

COVER STORY

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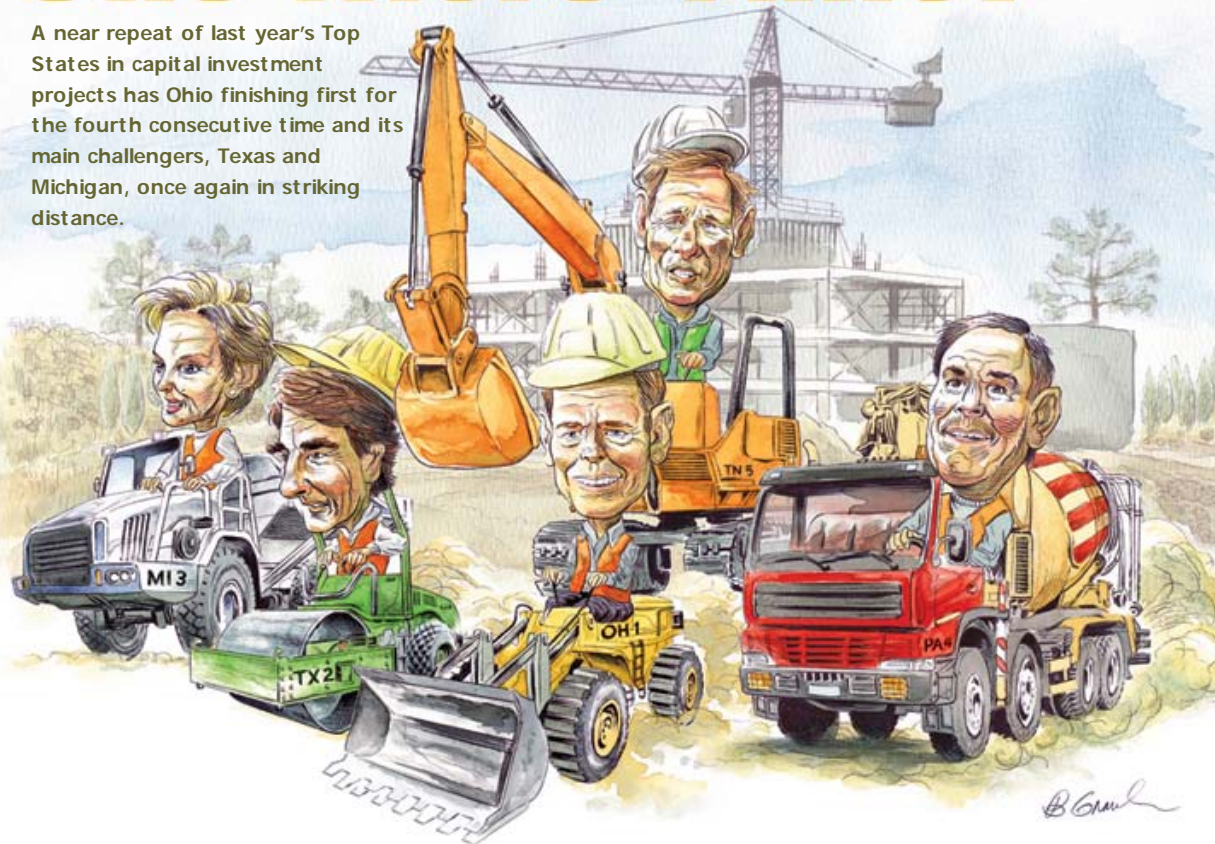


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One More Time!

A near repeat of last year's Top States in capital investment projects has Ohio finishing first for the fourth consecutive time and its main challengers, Texas and Michigan, once again in striking distance.



by **MARK AREND**
mark.arend@conway.com

Above (from left to right):

3rd place: Gov. Jennifer Granholm of Michigan; **2nd place:** Gov. Rick Perry of Texas; **1st place:** Gov. Ted Strickland of Ohio; **5th place:** Gov. Phil Bredesen of Tennessee; **4th place:** Gov. Ed Rendell of Pennsylvania.

