



House of Representatives Rural Development Council

Highlights-Meeting Two

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The Honorable Trey Rhodes
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The Honorable Lynn Smith
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2019

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Meeting Two Highlights – Moultrie

September 10-Economic Development

Chairman Sam Watson opened the second meeting of the 2019 House Rural Development Council (RDC) in Moultrie to discuss economic development and incentives. The chairman thanked the Philadelphia College of Osteopathic Medicine (PCOM) for its investment in rural Georgia, adding that the establishment of the college is the exact type of public-private partnership the council and House Speaker David Ralston envisioned.

PCOM Chief Campus Officer Bryan Ginn, Jr. welcomed the council to the Moultrie campus, which hosts the only four-year medical school south of Macon. The General Assembly provided \$200,000 of start-up funds, which was used to outfit the school's simulation center and recruit faculty. Mr. Ginn then introduced Dr. Michael Sampson, chief academic officer, who gave a brief history of the school and what degrees are offered to students. Programs of study include: Doctor of Osteopathic Medicine, Doctor of Pharmacy, Doctor of Physical Therapy, and Physician Assistant. Dr. Sampson also introduced the 59 students of PCOM's class of 2023 to the RDC.

Michael Foor, vice president of state government affairs for Windstream, described the company's commitment to expanding broadband services in the state, including an investment of \$500 million since 2014 and the creation of a "Gig City" in Moultrie. A gig, a unit of broadband speed, is approximately 40 times faster than the 25 Megabits per second download speed found in Georgia's broadband services definition in the Official Code of Georgia (O.C.G.A.) 50-40-1. Windstream, which serves 106 counties, completed phase one of the \$1.6 million fiber project in August, with connections directly to the home to be completed as customers subscribe. Mr. Foor also mentioned that Windstream and other companies are overbuilding on a landline telephone structure that is not designed for broadband, which requires the structure to be reengineered. He concluded his presentation by stating if expansion across the state needs to be expedited, funding from the state would be helpful.

'The Georgia Outdoor Stewardship Act,' passed during the 2018 Session, provides a dedicated funding source to support and protect parks, wildlife, clean water, and outdoor recreation accrued from sales and use taxes garnered outdoor recreation equipment purchases. Funding will go to projects that promote outdoor recreation and protect water quality, cultural sites and historic resources, and land around military installations. Wes Robinson, public and government affairs director at the Department of Natural Resources, said the fund has received about \$30 million from sales during the first year of collections. He advised the council members to encourage their

local communities to apply for the available loans or grants once funds are appropriated in the FY 2021 budget. Eligible applicants include local governments, recreation boards, state agencies, and nongovernmental entities. Project sizes will range between \$500,000 and \$3 million to ensure projects will be regionally significant. Applicants, who must provide a 25 percent match that may include in-kind payments, will have to pay 100 percent of the costs up-front and will then receive a 75 percent reimbursement of eligible costs.

Workforce Development

Jamie Jordan, director of programs and business services with the Technical College System of Georgia (TCSG) Office of Workforce Development, described the complexities of four different generations working together in today's job market, as well as the pressures of an aging workforce. For every five people planning to retire in construction or skilled trades, there is, at best, one or two people in the pipeline preparing to replace them. On average, the country will see about 10,000 baby boomers turn 65 every day until about 2030. A changing job market also contributes to the complex work environment, with 70 to 75 percent of jobs predicted to require some type of postsecondary education or training by 2020; however, the state is moving in the right direction with a high school graduation rate of 82 percent and a postsecondary education enrollment rate of 70 percent. Still, the postsecondary completion rate of 63 percent and relevant job placement rate of 40 percent are not high enough, Mr. Jordan explained. Part of the solution is sector partnerships, which the state has invested \$7 million to foster. A sector partnership is a regional collaboration to nurture greater communication and teamwork among public and private partners. Each partnership is focused on a single industry or industry cluster. These partnerships work to collect data; create new apprenticeship or training programs; create or expand Career, Technical, and Agricultural Education (CTAE) offerings at the K-12 level; and develop regional outreach and awareness efforts.

