House of Representatives
Rural Development Council

2018 Highlights - Meeting Two

Co-chairman Terry England
Representative, 116th District

Co-chairman Jay Powell
Representative, 171st District

Vice-chairman Sam Watson
Representative, 172nd District

The Honorable Patty Bentley
Representative, 139th District

The Honorable John Corbett
Representative, 174th District

The Honorable Matt Hatchett
Representative, 150th District

The Honorable Mack Jackson
Representative, 128th District

The Honorable Dominic LaRiccia
Representative, 169th District

The Honorable Eddie Lumsden
Representative, 12th District

The Honorable Chad Nimmer
Representative, 178th District

The Honorable Clay Pirkle
Representative, 155th District

The Honorable Terry Rogers
Representative, 10th District

The Honorable Ed Rynders
Representative, 152nd District

The Honorable Darlene Taylor
Representative, 173rd District

The Honorable Bill Werkheiser
Representative, 157th District

Ex-officio Members:

The Honorable Brooks Coleman
Representative, 97th District

The Honorable Sharon Cooper
Representative, 43rd District

The Honorable Robert Dickey
Representative, 140th District

The Honorable Penny Houston
Representative, 170th District

The Honorable Rick Jasperse
Representative, 11th District

The Honorable Tom McCall
Representative, 33rd District

The Honorable Butch Parrish
Representative, 158th District

The Honorable Don Parsons
Representative, 44th District

The Honorable Jason Shaw
Representative, 176th District

The Honorable Ron Stephens
Representative, 164th District

The Honorable Kevin Tanner
Representative, 9th District

2018

Prepared by the House Budget & Research Office

Meeting Two Highlights – Elberton

August 14, 2018 – Economic Development Incentives

Chairman Powell welcomed the group to the second meeting of the 2018 Rural Development Council to focus on economic development and economic incentives. He shared that there has been some work done in preparation for this meeting by the council's officers and staff with the goal of developing legislation that helps to get jobs and move the needle on economic development for rural Georgia. The council was greeted by its local hosts, who shared information about the community.

Dr. Andrea Daniel, President of the Athens Technical College, welcomed members to the Elbert County Campus. Established 60 years ago, Athens Technical College is the third oldest technical college in Georgia with articulation agreements for transferable program credits at the University of Georgia and Piedmont College. The school has experienced eight terms of enrollment increases, which speaks to economic development in the area, and the college is solely focused on its mission of workforce development to meet employer needs through programs, such as: dual enrollment pathways; diesel; welding; industrial systems; nursing; emergency medical technician training and a growing list of science courses. Over 80 percent of the students participate in some form of financial aid.

Chair of the Elbert County Commission, Tommy Lyon, shared the community's interest and appreciation for the state's support for rail connections and four-lane highways to help Elberton grow. The population of the county has stayed at 20,000 people, with the largest population of 24,000 recorded in 1910, and the commission would like to see the county grow with more jobs to attract people to the area.

Mayor Larry Guest communicated that he has seen a lot of projects started and completed over the course of his public service: the growth of the Elbert County campus of Athens Tech; the remodel of the Samuel Elbert Hotel, which has rejuvenated and attracted visitors to the downtown area; and the establishment of a city-owned and operated high-speed internet. Mayor Guest noted the council's efforts on broadband and shared that the City of Elberton continues to expand that service to underserved and unserved areas of the county, which in some cases is border to border at speeds of 200 mpbs or more. The cornerstone industry is granite, with more granite manufactured in Elberton than anywhere else in the world. Other industry includes auto parts, lift systems for turbines, Bubba Burgers and Pilgrims' Pride, which is the number one employer and highest utility user. In a nod to regionalism, the mayor shared that county will connect a water line west to Madison County where a new industry is locating. Finally, the Highway 17 Coalition, which represents communities from Toccoa to Thompson, is proud to partner with the stare over the next 10 years to provide a four-lane alternative route from the coastal ports at a cost of $400 million.

Dawn Benson, Main Street Director, shared the domino effect of downtown development in the community starting with an investment in the Elbert Theater in 2000, followed by the Elbert Arts Center, which then began revitalizing the area with plays and concerts. The $5.1 million invested in the 27-room boutique Samuel Elbert Hotel was a significant investment, but 12 new businesses opened downtown after the hotel opened in March 2017 and three more businesses are slated to locate downtown in the fall, including a mixed-use building with living space. Other building rehabilitation projects are in the pipeline. During questions, it was noted that buildings with a state-funding partnership, such Department of Community Affairs' (DCA) revolving and/or redevelopment low-interest loans, may be leased but not sold for profit.

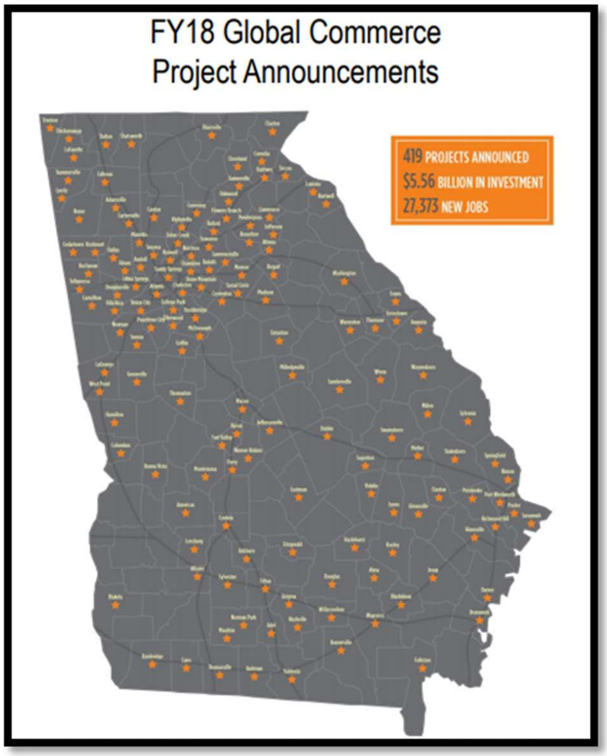
Kerry Trapnell is the Elbert Memorial Hospital CEO and he noted the community's decision to keep healthcare as local as possible by operating an independent hospital managed by a hospital authority governing board. An increase in the millage rate, as well as some operational savings, foundation funds, and leasing in lieu of purchasing equipment allowed the hospital to hire specialty doctors to expand services. The authority partnered with the state as an awardee of a $750,000 Phase 4 Rural Hospital Stabilization Grant to add service lines that generate funding for new equipment and needed renovations, the latter of which would be the first facility upgrades since 1980. In addition, the authority benefitted from the Rural Hospital Tax Credit by $1.054 million this year; raising the cap would help more. Some strategies they have employed for cost-effectiveness are purchasing used equipment from other providers, utilizing telemedicine grants in a partnership with Mercer to provide care locally and in ambulances, and securing the donation of 8.5 acres for future facility needs.