Below (from left to right):

7th place: Gov. Beverly Perdue of North Carolina; **6th place:** Gov. David Paterson of New York; **10th place:** Gov. Mitch Daniels of Indiana; **8th place:** Gov. Pat Quinn of Illinois; **9th place:** Gov. Bob McDonnell of Virginia.

Given this economy, not doing as well in 2009 as in 2008 at attracting capital investment isn't necessarily bad. In fact, it can be great, if you still did better than everyone else. That's how Ohio clinched its fourth consecutive Governor's Cup for total qualifying project announcements in 2009. Weighing in at 381 projects (it had 503 last time), Ohio squeaked past runners-up Texas, Michigan and



Pennsylvania in a repeat of last year's pecking order, with 374, 372 and 335 projects respectively. Tennessee with 234 projects rounds out the top five.



Illustrations by Bob Gravlee

Site Selection's annual Governor's Cup award recognizes the state with the most new or expanded private-sector capital projects as tracked by publisher Conway Data Inc.'s New Plant Database. Facility projects counted in the Governor's Cup, Top Metros and Top Micropolitan rankings meet one or more of these criteria: capital investment of US\$1 million or more, creation of 50 or more new jobs and/or new floor space of at least 20,000 square feet (1,860 sq. m.).

"Like every governor in America, I am facing very severe challenges," says Ohio Governor Ted Strickland. "During these times of challenge, we have tried to determine priorities and focus on the factors that are essential to future growth and development."

Two Sides of the Tax Coin

One is a continued focus on corporate taxation.

A Tax Foundation summary of significant state tax changes identifies these Ohio developments in 2009: "Ohio reduced its income tax across the board slightly as part of a package to phase out the corporate income tax, phase in a gross receipts tax, cut the sales tax slightly, phase out the inventory tax, and reduce the income tax by 21 percent over five years. The income tax reduction scheduled for 2010 has been postponed."

"Because of the condition of the economy, we postponed the final phase-out of the income tax by 4.2 percent, but we have followed through on the other aspects of the tax reform," Strickland explains. "The purpose of that reform, which passed before I became governor but that I have embraced, was to have the implementation of the CAT, or commercial activity tax, that would be very low rate but broadly based. That would allow for the elimination of the corporate franchise tax and inventory tax and these other taxes that we felt were onerous and discouraging to business growth in Ohio."



Gov. Ted Strickland with Ohio's fourth consecutive

Adds Lisa Patt-McDaniel, director of the Ohio Department of Development, "Tax reform has been a great selling point for us. Companies look at that and see the money they won't be spending on taxes as an incentive. It also means we don't have to offer as much in the way of incentives to counteract a poorly structured tax incentive system."

The top corporate tax rate in Ohio is 5.1 percent, which is the lowest in the Midwest. "Companies can grow their business here, and we won't tax that investment nor the machinery you need nor the profits you're making. We're taxing the transactions. Companies really like that."

Still, postponement of the income tax reduction did not go over well with proponents

Top 10 States by Number of Projects

Rank	State	Count
1	Ohio	381
2	Texas	374
3	Michigan	371
4	Pennsylvania	333
5	Tennessee	234
6	New York	219
7	North Carolina	208
8	Illinois	196
9	Virginia	193
10	Indiana	183

Source: Conway Data, Inc.'s New Plant Database

Selected Ohio Projects Investment in \$USMillions

COMPANY	CITY	PRODUCT	INVESTMENT
V&M Star Steel	Youngstown	Steel	\$650
Honda R&D	Liberty Twp	Motor Vehicles	200
Whirlpool Corp.	Clyde	Washing Machines	175
GE Aviation	Evendale	Aircraft Engines	161
Alcoa Inc.	Cuyahoga Hts	Aluminum Products	111
Cleveland Works/Alcoa	Cleveland	Aluminum Forgings	110
Battelle	W. Jefferson	Medical Devices	100
Battelle	Columbus	Medical Devices	90
Gatling Ohio LLC	Racine	Coal Mining	75
General Mills	Wellston	Snack Foods	70

the Tax Foundation ranks Ohio 47th in its 2010 State Business Tax Climate Index and calls for the state to "enact and stick with real tax reform."