Greg Wilson, public service assistant with the Carl Vinson Institute of Government, discussed how the University of Georgia is working with communities to build their talent pipelines and be competitive economically. According to Mr. Wilson, a sector partnership is business, government, and education coming together to help a particular industry, such as healthcare. Some of the lessons learned from sector partnerships include:

- Business and industry must lead the efforts.
- An initial needs assessment helps ensure goals and priorities align with local needs.
- A neutral third-party facilitator and technical assistance provider can play a pivotal role in the start-up phase.

One successful example is the Work Source Northwest Georgia Sector Partnership, which focuses on advanced manufacturing in the flooring/carpet capital of the world to ensure the next generation of the workforce was prepared. The partnership did a needs assessment, supported by the Georgia Tech Center for Economic Development Research, by asking employers what jobs

are hard to fill now and what jobs will be hard to fill in the next five years. They also created three working groups to address the top issues identified by the needs assessment and then created a website to be used as a resource for students exploring advanced manufacturing careers.

Mr. Wilson also discussed the Southwest Georgia Health Care Sector Partnership, facilitated by the Carl Vinson Institute of Government. The needs assessment showed there are not enough students going into the health care field in southwest Georgia. The partnership has three priorities:

1. Recruitment and talent pipeline development;
2. Training and professional development; and
3. Continued partnership between education and health care employers.

Mr. Wilson then introduced Tracy Stuber, the assistant vice president for the Center for Learning and Innovation at Phoebe Putney Memorial Hospital. Ms. Stuber and the hospital have been involved with the partnership from start. One lesson she noted was employers must be at the table because academia does not know the problems industry is facing.

Archway Partnership connects Georgia communities to higher education resources to address locally-identified community and economic development issues. According to Executive Committee Chair Chip Blalock, the Colquitt Archway Partnership was the first in the state. The partnership, established in 2005, has had a \$227 million economic impact over its first 12 years. Priorities are determined by the community leaders, which includes economic development, leadership capacity, collaboration and unity, youth development and education, as well as health and wellness. Funding partners, who include the city of Moultrie, Colquitt County Board of Education, Colquitt County Board of Commissioners, and Colquitt Regional Medical Center, contribute annually to the partnership. Examples of the partnership's work include the creation of land-use planning for Moultrie in 2005 and the development of strategic plans for various community organizations.

Panel Discussions

Next, the RDC heard from two speakers from the Department of Community Affairs (DCA) on a panel about micro-loans and Community Development Financial Institutions (CDFI): Program Manager Holly Hunt and Credit Services Director John Kingery. CDFIs are private lending institutions which aim to expand economic opportunity in low-income areas. CDFIs are more lenient than typical banks when checking credit scores; they do not take deposits; and they are required to provide technical assistance. CDFIs, which have loan committees made up of bankers, charge different interest rates depending on the area; these rates, which also depend on the risk of the lender, are typically higher in North Georgia. DCA plays no role in the loans, with the U.S. Treasury Department providing oversight.

Following the CDFI panel, Mr. Kingery and Ms. Hunt were joined by Jad Dowdy of Danimer Scientific for a panel on the ‘Georgia Agribusiness and Rural Jobs Act.’ The act, enacted by the General Assembly in 2017, is an investment tax credit program intended to provide access to capital for Georgia businesses in the state’s rural areas. The program launched on July 1, 2018, with \$100 million of investment funding that will be awarded in exchange for \$60 million in tax credits, according to Ms. Hunt. DCA approved five rural funds that were created by investment companies to participate in the program. Each rural fund raised \$20 million, which now must be deployed as loans or equity investments to support business expansion and job growth in eligible counties with populations of 50,000 or less. Companies may use the investment to purchase equipment, hire employees, or expand a product line or a facility. To be eligible to receive an investment, a company has to have fewer than 250 employees; operate in agriculture, manufacturing, health care, technology, or transportation; and be located in an eligible county. Performance reports are due to DCA in July 2020.