The Chamber of Commerce CEO, Chrystal Bebe, mentioned that the Elbert County campus of Athens Technical College is a huge asset to the community with degree, certificate and diploma offerings that draw students from a 30-county radius and enrollment is up by over 25 percent. Ms. Bebe noted that the key to success is partnerships and collaboration among community entities like the hospital and downtown authorities, people in the community, and the college; however, challenges remain and there is need for improvement in broadband coverage, workforce, soft skills, attracting the younger population, housing options, and diversity for continued growth.

Representative Dickey inquired about soft skills, and President Daniels noted that the technical college incorporated the Manufacture Ready program with the help of the Northeast GA Regional Commission to build awareness regarding attendance, having back up plans for transportation and day care, and how *not* to get fired. She noted that participants are hired immediately and the success rate makes it one of the premiere soft skills training elements they provide.

Representatives from the Department of Economic Development (DEcD), Commissioner Pat Wilson and Deputy Commissioner for Global Commerce Tom Croteau, presented to the council on existing economic development incentives in Georgia. The commissioner noted that this community's investment in a downtown hotel as a showpiece pays dividends by housing prospective clients and selling the rural way and quality of life. He recognized the steps the House Rural Development Council (RDC) has taken to improve economic development. To start on a positive note, he shared that the state had a banner year last year, and the department had a hand in creating over 27,300 new jobs from locating 419 new and expansion projects. Moreover, 78 percent of those announcements were outside of the metro Atlanta region, and 14,000 of those jobs are from expanding an existing industry base that translates into a $2.8 billion reinvestment in Georgia communities. Georgia has been ranked the #1

State for Business for five years in a row by *Site Selection Magazine* (2013-2017) and four years in a row by *Area Development* (2014-2017). This exemplifies that Georgia has created a tremendous business environment.



One example of this success, enabled through significant community “buy-in” and partnerships, is the recent announcement that Taurus Guns’ headquarters will be locating in Bainbridge, GA after five years of negotiation. Commissioner Wilson shared that the local community often has to provide most of what the businesses and consultants are looking for at the beginning of the process, such as sites with access to the needed utilities and labor market (100 to 200 jobs in a rural setting), before the state can embellish those needs with incentives. He added that much of the research for locating an economic development projects is done in advance, and nearly every opportunity revolves around the availability of a long-term workforce,. When a regional approach is taken, it creates a workforce that provides opportunities for rural Georgia; however, we can improve the marketing narrative and development of regional, skilled workforce to land projects with 500 and more jobs better. Chairman Powell noted that the *Wayfair v. South Dakota* decision to broaden internet sales tax provides a competitive advantage and may open new possibilities; the commissioner agreed that this, as well as Georgia’s broad Job Tax Credit for strategic industries and national ranking as #10 for low corporate income tax levels by the Tax Foundation, are all part of the state’s competitive balance sheet.

Tom Croteau has worked for over 20 years in nearly every division at DEcD and shared his broad and unique understanding of projects. He spoke to how incentives set the platform for how new and existing companies consider a location in Georgia. Typically, a company begins the search through a consultant who approaches the state with a Request for Information (RFI) with data to identify the needed real estate site. In addition to the traditional infrastructure and utilities, criteria may include other area needs, such as an interstate, airport, or court nearby and a minimum population within a specific radius to provide the workforce. Time to these companies is risk and money, so having information ready is important.

States submit their proposals, which are culled to a few sites for a physical visit, at which point the leadership and commitment from the community to overcome hurdles and solve any problems becomes integral to landing the prospect. Incentives beyond those in the RFI (mostly statutory) may be offered, but most are used during the negotiating stage as the top bids compete.

Incentives serve several purposes. First, a breadth of incentives conveys to companies that the state is serious and aggressive in its approach to economic development. When those incentives can be customized to an industry, it further indicates that the state is interested in meeting their specific needs and wants to support their business. Businesses proposing a project that requires a large capital outlay expense that can only be recouped by sustaining a few years of losses, and be encouraged by a state incentive designed to soften that blow to the bottom line. Finally, an incentive may solve a problem or need to give the same or better competitive edge with other finalists, such as more yards of rail or a building specification.