Behind Another Buckeye Win

In other areas, says Strickland, "We have worked to cut red tape where we could



Governor Strickland looks at a small cooling component during a tour of the Catacel Corporation in Garrettsville, Ohio. The Governor was visiting the small company to discuss his education reform for a stronger economy.

appropriately do that. We had a robust effort to look at all of the state regulations that businesses must deal with and, where possible, eliminate them, and in many other cases modify them so they were less of a burden."

The governor also credits his administration's commitment to keeping utility costs low, among other measures. Electricity rates for Ohio businesses are about 10 percent less than the national average, he says.

"We have reduced the size of government by 5,000 employees since I became governor three years ago, and we have continued even in this recession to invest in education and job creation. We have increased funding for elementary and secondary education by an average of 5.5 percent over the biennial budget we are currently living through. I believe we have done more than any other state in America to constrain the costs of college tuition at our public institutions."

A \$1.57-billion stimulus bill signed into law in June 2008 also contributed to Ohio's business climate in 2009, says Strickland. "We did that well before the federal government decided to pass their stimulus bill, and that

has given us some access to tools we have used to encourage investment in Ohio." Companies in the logistics and renewable energy sectors were among the beneficiaries of that program.

The state's Third Frontier program, which uses bonding to secure funding resources for strategic, mainly high-tech, industry sectors, is not a program the governor claims credit for. But it's one he's glad the state has, he says. In fact, the same week Gov. Strickland spoke with Site Selection about how another Governor's Cup went to Columbus, the state legislature voted to put on the ballot a \$700-million extension of the program over four years. "The funds will be used to encourage research and to turn that research into job-creating commercialization," says the governor. "I had suggested a \$1-billion sum to be utilized over a period of five years. The House passed a \$950-million amount, and the Senate countered with a \$500-million proposal. We ended up with a compromise we can all feel good about."

Though not asked specifically about his re-election run against Republican challenger John Kasich, Gov. Strickland says he has worked at "not being an ideologically driven executive. I have come to believe deeply in this challenging time that the people of this state need to feel that I, the governor, and our government are focused and steady, not allowing ourselves to be whipsawed by the daily crises we confront."

What All Businesses Need

Among the projects mentioned by the governor as significant wins for Ohio are **DuPont's** photovoltaic film line expansion in

Hoxane Laboratories	Columbus	Pharmaceuticals	67
CAT Logistics	Clayton	Logistics	65
GE Lighting Inc.	Bucyrus	Fluorescent Lamps	64
Ford Motor Co.	Brook Park	Vehicle Engines	55
Honda Motor Co.	Marysville	Motor Vehicles	53
BASF Catalysts LLC	Elyria	Chemicals	50
Buckeye Silicon	Toledo	Silicon	50
Cardinal Health	Dublin	Medical Products	50
Wyandot Solar LLC	Salem Twp	Electricity	45
Johns Manville	Milan	Building Insulation	43
Kenco Logistic Services	Obetz	Logistics	40

Source: Conway Data, Inc.'s New Plant Database



Governor Strickland is seen through a steel tower section that will be used to support a wind turbine, as he tours the automated welding area of The Lincoln Electric Company in Cleveland, Ohio. The Governor was at the company that manufactures welders and welding equipment to announce the State Energy Program American Recovery and Reinvestment Act's Wind and Solar Awards. Lincoln was a recipient of an award.

Photo courtesy of Ohio Department of Development



Governor Strickland and CSX CEO Michael Ward talk after participating in a ceremonial ground breaking for the Northwest Intermodal Facility near North Baltimore, Ohio, Aug. 14, 2009. Photo courtesy of Ohio Department of Development

Circleville (see sidebar below); **GE Aviation's** \$161-million expansion in Evendale near Cincinnati, retaining about 5,000 jobs; **Whirlpool's** \$175-million expansion in Clyde; and **General Mills' \$70-million, 70-job expansion in Wellston.**"

Strickland says he has visited all of these plants, and many more, spending two and three days per week at times meeting with business and industry leaders throughout Ohio.