Danimer Scientific, located in Bainbridge, produces biodegradable, compostable polymers intended to replace plastics made from petrochemicals. The two plants in Bainbridge employ approximately 90 people, several of which have advanced postsecondary degrees. Advantage Capital, one of the fund investors, provided Danimer Scientific with a \$6.5 million loan. Of those funds, \$1 million was an equity investment and the balance was utilized for equipment purchases.

Commissioner Christopher Nunn, DCA, and Commissioner Pat Wilson, Georgia Department of Economic Development, spoke on a panel about the Georgia Jobs Tax Credit (JTC) and its related tier system. The JTC provides a tax credit for any manufacturing; warehousing and distribution; processing; telecommunications; tourism; or research and development business that creates new jobs. The credit amount depends on which county the company locates in, with counties placed in economic tiers and ranked relative to one another using the following factors:

1. Highest unemployment rate;
2. Lowest per capita income; and
3. Highest percentage of residents whose income are below the poverty level.

The backbone of an offer to a company to relocate to Georgia is the JTC, according to Commissioner Wilson; however, a tax credit is not going to be the defining reason for a company to relocate. It is also an incentive for a company to grow. In the last three years, \$175 million in credits have been claimed. An additional program was added to the JTC 10 years ago to ensure that less-developed census tracts, located in higher-tiered counties, were able to receive a larger credit, Commissioner Nunn told the council. If the tiers were changed to a non-relative system so that a county’s economic success or decline would not affect other counties around the state, specific categories and numerical thresholds dividing the tiers would have to be defined.

A local economic development panel, moderated by Georgia Power Community and Economic Development Manager Scott Purvis, spoke to the council about a variety of issues facing rural communities, specifically those in southwest Georgia. The panel members included Barbara Grogan, Moultrie Colquitt County Development Authority; Rick McCaskill, Bainbridge and Decatur County Development Authority; Shelley Zorn, Thomasville-Thomas County Chamber of Commerce; and Andrea Schruijer, Valdosta Lowndes County Development Authority.

Ms. Schruijer said one of her authority's toughest issues is ensuring that local leadership stays educated about the changing world of economic development. For instance, a building and a site was essential to economic development 20 years ago, compared to workforce development, health care, and quality of life today. Moultrie Colquitt County Development Authority, according to Ms. Grogan, is facing an advanced skill worker and advanced skill job shortage.

Ms. Zorn and Mr. McCaskill also agreed that workforce is also one of the major issues facing their communities. Ms. Zorn told the council that regional business parks are a viable tool, but they are not well-suited to southwest Georgia because nearly all of the local communities have their own park. While local communities are ready to work regionally, Ms. Zorn asked that the state not force the communities to only have regional parks, because the solution is not one-size fits all and there is no revenue to share in southwest Georgia. To incentive regionalism, the council should turn to workforce improvement, which is a piece that all communities can work together on.

The panelists recommended the state study the following possible actions:

- Monetize the JTC.
- Provide discretionary funds for rural areas.
- Simplify the JTC tiers to metro, hub, and rural counties.
- Keep rural programs rural by not expanding them to counties adjacent to rural counties.

John Foster, the assistant director for Income Tax Policy at the Georgia Department of Revenue, spoke to the council about the economic benefit of tax credits. All tier one counties within the JTC tier system may receive a withholding benefit from the tax credit, meaning employers keep the taxes withheld from an employee's check while replacing it with the tax credit that is turned in to the Georgia Department of Revenue. Any counties in a higher tier must receive a designation from the Georgia Department of Economic Development as a competitive project area to receive the withholding benefit. Less-developed census tracts may also receive the withholding benefit.