Job Creation	• Job Tax Credits • Port Tax Credit Bonus • Quality Jobs Tax Credits • Mega Project Tax Credits
Community Incentives	• Property Tax Abatement • Land at Reduced Cost • Permitting Fee Waivers • New/Improved Infrastructure • Site preparation • Cash Grants
State Discretionary	• Land Aquisition • Sitet preparation • Building Construction • Equipment • QuickStart • Exemption on Construction Materials
Additional Support for Growth	• R&D Credits • Retraining Tax Credits • Investment Tax Credits • Child Care Tax Credits
Sales & Use Tax Exemptions	• Energy in Manufacturing • Manufacturing Machinery and Equipment • High Tech Data Systems • High tech Computer Hard/Software • Primary Material Handling Equipment

There are many types of incentives, which can be categorized into five buckets: corporate and income tax credits (some of which can be monetized as payroll withholding); sales and use tax exemptions; grants and in-kind donations; training and hiring support; and local contributions. It is noteworthy that Georgia's Research and Development Tax Credit (R&D) is considered the best in the nation because it allows excess credits to be used against payroll withholding, which has the same appeal as cash.

Twenty-five states have tax credits on specific kinds of energy used in manufacturing, but because Georgia does not specify what type of energy, the credit is lucrative to a broader audience. The Tax Foundation's manufacturing incentive comparison ranks Georgia 4th in the nation for favorable conditions. In contrast, states bordering Georgia do not tax business inventory, although the local freeport exemption is an option.

Mr. Croteau shared an example of a Georgia packaged bid and noted how components work together to create a total state investment. When prompted for advice on how to help locals succeed in the process, he noted that competition has escalated over the past few years, and local groups that offer property or buildings have the advantage, not only on that project, but in the future with consultants who have noted the community's willingness to partner. For the smallest communities, the cost per job is assisted by low thresholds on the Job Tax Credit for Tier One counties. Moreover, state grants are accompanied with an economic impact study that recognizes the timeframe for a full return on the locals' and state's investment to ensure it is worthwhile; informally, the department's standard for a return on investment is one to three years with a cap of five.

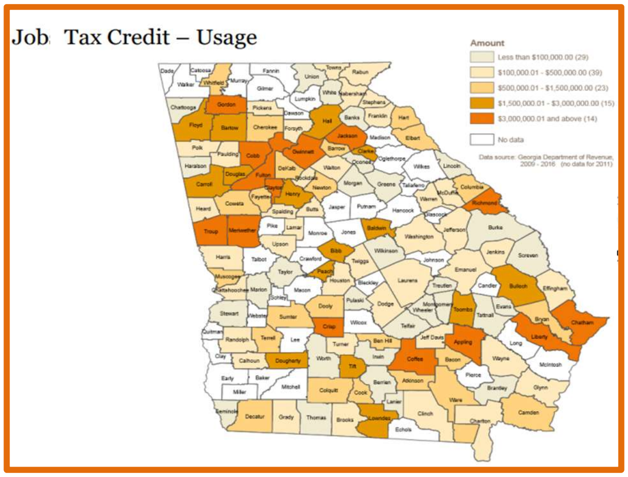
Commissioner Christopher Nunn of the Department of Community Affairs noted that while workforce is the number one concern among businesses across the globe, the Job Tax Credit Program tier system is the foundation, as well as the most prolific and valued tool for economic development in the state; industries and consultants rank it as one of the most important considerations when expanding into or within Georgia, even more than cash incentives. The Job Tax Credit divides Georgia counties into four tiers, each of which has corresponding benefits. Economically challenged counties (Tiers One and Two) offer greater incentives than the higher tiers, with up to $4,000 per job per year for five years versus a cap of $1,250 to $1,750 for jobs in Tiers Three and Four, respectively. The program also requires a greater number of jobs to be created in the higher tiers to qualify for the credit, ascending form two jobs in Tier One to 25 in Tier Four. In addition, there have been efforts to enhance the programs for the lower tiers, to include exempting a portion of corporate tax liability and allowing a portion of it to also be applied to withholding, which has the effect of cash. Finally, in 1995, a $500 joint authority tax bonus was included, and because all but five or six counties do not participate in a joint authority, it is a part of the credit for nearly the entire state.

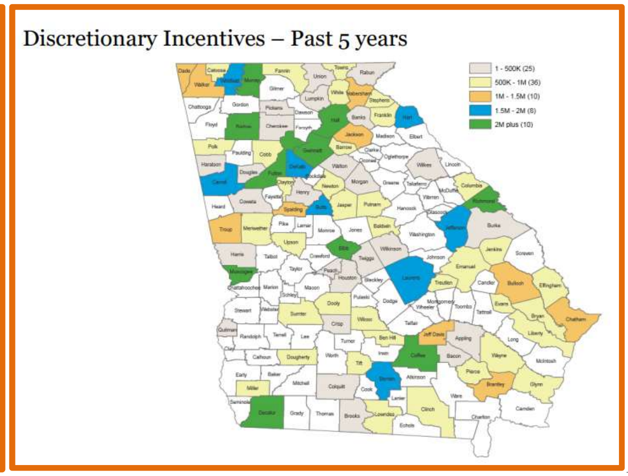
The intent of creating the Job Tax Credit in the early 1990s was to incentivize job creation in the most economically distressed counties. South Carolina and Mississippi had similar components at the time, so Georgia also designed the framework to be competitive with those states. Twenty-five years later, the program is not entirely stale; it has been adapted, enhanced and tweaked over the years to increase the value to rural communities and to keep targeted industries/prospects named in the statute and rules on pace with current needs.

The ranking methodology is proscribed in statute with three equally weighted criteria from specific data sources: unemployment, per capita income and poverty rate. The data is evaluated and revised every December and counties are each assigned annually to one of the four tiers. Tier One consists of nearly half of the state's counties with 71 of them qualifying under the most disadvantaged criteria; Tier Two and Tier Three each have 35 counties, and Tier Four has 18 counties. A wage base requirement was added in 2000 to address per capita income by establishing a floor for salaries, which is currently defined as "the average weekly wage of the county with the lowest average weekly wage"; today that is $484 per week or $12.10 an hour.