What, then, is most on their minds when it comes to expanding their businesses in Ohio, or anywhere else, for that matter? What is their consensus in terms of what it would take to get even more companies building and expanding and hiring?

"Easy," says Strickland. "The single biggest factor in inhibiting a robust economic recovery in my judgment is lack of access to capital, especially on the part of smaller manufacturers. I am convinced that if capital were readily available, investments would be made and jobs

would be created. I hear that every day."

The president has suggested a \$30-billion fund to encourage banks to make capital more readily available, notes Strickland.

"I fear that the manufacturing sectors, especially the smaller manufacturers with 50 to 500 employees, will perhaps not benefit from this measure as I think they need to benefit," he says. "If we can get greater access to capital, we will see this economy start to grow rapidly."

2007-2009 New Corporate Facilities and Expansions						
STATE	2007		2008		2009	
	Facilities	Jobs	Facilities	Jobs	Facilities	Jobs
Connecticut	5	11	3	6	14	27
Delaware	2	11	1	1	1	1
Florida	7	22	5	11	21	43
Georgia	2	10	1	2	3	5
Illinois	3	9	1	2	4	12
Indiana	6	7	8	5	1	12
Iowa	1	1	1	1	1	1
Michigan	11	21	14	18	11	17
Minnesota	41	143	43	213	136	315
Missouri	125	294	95	244	118	293
North Carolina	117	426	106	409	266	790
Ohio	25	163	24	170	127	426
Oklahoma	27	122	45	200	17	106
Pennsylvania	66	241	105	252	133	264
Texas	58	229	108	480	116	578
Virginia	11	52	10	50	11	51
Wisconsin	234	888	466	1201	412	1518
West Virginia	1	1	1	1	1	1
Alabama	19	91	10	59	10	57
Arizona	11	51	20	110	24	85
Arkansas	1	1	1	1	1	1
California	19	79	28	121	24	101
Colorado	5	29	7	33	7	39
Connecticut	2	11	4	7	1	7
Delaware	2	11	1	6	1	1
District of Columbia	0	0	0	0	0	0
Florida	12	48	10	44	42	150
Georgia	27	99	19	63	44	114
Hawaii	0	0	0	0	0	0
Idaho	0	0	0	0	0	0
Illinois	47	207	63	328	60	309
Indiana	28	100	29	89	26	89
Iowa	19	86	43	221	116	790
Kansas	0	0	0	0	0	0
Kentucky	0	0	0	0	0	0
Louisiana	0	0	0	0	0	0
Maine	0	0	0	0	0	0
Maryland	0	0	0	0	0	0
Massachusetts	0	0	0	0	0	0
Michigan	28	100	29	89	26	89
Minnesota	19	86	43	221	116	790
Mississippi	0	0	0	0	0	0
Missouri	0	0	0	0	0	0
Montana	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0
Nevada	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0
New York	0	0	0	0	0	0
North Carolina	10	35	9	30	19	42
North Dakota	0	0	0	0	0	0
Ohio	9	34	2	7	10	34
Oklahoma	0	0	0	0	0	0
Oregon	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0
South Dakota	0	0	0	0	0	0
Tennessee	0	0	0	0	0	0
Texas	110	493	106	480	281	769
Utah	0	0	0	0	0	0
Vermont	0	0	0	0	0	0
Virginia	0	0	0	0	0	0
Washington	0	0	0	0	0	0
West Virginia	0	0	0	0	0	0
Wisconsin	234	888	466	1201	412	1518
Wyoming	0	0	0	0	0	0
GRAND TOTALS	547	2,205	5,428	6,826	1,128	5,072

Click the above thumbnail to view the New Corporate Facilities and Expansions Chart (180k PDF file).