The final testimony of the day was reserved for two panelists to discuss workforce housing: DCA Commissioner Nunn and Hawkinsville City Commissioner Shelly Berryhill. Commissioner Berryhill told the council that his community had a problem with blighted property, so they formed an urban redevelopment committee that identified 106 properties that needed to be

demolished. Hawkinsville then applied to the Georgia Initiative for Community Housing (GICH) program. According to Commissioner Nunn, GICH is a partnership between DCA, the Georgia Municipal Association, the University of Georgia, and Georgia Power that provides communities with a three-year program of technical assistance to help communities develop a local plan to meet their housing needs. Since Hawkinsville's application to the program, 46 blighted homes have been demolished. Hawkinsville also has a desperate need of housing for a range of people with different incomes. The city's population is not large enough to convince a developer to build an apartment complex in the area, so the city turned to low-income housing tax credits, discovered through the GICH program, to entice a redevelopment of an abandoned cotton mill and an abandoned hospital into apartments.

September 11-Broadband Expansion

The second day of testimony began with an update on the Georgia Broadband Deployment Initiative from DCA Broadband Director Deana Perry. The mapping portion of the initiative, developed to discover the extent of broadband expansion in the state, is dramatically different than any other in the country, including the Federal Communications Commission (FCC) map. The FCC map vastly understates the unserved areas in the state, compared to Georgia's methodology. FCC maps designate an entire census block as served if one location within the census block has access to broadband. Conversely, Georgia is developing the first address-level map in the nation, designating a census block as unserved if 20 percent or more of the locations do not have access to broadband services with speeds of at least 25 Megabits per second (Mbps) in the downstream direction and 3 Mbps in the upstream direction. A three-county pilot in Elbert, Lumpkin, and Tift counties showed the methodology can be implemented statewide and that the number of unserved locations previously determined by FCC data is dramatically lower than reality. The statewide map has an estimated completion date of June 2020.

Additionally, Ms. Perry announced that Oglethorpe County is the first county in the state to receive a Broadband Ready Community designation from DCA, which recognizes that the county has implemented a model broadband ordinance and added a broadband expansion plan to its comprehensive plan. She also gave the council an update on the initiative's grant program rules, which are designed to maximize the number of locations served, minimize the cost, and minimize risk. The grant program, which is awaiting funding, will provide a minimum grant of \$250,000 and has a match requirement of 50 percent.

Monroe County Commissioner George Emami said his county included approximately \$700,000 for broadband expansion in its Special Project Local Option Sales Tax (SPLOST), which was of such importance to the roughly 27,000 people in the county that it most likely led to the passage of the SPLOST. Approximately 55 percent of the businesses in the county are unserved, with 1.5 Mbps of Digital Subscriber Line (DSL) being commonplace in several places. Residents and businesses in the county can typically use their internet for something simple, like email, but

streaming Netflix or uploading large files for small businesses are essentially impossible. The county could use a unifying state voice to help with planning and making connections with larger companies.

Following Commissioner Emami, the council heard from four speakers on a broadband and technology options panel: Steve Fortmann, Paladin Wireless owner; Eric Snell, Georgia Public Web president; Jonathan Britton; financial consultant; and Amy Stone, Oglethorpe County economic development director.

Mr. Snell explained that Georgia Public Web (GPW) has been operating to bridge the state's digital divide since 1997. GPW is a publicly-owned non-profit, with ownership held by 32 municipalities. PeachNet, the Georgia Board of Regents, remote hospitals, and libraries run off of GPW's middle-mile network. The middle-mile is akin to the interstate of the internet, while the last-mile is the connecting road from the interstate to the home. One of the major challenges facing broadband expansion is right-of-way access fees, which can cost \$5,000 in urban areas and \$1,000 in rural areas.

Broadband access is not a technology problem, but a money problem, according to Ms. Stone. The Oglethorpe Development Authority created a broadband subcommittee that developed a strategic plan, with an overall goal of providing 25/3 Mbps to 90 percent of the county's businesses and residents. The first step of the plan involved discussions with providers across the state to learn of success stories and potential options. Second, the subcommittee released a community survey in late 2018 to gather data, enabling the subcommittee to map the areas where people were dissatisfied with their service and where people were willing to pay more to receive reliable, fast service. The authority then requested and received \$350,000 from the county board of commissioners to invest in broadband to make the county more attractive to businesses and to improve the quality of life of residents. A request for qualifications (RFQ), due on September 20, was announced, with the authority looking for providers with experience in rural settings who can provide service to 1,000 households and eventually 90 percent of residents.