Tiers change. The original "bottom 40" in the 1990s have shifted as seven of them are now in solid Tier Two standing today because of fundamental economic change that resulted from leveraging community assets to invest and grow. Another 16 to 20 counties a year move up or down because of relative change associated with other counties.

As many as 40 other states have a Job Tax Credit Program, and while the fundamental criteria are based in the same features and design, no two are exactly alike. To determine the impact of the program, DCA reviewed its usage based on Department of Revenue (DOR) data from 2010 to 2016. Of the 14 highest users (deep orange on map), four are in metro Atlanta and the other 10 are located across the state. Over the same time period, over 120 counties had some job creation that utilized the credit. On the average, 9,500 new jobs claim the credit and 45 percent are in the metro Atlanta area. In addition, the state's discretionary incentives over the past five years have also been spread across the state (green the largest at $2million plus), although incentives are only offered in a small minority of the total projects.





Maps: Georgia Department of Community Affairs

Commissioners Wilson and Nunn offered suggestions based on themes derived from consultations with their teams and members of the community to tangibly help rural areas. First, because the tier system is relative to the connections and standings of each county, be careful of unintended consequences that shift the winners and losers. In addition, another goal should be to encourage regional cooperation with local investment, such as profit-revenue-sharing and cross-county utilities as the key to moving forward. The state needs to incentivize a model that gathers counties around a hub that has economic momentum in a demonstrable partnership beyond the $500 Joint Development Tax Credit, which currently includes all but two of the 159 counties "working together" on paper. A proven partnership would be better evidenced by counties that form a profit-sharing model that registers (although it may be long-term) profit; these "regional economic development authorities" could receive a $1,000 bonus on their tax credits based on measureable benchmarks submitted to DCA and/or DOR.

In addition, Commissioner Wilson noted that we need better site offerings in Georgia, and getting communities to invest in locations will help development. Alabama and South Carolina offer free land and graded sites, which is something Georgia does not do as readily.

The other key to success is demonstrating to a company that there is a workforce for the next 20 years, and moving away from county-specific to a regional base that pulls enough qualified people to serve will attract a company. This regional approach could be encouraged by allowing the best physical site to share the most beneficial tier rating of any participating county to land the industry.

The Quality Jobs Tax Credit was designed to incentivize better paying jobs in rural areas by providing a credit for positions that pay 110 percent of the average wage when at least 50 jobs are created. Because creating 50 jobs in rural areas can be difficult, this Quality Jobs Tax Credit threshold could be redefined by tier to recognize that disparity. For example, the threshold on the required number of created jobs to qualify for the credit in Tier One and Two counties could be staggered at five and 10, respectively, when the higher wage is earned. According to Commissioner Wilson, this adjustment would have a bigger impact on Tier One counties than any other incentive, and it does impact where companies chose to locate. In addition, a $500 per job bonus in Tier One and Two counties would provide an even greater incentive for companies to consider these locations.

In the Job Tax Credit, there is a minimum wage requirement of $12.10 per hour to be eligible, and while increasing wages across the state is important, there are some areas that might benefit from the creation of any job, even that job pays below this standard. So in addition to staggering the number of jobs that must be created by tier, the state could also adjust the minimum wage requirement by tier. For those bottom 40 areas of the state within Tier One, the credit could be based on the state minimum wage of $7.25 with a multiplier of 1.25 for an hourly wage of $9.06 to qualify that job; the multiplier could increase to 1.50 for an hourly wage of $10.88 for the rest of Tier One and Tier Two; and the average minimum weekly lowest wage could be used to qualify for the credit in Tiers Three and Four. It is the goal to establish a wage and have it increase naturally over time or revisit it every few years.

Commissioner Wilson cautioned that none of these changes will result in a drastic turn overnight, and the department needs time to market, so often the impacts of policy changes are slow to quantify. Feedback from the consultants' community is how the state's economic development teams most quickly determine a policy's effectiveness. Moreover, this relationship results in the state emphasizing its competitiveness through programs that truly make a difference, which often includes Georgia's investments in technical colleges, the university system and other intangibles that exceed the value of a balance sheet.

Chairman Powell noted that the state has multiple credits, which are treated in a variety of ways, and asked if there is a logical pattern to how they are applied. Commissioner Wilson shared that we have to strike a balance with all of these tools. Transferrable credits are effective when there are not a lot of them, as anecdotally evidenced by our success with film tax credits which have become so valuable. The state's low corporate tax rate is a draw that lowers a company's overall liability, and payroll withholding (Tier One tax credits) serves as cash to a company and is always a positive thing.

The committee discussed that the state's focus has been on creating jobs, more so than investments, because people follow jobs and those jobs impact lives for a much longer term than the limited return on an investment. To that end, Representative Watson noted the need for incentives to keep existing jobs, and fend off the relocation credits and incentives of another state. The state does not have a program at this time, but the framework would need to ensure renegotiations are offered when there is reasonable cause, such as a natural disaster.

The committee talked about local participation, to include providing a state match for investments, allowing tax abatements, and lifting restrictions on ownership of local building projects that have been improved with federal funds, but the State Constitution's gratuity clause segregates and protects the state's liability on local projects, as does the funding partnership contracts for federal block grants.

Members also queried about potential solutions to problems that permeate and skew a county's tier rating, such as retirement income or a significant commuter population. Free and reduced lunch or another data source added to the equation may help to mitigate the inequity, and DCA will report back on this issue; however, the commissioner reminded members that while data is one of the challenges of the annual tier assessment, the legislature created a tool that attempts to address inequities; any 10 contiguous census tracts that meet the requirements of a Tier One county, even if they are located in a Tier Two or higher county, are recognized as a "less developed census tract" which are afforded Tier One benefits (§48-7-40.1(b)).

