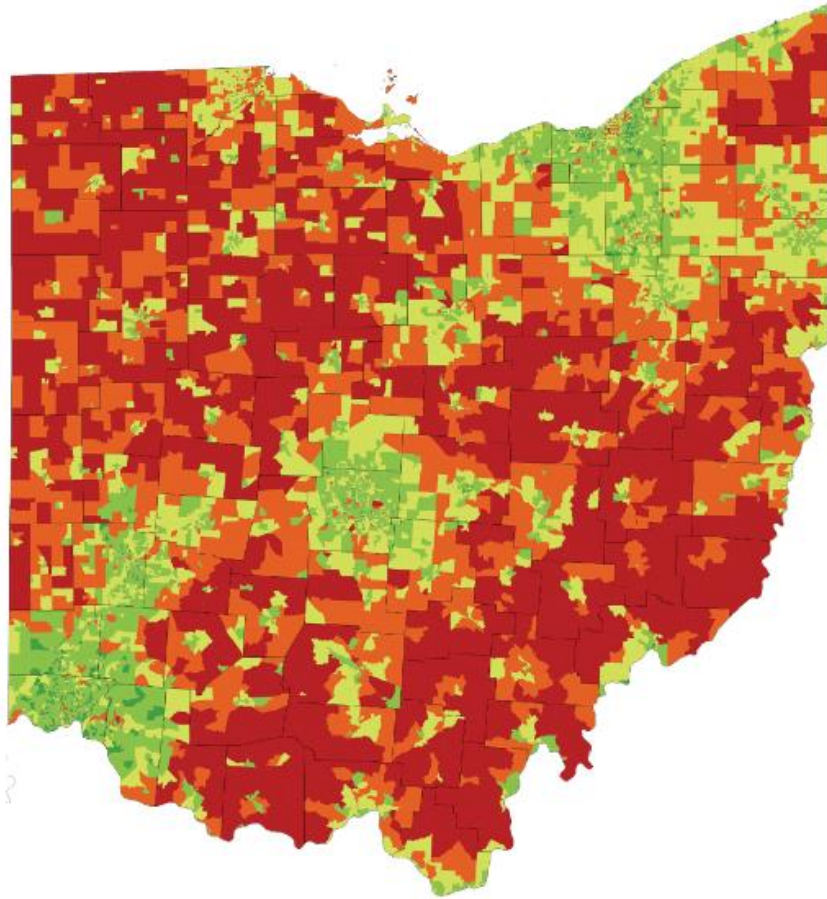
- On average, Ohio **imports 25%** of its electricity needs.
- PUCO forecasts a **4.32% increase** in electricity needs from 2019 to 2039.
- Industrial sector accounts for **1/3 of consumption**.

Source:

[Ohio Long-Term Forecast of Energy Requirements, 2021 Report Card for Ohio's Infrastructure \(infrastructurereportcard.org\)](#)), [ESIG-Redefining-Resource-Adequacy-2021.pdf](#), [United States - U.S. Energy Information Administration \(EIA\)](#), [U.S. Energy Information Administration - EIA - Independent Statistics and Analysis](#)



Digital Divide Continues to Throttle Opportunity



Ohio is anticipated to receive over **\$1 Billion** in federal funds for Broadband

Approximately

1 Million Ohioans

lack residential access to fast, reliable high speed internet service

Key: Internet Speeds



[BroadbandOhio: Ohio's Broadband Availability Gaps](#)



Infrastructure Recommendations

Improve Energy Transmission and Distribution Systems

- Harden the grid to offer quick recovery in the face of weather and peak demand
- Improve access to natural gas in constrained urban and rural areas to meet current needs and demands for future growth
- Increase and diversify electric generation in Ohio to support consumption needs

Advocate for Transportation Improvements

- Hold a statewide roundtable with Ohio transportation/transit agencies to understand and prioritize areas of opportunity and infrastructure-based needs
- Advocate for airport capacity expansion and direct flight offerings
- Explore innovative ways to connect rural and suburban residents to economic centers
- Educate the business community on employer led transportation options

Improve Broadband Access

- Continue making progress in the Ohio Broadband Strategy
- Identify funding opportunities to improve/update broadband infrastructure
- Provide grants to assist homeowners with individual line extensions

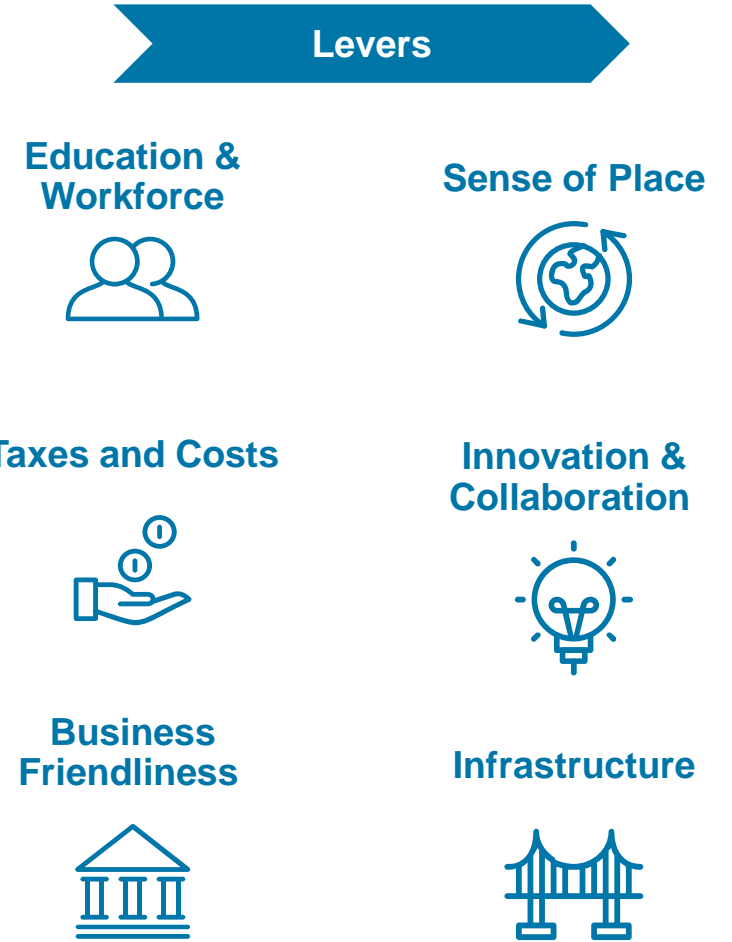
Conclusion

The Ohio Chamber of Commerce operates with a simple and compelling vision: Making Ohio the best place in which to do business anywhere in the world. At the core of its mission, the Ohio Chamber of Commerce is dedicated to promoting pro-business policies and to advocating for growth to benefit all Ohioans. We undertook this study to help identify ways to improve Ohio's business climate.

This study will serve as the basis for a 10-year legislative agenda. We feel that it highlights key areas of opportunity that will create positive change for businesses throughout the state. We have taken a data-driven approach and have worked to understand the driver of national business rankings.

The Chamber intends to build upon this work with additional research studies and by turning recommendations into legislative proposals. We will advocate for the solutions presented in this document with policy makers and executive administrations over the next 10 years.

Progress towards these goals will be recorded and will include periodic updates and reports to policymakers across Ohio and to the broader business community.



With your support, we will improve our business climate and grow our economy for the benefit of all Ohioans