Rural Georgia is on a broadband dirt road, according to Mr. Fortmann, describing the frustration rural Georgians experience due to their faulty or slow internet speeds. Moreover, he said that 5G, which requires high-frequency millimeter wave bands, is not a rural Georgia solution because of density distance requirements between the antennas. Mr. Fortmann said the technology his company, Paladin Wireless, uses can be placed on cell towers, broadcasts over three miles and through trees. The technology can cover one square mile with 25/3 Mbps or better for \$6,500. He lamented the focus on return-on-investment that prevents broadband expansion. Mr. Britton is a self-employed consultant who works with Paladin Wireless to help bring internet to rural Georgia. One of the largest problems for Paladin Wireless or any small business in a rural

community is access to skilled workers or capital, so Mr. Britton has been helping Paladin Wireless fundraise through programs like the ‘Georgia Agribusiness and Rural Jobs Act.’

Degrees and Programs

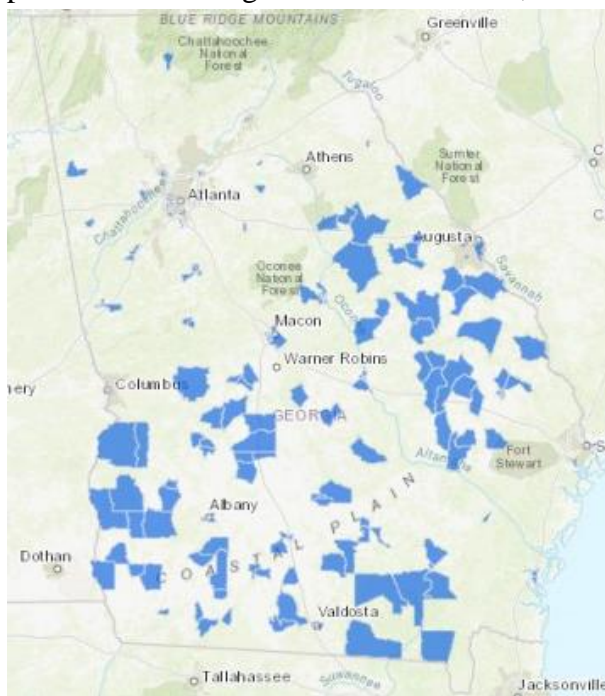
The nexus degree is the first new type of postsecondary degree in the United States since the creation of the associate’s degree in 1898, according to Dr. Tristan Denley executive vice chancellor for academic affairs and the chief academic officer at the University System of Georgia. A nexus degree focuses on hands-on experience and connections with industry. The degree requires 42 hours of general education core classes plus 18 credit hours of coursework focusing on the skills required in the particular industry, including six hours of experiential learning, 12 hours at the 3000-class level or higher, and curriculum designed in partnership with a major industry. The first degree programs are in block-chain data analysis and block-chain machine learning at Albany State University and in post-production film and financial technology at Columbus State University. Dr. Denley also highlighted about 20 additional degrees added to rural colleges across the state that include a Bachelor’s of Science in agribusiness at the Abraham Baldwin Agricultural College and a Bachelor’s of Science in health and wellness at Dalton State College. The degrees were added in consultation with the educators and industry leaders in the specific areas. Every degree that is currently being offered goes through a seven-year cycle of review to assess performance measures, benchmarks, fiscal sustainability, and workforce preparedness.