Peggy Jolley, President of Live Oak Concepts, presented to the council on "Alternative Incentives for Rural Georgia" to include regionalism, changes to the tier system, the role of regional commissions, and supporting the agriculture base. She noted that the Job Tax Credit is a 25-year old business plan and updating business plans regularly is a best practice. The state needs to consider tax adjustments and incentives that are simple and direct, like the Georgia Film Tax Credit.

As a manager of the Southeast Georgia Alliance, a self-funded, six-county coalition between Savannah and Jacksonville, she understands the components that make regionalism successful. To form a region, Ms. Jolley recommends that the size of the coalition should be reasonable, with no more than six counties centered around a regional hub that pulls a population base of 100,000 or more people, which will qualify the area for consideration for most projects. The creation of a competitive workforce population across borders is what the alliance is calling a "Regional Statistical Area" in lieu of a metropolitan statistical area (MSA). A workforce study that documents labor patterns can demonstrate an understanding of demographics and tell a positive employment story to industries, and fully documenting the skills of the labor force allows the region to target and attract certain types of businesses.

The companies going to rural areas do not want the traditional credits that benefit large companies, like research and development, they want: infrastructure; operation expenses; and educated project managers. She offered that the Department of Labor educates their staff to think regionally to support smaller collaboratives, which also need access to expert grant writing assistance, software programs used by consultants, and research assistance to complete a quality Request for Information (RFI) in a timely, professional manner. These resources should be available at the regional offices, and with a dollar for dollar local match to provide these services, the local communities would also have "skin in the game."

Her advice to the council is to do away with the tier system, which provides no incentives for those Tier Three or Four counties that have done everything right. Moreover, in a region the multiple levels of tiers becomes confusing. A framework similar to military zones is more equitable. In lieu of the suggestion to decrease wage requirements to qualify for credits in lower tiers, Ms. Jolley suggests that the average wage of a county with a specified percentage increase would better incentivize higher wages across the entire state and eliminate the county tier competition that inversely inhibits regionalism.

She reiterated that consultants first seek to identify a site, and industrial parks or "spec" buildings and infrastructure must be evident to attract industries, so the state should invest significantly in grant programs – a dollar for dollar match – to provide funding assistance to create more sites, especially for regions. South Carolina's $7 million, broad Rural Economic Development grant program allows communities to determine and request what they need for development rather than defining the needs from the top level; some of those funded projects include incubators, relocation expenses, studies, engineering, site preparation and infrastructure. The state also has a holistic approach, which in addition to the industrial area needs recognizes there is value in community pride showcased through a renovated downtown, which also inspires and attracts a young workforce.

Also regarding infrastructure, she noted that the state's transportation road improvements are significant, and Ms. Jolley encouraged the council to take the next step for economic development, which is to address ways to provide mobility for the workforce on those roads with vans and buses in a region. Additional rail sites would be helpful to rural areas, as would a broader network for natural gas utilities that is needed for most large manufacturing that requires an inexpensive energy source. Finally, telecommunications and broadband, as has been noted, is vitally important.

She offered that some form of operation grants to match with local funding would be helpful for management needs, and would help to equalize tiers in a region. New York's new community-driven development model centers on Regional Development Councils that help manage and generate opportunity. Georgia's regional assistance should provide significant grant writing using sound demographic research to leverage funding from the large number of available foundations. With DCA oversight to ensure quality and equitable access to services, this would be a resource that all local communities should have to reach their goals.

Ms. Jolley emphasized agriculture for economic development, such as the Sunbelt Expo, which is designed to attract and capture agricultural companies. To avoid missing innovative opportunities, we must marry the extensive research being done in our universities that add value and/or innovate new farming methods for Georgia's land and marine farms with pathways to incentives for companies to create those industries in the state. Research knows no boundaries, so the effort must be deliberate. Moreover, the state must promote Georgia Grown products more aggressively like California, especially with the incoming tariffs.

Kevin Shea represents the Georgia Economic Development Association, which is composed of 650 members, two-thirds of whom are rural. The association's mission is to train and certify economic development personnel to bring businesses to a community, who make a big difference during competition. The new Certified Economic Developer program, offered in conjunction with the University of Georgia, allows for an internationally-recognized level of professional acumen. Their members recently polled the key impediments to rural area development, and the results included workforce, education, infrastructure, and incentives, respectively; incentives, as the lowest factor, bears (and should bear) the lowest influence on a site selection than a strong workforce, which 74% of respondents ranked as the largest influence. As the dominant factor in site selection, workforce in rural areas is further inhibited by low birth rates, immigration reforms, and low unemployment rates into the foreseeable future. Partnership programs through Career, Technical and Agricultural Education (CTAE) in five counties is being piloted to create a better understanding between educators and businesses on the training needs of area industries.

Mr. Shea offered that the state should promote a regional approach to project recruitment through project development authorities, which are critical to being competitive and providing many of the incentives allowed by statute and through grants. The Joint Development Authority $500 bonus payment could be improved to require an actual investment. Survey results indicate that there are frustrations with the tier system, but it is the backbone of Georgia's incentives, so he advises the state not to discard the Job Tax Credits without a replacement plan; that plan should emphasize sharing assets, risks, and rewards. Bolstering "deal-closing funds," monetizing more Job Tax Credits and exploring some option like payment in lieu of taxes (PILT) can further influence the growth in a community.

James Dove, Executive Director of the Northeast Georgia Regional Commission and President of the Georgia Association of Regional Commissions (GARC), discussed the state's 12 regional commissions and their work to promote regionalism throughout the state. At a recent GARC strategic planning meeting, the group outlined plans to deliver and evaluate services in a more hands-on manner to improve the quality and consistency of services delivered in each area. As interest increases in regionalism, it is interesting to note that Georgia was a pioneer in this model going back to the 1960s and both President Jimmy Carter and United States Senator Sam Nunn chaired a regional commission (RC). The 'Georgia Planning Act' of 1989 required the commissions to prepare and adopt regional plans, and those plans were further enumerated in 2008 to require RCs to plan specifically for land use, environment, transportation, and historic preservation. Each RC has: an executive director and governing council, which includes a chief elected official from each member county; a municipal representative from each county; three appointments from the governor, to include a school board member or superintendent and two non-public resident; as well as a non-public appointment from both the speaker of the House and the lieutenant governor. The DCA commissioner has discretion to add other members. The funding for commissions comes from DCA for the required planning duties, local member dues based on a per capita amount, and federal economic district dollars.