Workers' Comp Board: Train Wreck to the Right Track

Ohio's workers' comp program, says Gov. Ted Strickland, was always in the news and for all the wrong reasons. It got its intervention in 2007, when the governor and legislature made it clear that things were going to change. They did, in several key ways, and today the Bureau of Workers' Compensation (BWC) is a well-functioning agency contributing to the state's competitive position rather than assailing it.

The first change was the formation of a board of directors comprising professional actuaries, auditors, employers and



Marsha P. Ryan, BWC Administrator

claimants' representatives that is focused on good governance. The board has implemented a new claims-reserving system and is studying additional improvements that can be made. "I wanted people on the board who were capable of actually providing direction and oversight," says the governor, "and I wanted a director who was widely viewed as a professional individual, not a political hack, to be blunt. We've achieved that."

Rate reform was the second area of improvement and one that is of critical importance to economic developers and capital investors alike.

"We needed to make sure our rates were equitable and compared favorably to other states," says Marsha P. Ryan, BWC's administrator. "We had to reduce the volatility in the rates and ensure that every employer in the state was paying the right rate for the risk that he or she represented to the system. We had to tackle some of the anomalies that were in our rating system."

"The upshot is this: Base rates dropped in 441 of our 532 manual classes pretty significantly," says Ryan. "In fact 70 of them dropped 50 percent or more. That was huge. We could then determine that around the country, we are not the highest base rates or third highest or 10th highest. We are squarely in the middle. That's very important if you're looking to

locate businesses here."

What's more, says Ryan, by holding payroll constant from 2008 to 2009, BWC has seen a \$139-million drop in premiums collected. "So businesses are paying less. That's money they can use for other things."

Monopoly Money

Ohio's workers' comp system, like Washington's and North Dakota's, is a monopoly, state-administered system that has advantages and disadvantages, Ryan notes. "One advantage is we can look across the entire state and essentially mutualize costs across the state," she explains. "As a government entity we don't have the tax consequences associated with other forms of workers' comp, and we can discount our reserves, which is significant from an insurance standpoint."

At the end of the day, though, companies want better from Ohio's workers' comp system than they were getting until recently. And they're getting it. "It matters less that a system is monopolistic, blended or open than it does that it is run well," says Ryan. "We've been making sure ours runs well. Businesses want a rate that is not volatile, and they want to know how the rate is calculated and to know that when claims occur they will be dealt with in an effective manner — and that they are participating in a system that is transparent and that they can trust. That can be delivered very effectively in a monopoly system."

"Workers' comp base rates are more competitive than in other states around us than they've been in a long time," she points out. "This makes them an asset to economic development."

Adds Gov. Strickland: "Work that's being done at the Bureau has its detractors, but that's because we're trying to change the system from one that was not operated in an actuarially sound manner. The charge I gave Marsha Ryan was to make sure that it was managed in the most professional manner possible. It is widely acknowledged in the business community in Ohio that this agency is superbly managed and something we can be proud of."

DuPont Circles Back to Circleville

DuPont in January announced it would invest \$175 million in its Tedlar PV2001 oriented film production line in Circleville, Ohio, to support global demand for photovoltaic film. The investment is over and above the \$120-million investment it announced in August 2009, related to capacity expansions at plants in Louisville, Ky., and Fayetteville, N.C., for raw materials used to make the film. Those expansions are due to be complete by mid-2010. Film production in Circleville is scheduled to start up in September 2011.



DuPont is investing \$175 million in its Tedlar® PVF film expansion at the DuPont site in Circleville, Ohio. Tedlar® films provide long-term durability and performance for photovoltaic modules in all-weather conditions. DuPont expects that overall sales of its family of products into the photovoltaic industry will exceed \$1 billion by 2012. Photo courtesy of DuPont

DuPont expects that overall sales of its family of



products into the photovoltaic industry will exceed \$1 billion

by 2012. "This major expansion underscores our commitment to maintaining DuPont leadership in the photovoltaic industry and specifically in the backsheet materials market for solar panels," said David B. Miller, president of DuPont Electronics & Communications.

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