There are approximately 100 to 125 different programs offered at each TCSG institution, according to TCSG Commissioner Matt Arthur, each providing an opportunity to find a job upon graduation. If it is determined that jobs are no longer available in a particular field in a community, the system discontinues the program at the impacted institution. The system will not add a program to a community’s college unless an industry has asked for it or if TCSG knows an industry is moving into the area. The solution for South Georgia’s workforce problem is education, particularly dual enrollment, the commissioner told the council. Eighty percent of dual enrollment students go to college, in contrast with 62 percent who do not go through dual enrollment. Another piece of the puzzle is apprenticeship programs, partnered with small businesses across the state. There are over 8,500 apprenticeship programs across the state. All 22 colleges are federally-registered with the Department of Labor so the businesses do not have to worry about that additional step. Eighty percent of the apprenticeship takes place in the work environment, with the other 20 percent taking place on campus. Commissioner Arthur concluded that TCSG needs to be at the table, along with industry, development authorities, and the legislature, so that the schools may make adjustments or add programs where needed.

Georgia Environmental Finance Authority (GEFA) External Affairs Manager Ben Cowart and Senior Water Program Manager Amanda Carroll discussed the authority’s loan eligibility requirements and financing options. GEFA has provided more than \$4.3 billion in low-interest

loans, funding approximately 1,600 projects for government entities in the state. Eligible borrowers include counties and municipalities, local water and sewer districts, and state and local authorities. State funding can be used for emergency loans; economic development; the supply, distribution, and treatment of water; or the collection, treatment, or disposal of sewage and solid waste. Federal funding that GEFA administers goes toward the Drinking Water State-Revolving Fund (SRF) or the Clean Water SRF. The Drinking Water SRF can be used to install or upgrade facilities' drinking water, the rehabilitation of wells, or the creation of new systems; the Clean Water SRF can be used to construct publicly-owned treatment works or to control nonpoint source pollution.

A panel comprised of Georgia Department of Economic Development General Counsel Andrew Capezzuto and DCA Deputy Commissioner Rusty Haygood spoke to the council about Federal Opportunity Zones. There are 1,969 census tracts in the state, of which 1,038 are eligible to be designated as a Federal Opportunity Zone due to poverty rates and median household income. Of those, only 260 census tracts are designated as zones by the U.S. Department of Treasury. Sixty percent of the designated tracts are rural, with the other 40 percent in urban areas.



The Federal Opportunity Zone program allows an investor to create a Federal Qualified Opportunity Fund that invests in eligible property within the zone. The incentive for investment includes a capital gains tax deferral, ends December 31, 2026. To spread the word about Federal Opportunity Zones, the Department of Economic Development convened four workshops in Albany, Atlanta, Statesboro, and Rome to provide communities with information. Additionally, the department has launched a website to encourage communities to identify and develop project opportunities, while also providing limited technical assistance to communities and investors. Some examples of success include the construction of a \$30 million soccer stadium in

Statesboro and a \$13.6 million mixed-use project, including a boutique hotel and data center, in a historic downtown building in Albany.

Deputy Commissioner Haygood discussed the similarly-structured State Opportunity Zone program. The program gives tax credits, which may be applied to the withholding tax, to businesses that create jobs in distressed, blighted parcels. The state has 154 State Opportunity Zones, made up of parcels of land, which receive a 10-year designation. To be designated a State

Opportunity Zone, the area has to be within an area or adjacent to an area with a 15 percent poverty level or greater. The designated areas also must display pervasive poverty, underdevelopment, general distress, and blight.

Concluding the meeting, DCA Commissioner Nunn spoke to the council about the structure of Georgia's 12 regional commissions. Regional commissions function as a planning entity for the local government members within the region. DCA contracts with the regional commissions to assist local governments with planning services. Seventy-two percent of the comprehensive plans prepared in the state over the last four years by local governments have been developed by regional commissions. Over the last three years, the regional commissions have also written approximately 50 to 60 percent of the Community Development Block Grant (CDBG) applications in the state. The important thing to remember when discussing regional commissions is they are all different, the commissioner told the RDC. While there is a perception issue with some of the regional commissions, overall member satisfaction rates over the last three years have been high, with a survey showing 75 percent as the lowest rate in 2017. Commissioner Nunn said regional commissions are doing a lot of things right, but there is room for improvement. One recommendation is to encourage local communities to be involved by engaging with the executive director and the governing regional councils. He concluded that accountability concerns could likely be addressed by reviewing the size of the governing regional councils, which range from 35 to 60 members.