The RCs offer core services that promote the regionalism approach:

- Planning – develop comprehensive plans for local governments, and may also plan for transportation, economic development, historic preservation, urban redevelopment, environment, downtown development, hazard mitigation, and recreation; staff work across areas/boundaries to disseminate best practices to large and small communities;
- Geographic Information Services (GIS) – mapping services for zoning, future land use, and utilities, which are also reported for statewide data sets that are used in long-range planning and asset management;
- Local Government Assistance – help with local ordinances, budget preparation and operating;

- Grant Writing and Plan Implementation – professional grant writers housed in an RC are especially impactful for rural communities;
- Demographic Information Repository – data required for grants and other programs;
- Affiliate for Census Bureau Information – enable local governments to get an accurate count to ensure optimal federal funding;
- Local Official Training – coaching and technical training on all aspects of public service;
- Economic Development Districts – develop the mandatory comprehensive economic development strategy (SEDS) for each region that identifies the infrastructure needs that require (and often result in) enhanced federal funding; and
- Assist Local Economic Development Authorities – provide data requested by industries, economic impact analysis to help structure incentives, and calculate costs and identify external funding sources to make incentives affordable.

Regional commissions, according to Mr. Dove, earn their role as the champion and facilitator for rural regionalism, and involvement with the creation of new reservoirs and the passage of T-splosts are excellent examples. In addition, they perform many non-required services, such as work with the Area Agencies on Aging (AAA) to ensure services to seniors or serve as the state's Workforce Development Program administrators. Finally, rural transit mobility and funding is also an issue that regional commissions could positively impact. The commissions have a history of making regionalism work and strive to improve and partner to meet that goal. The new peer reviews are an effort to perform better, and the association has assumed responsibility for creating the structure.

Mr. Dove supported the idea that a region rather than a county might hold tier rating, and agreed to take that query back to members for discussion.

August 15, 2018

Chairman Terry England opened the meeting by welcoming updates on three of the important initiatives that evolved from the work of the House Rural Development Council last year for the Department of Agriculture, the Rural Economic Development Office, and Center for Rural Prosperity and Innovations.

Commissioner Gary Black gave the update on the Department of Agriculture's economic development efforts and noted that in NASCAR terms, the department had a good car and a great crew, it just needed some gas to get underway, which thanks to committee they received last session. After the budget conference committee report was published, they started planning and were ready July 1st. Six weeks into these investments, the department is building on the successes of existing domestic and international market programs to fulfill their mission. Director of Marketing, Jack Spruill added that the department's main programs are Consumer Protection and Marketing & Promotion, the latter of which highlights that the well-being of the entire state of Georgia is impossible to separate from rural Georgia. The agency hired two new positions and developed work plans to enhance promotion for the coming years in domestic trade, international trade and Georgia Grown brands overall. Paul Thompson added that the state has many international trade opportunities, and the department had over 251 meetings in

Indonesia alone to show Georgia Grown products and discuss removing trade barriers. Other opportunities include another potential eight to 10 outbound missions per year with the United States Department of Agriculture (USDA), which may include Southern Africa, Korea, Canada, Vietnam, Kenya, Columbia, Mexico, Taiwan, United Kingdom and Ireland. According to Sarah Cook, the new position focused on domestic trade seeks to equally represent and match Georgia's diverse producers and processors in a broader market. In addition, an effort to increase demand for local products in the domestic arena is taking shape through a planned presence at 15 trade shows, some of which are under a multiple company pavilion that showcase a portfolio of Georgia products. While it is noteworthy that the state is number one for business, it is also the number one ranked state for agribusiness, which when marketed correctly should translate positively to our producers and their bottom lines, especially in rural Georgia. Trade shows allow the department to create a foothold, starting with the nearly 1,000 businesses in the Georgia Grown portfolio. Commissioner Black shared six additional policy recommendations:

1. Build on the relationships with TCSG, especially to align their culinary programs with Georgia Grown branding;
2. Create a system that avails/incentivizes/or mandates the use of Georgia Grown products in the state's school nutrition programs, especially where it makes sense, such as with the state's high volume of vegetables;
3. Allow legislation that permits marine farming of oysters and shellfish on the coast and enable the department to participate through the traditional inspection and promotion responsibilities or other ways;
4. Revise Title 41 to update nuisance laws and protect the right to farm to ensure there is balance and structure within the state;
5. Prepare for more protein to be processed in the state, especially for pork and beef, by providing the inspection grading and data expertise needed to approve USDA "Choice", "Prime" or other grades for carcass ratings back to the producer; and
6. Develop business partners to pack product, even using available locations like the Central State facility kitchen.

To close the department's update, Mr. Spruill reminded members that the Georgia National Fair would be the unveiling of the *Georgia Grown Baby Barn*, which will showcase the live births of cattle and pigs every day. In Minnesota, the baby barn is the largest attraction with a draw of over 1.5 million.

The second update of the day was provided by Amy Carter, the Deputy Commissioner of the Rural Georgia Initiatives Division of the Georgia Department of Economic Development. This new division has a team of three and is responsible for the five of the six Centers of Innovation, which cover Aerospace, Energy Technology, Information Technology, Logistics and Manufacturing. The mission of the five-month old division is fourfold: to help Georgia communities become more competitive for economic development projects and identify new strategies for attracting jobs and investment; promote regionalism; create partnerships between federal and state agencies that develop rural communities; and collaborate with other agencies that promote rural economic development. To date, the commissioner has met with industries and project managers in three of the 12 DEcD regions and traveled with that manager to every county in that region for an event or meeting. Using a macro approach, the division hosted *RuralWorks* roundtables at technical colleges and invited any entity with an interest in rural development to attend, including: farmers, bankers, teachers, health professionals, business owners, chamber of commerce executives, interested citizens, and government officials. Fourteen state and two federal agencies participated to highlight what they offer communities. It is apparent that local government cooperation is vital to success and "rural" has different offerings and needs, as well as strengths and challenges, by community that make it hard to define statewide; the key is to find that unique fit with industry. To that end, the immediate goals of the new division are to connect all of the resources by creating an initiatives website that includes grant information; promoting apprenticeship programs; and using social media to market the rural quality of life to younger generations to build the rural workforce.

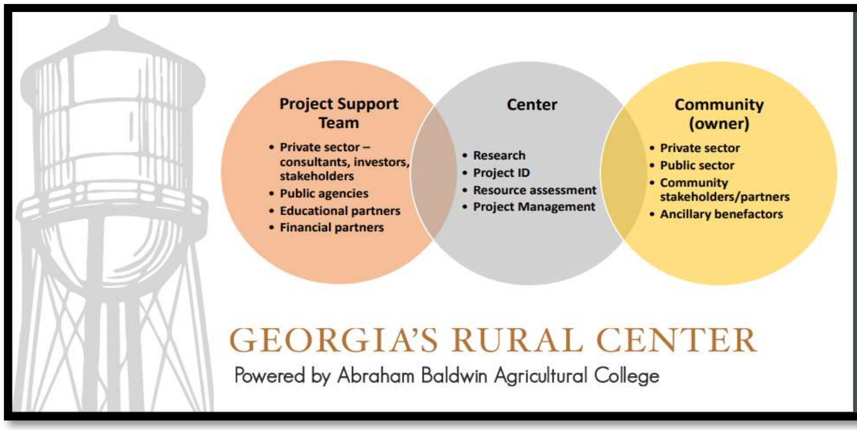
Dr. David Bridges, President of Abraham Baldwin Agricultural College (ABAC) reflected on regionalism and began by citing that because there are so many counties, the system fosters duplication and territorialism that result in economic as well as geographic boundaries. The problem becomes too many lines and not enough successes to fill them. Under the traditional recruitment paradigm, rural communities will never be in a position to land a big industry because there are not enough people to provide the workforce. Georgia needs to change the paradigm to add alternatives for rural places. Many communities do not care about winning, they just want to stop *losing*. Regionalism exists and the state needs to illustrate and encourage those examples. Ideas for engendering regionalism include:

- Create a <u>virtual</u> 60-county Georgia for development that incentivizes with a shared Tier rating and regional workforce effort that rewards all of the contributing areas;
- Repeal or revise the Tier system to award regional ratings and/or rate on a three-year rolling average to allow longer adjustment time; and
- Offer incentives only to regions. Some counties are too small to stand on their own to have measured success and the shift should be to invest in people and not bricks and mortar in all endeavors.

Dr. Bridges also gave members an update on the new Center for Rural Prosperity and Innovation. He noted that the first step was acknowledging that we have a problem in rural Georgia and he gave credit to the Speaker Ralston for centering attention on the fact that rural communities have been left behind in economic recovery. He spoke to all the words that are in their name. Defining "rural" should be a priority; there are 15 federal government definitions of "rural" and 11 of those are in the USDA. In addition, the definition of "prosperity", most commonly gauged by material possessions and money, is more comprehensive as evidenced by the international Legatum Prosperity Index that catalogs multiple criteria (business environment, safety, freedom, etc.) to indicate prosperity.[1] This broader definition of prosperity is a premise that rural Georgians already understand. Finally, "innovation" is a concept that affects every industry across the state. The center will use all of these to reconnect urban and rural, and

[1] https://www.prosperity.com/rankings

help everyone rediscover rural Georgia. To that end, the center launched a new website, www.ruralga.org that espouses the promise of rural Georgia, as well as information for ways to replicate success and reinvest through programs that proactively build human capital, such as internships. The center will provide advocacy, interagency coordination, resource management, human capital and intensive project management. The center will work to eliminate duplication, collaborate for outcomes, support the expansion of existing businesses, and provide research and development resources to support entrepreneurs.



The path to prosperity has a host of factors, and some of those factors are obvious for rural communities. Agriculture has always been the state's largest enterprise; in 2016, the agriculture industry was $13.75 billion in direct value with $73.3 billion in economic impact and responsible for 383,600 jobs, yet we lack a strategic plan for meeting the workforce needs. A private foundation funded the data collection phase to begin this strategic plan, and the center will host a coordinated roundtable to discuss the results before the 2019 Legislative Session. The center will also complete a public business report with data and information on how to develop a regional cooperative to build wealth in a rural community, as evidenced by Premium Peanut, EMCs and Farm Credit. The website will also accept ideas for projects.

Other connections that add value to anything Georgia Grown will also be explored. ABAC has already instituted a Georgia Grown food preference in its dining program, as well as a "Georgia Grown Graduates" designation. In addition, the school is developing a website and mobile app for connecting ABAC students, and eventually all students, to rural internships and careers. Over time, the data collected from the site will track successes, failures, and feedback from employers.

Saralyn Stafford, Carl Vinson Institute of Government's (CVIOG) Rural Development Manager told the council that their concentrated effort is important and vital work for rural Georgia and the whole state. Her position as the first Rural Development Manager for Public Service and Outreach utilizes her local and state experience in conjunction with the strengths of the university resources for research, training, and faculty expertise to bring projects to fruition wherever the best resource is identified. She shared some of the programmatic assistance available through current University of Georgia programs. The Certified Economic Developer program is particularly important for small communities. Started in 2016 as the first in the nation, the program provides in-state professional development certification for economic developers at the local level. In addition, the companion Economic Development Handbook for Georgia's Rural Communities, created in conjunction with DCA, was published and made available to all rural communities last year. Georgia's local government training is enviable across the nation.

Thinking regionally is the key to success for addressing the common, large-scale needs of small communities, so partnerships and leadership matter. An example of this is the Locate South Georgia LEADS program, which draws its participants from 21 counties to train and grow informed leaders with the knowledge to attract industries, create regional pride, develop alliances, leverage political strength and build issue awareness for South Georgia. Graduates have formed an educated alumni group prepared to create economic opportunities. In rural areas, it takes a region to succeed, and this is a best practice that can be replicated in other regions. There is also promise for regional workforce development based on a key need/high demand of a community, such as health care, where educators, developers, government and industry partners pool together. There is no best size for a region; some regions can be small cities merging, like McRae and Helena in Telfair County, for program and cost-efficiencies. Tool kits and the downtown development Renaissance Program also provide regional resources. CVIOG has 90 years of working with local governments and small businesses as an impartial third party that provides data analysis for better informed decisions. Small business development centers are located across Georgia to help create and sustain business ventures, which over the past five years has created over 1,700 businesses and 12,000 new jobs, and the extension offices provide a presence in every county. The Archway Partnership is another resource that brings together the resources of the university, the technical colleges and economic development partners to address the unique challenges of a rural county. Five communities have already graduated from the partnership, and there are seven programs currently underway. Graduating communities continue their collaboratives to work on issues; for Colquitt County, this has resulted in $226.9 million more in economic activity since 2005. Data analysis for workforce housing is a multi-agency partnership that helps map assets and plan livable space. To make it easier to find all of these resources, the university is launching a new website, "It Starts With Georgia" found at https://itstartswith.uga.edu/rural/.

The final session of the day was a roundtable discussion with previous speakers, Jack Spruill, Amy Carter, David Bridges, Saralyn Stafford, and Charlie Gatlin from DEcD. Some of the key takeaways were the need to work together on the local level. To that end, Chairman Powell noted that leadership to bring communities together is a part of the equation, and Dr. Bridges said the number of people in a small community with the energy to create change are stretched thin, which is why Archway Partnerships and other programs that spread the responsibility regionally to a broader group are so helpful. There has to be a threshold and a good faith effort to do something differently, but be cautious before dismissing a community for a seeming lack of willpower.

Rep. Shaw asked for suggestions on what legislators can put into policy as incentives, and one response was repackaging existing or offering new resources for legitimate groups that are actually doing regionalism with evidence of that collaboration. Saralyn Stafford added that rewarding the communities that are doing everything the right way and can prove a self-investment, such as getting leadership trained and economic developer certification, with extra assistance to create manageable regions and/or have access to more strategic planning assistance from the state with measureable results would encourage collaboration. Chairman Powell asked the panelists to begin thinking of the criteria that should be completed on the local level to trigger larger state incentives, as well as what those incentives might be, for potential legislation.

Charlie Gatlin shared that rural areas need to know there are options to move forward and because regionalism has been a concept not a platform, there should be some incentive to get them engaged. Investors (prospects) who put their capital on the line need to know that they can make money, and if that is not obvious or easy to figure out, then it lessens opportunities. Communities will have hope if they have the resources to showcase to and engage with investors. Commissioner Carter added that this is the goal of having meetings with a candid and open space to help them long term, and Rep. Shaw noted that joint development authorities may be a vehicle for sponsoring regional incentives. Facilitators and arbitration are available to communities through CVIOG to foster relationships and are offered in the area needed to reduce time and travel. In addition to minimize cost, private fundraising can be leveraged for smaller communities to be able to participate, and while networking in person is the best training, putting classes online, particularly the basics, can help with best practices.

Rep. Watson queried for proactive solutions to address the communities where we know problems exists that are preventing partnerships, and it was noted that while the state and others can reach out to be of service, it can be futile without local buy-in. Resources are directed where they are wanted. Chairman England suggested that the DEcD through its regional meetings might be able to match the local people or groups that want to be a catalyst for change in these circumstances to helpful resources. Dr. Bridges cautioned the members that there has been a great deal of talk about incentives and regions, but the wealth grown and accumulated after the Civil War in Georgia was earned strictly by entrepreneurial spirit, and the council should remember to consider the individuals who are making personal efforts to be economic producers and support their enterprises, too. Ms. Stafford reminded members of DCA's Service Delivery Strategy program, designed to foster cooperation and ensure services are provided efficiently, which may be a way to promote regionalism and create the pool of people needed to spark progress. Entitlement reform may also be a consideration to get able-bodied workers back into jobs.

Rep. Dickey brought up the structural tax disadvantages rural areas have with ad valorem and sales taxes, the latter of which is because urban centers draw away consumers, that inhibit funding for quality of life items, including education and health care; Dr. Bridges reiterated that this problem is once again exacerbated by the state's numerous small counties, which if they were Texas-sized, the inequities would by definition go away.

Rep. LaRiccia asked about any promotional efforts in place, and it was noted that local communities need help to do a better job: students are not generally exposed to career opportunities in the industries nearby; single young people are looking for amenities, such as Elberton's vibrant downtown; and married couples want a robust place to educate their children. Rep. Bentley suggested that greater investment in creating youth leadership programs coupled with a higher weight in funding applications would help. Dr. Bridges suggested marketing Georgia's blue highways to spur exposure and business creation along new corridors. Jobs alone are not enough to promote a residency in a rural setting, but Rep. Watson noted that we have to continually reach out to make that effort.