Executive Summary

Greater Ohio Policy Center
The Brookings Institution Metropolitan Policy Program

Restoring Prosperity

Transforming Ohio's Communities for the Next Economy

Embargoed until Feb. 22 for digital publication and Feb. 23 for print publication

Executive Summary

Ohio, like most other states in the country and particularly its neighbors in the Great Lakes region, is still reeling from the "Great Recession." This economic crisis, the worst in a half century, has devastated economies across the globe. While economists have declared that the recession has abated, it will be a long time before the businesses, households, and government treasuries across the country, and specifically in the state of Ohio, shake off the effects. And when the recession's grip finally breaks, what will Ohio's economy and landscape look like?

The choices that Ohio's people and its leaders make—starting now and continuing over the next few years—will determine that answer. Ohioans can decide whether to shy away from manufacturing after the loss of so many jobs, or to transform the state's old manufacturing strengths, derived from its role in the auto supply chain, into new products, markets, and opportunities. They can decide to opt out of the national shift to a lower-carbon economy, or to be at the forefront of developing clean coal and renewable energy industries and jobs.

They can choose a workforce system that is aligned to the true metropolitan scale of the economy and oriented to the needs of workers and employers. They can choose transformative transportation networks over more roads; smaller, greener, stronger cities; collaboration and regional cooperation to save money, reduce duplication, and bolster regional competitiveness. And instead of trying to go it alone in the 21st century global marketplace, they can maximize the federal resources on offer to support Ohio's economic transformation and choose to compete effectively for new federal investments.

This report, *Restoring Prosperity: Transforming Ohio's Communities for the Next Economy*, lays out some of the specific policy options that will help Ohioans restore the prosperity that the state enjoyed for much of the 19th and 20th centuries, but that it has been struggling to regain for at least a decade, if not longer.

Ohioans have implemented important policies to respond to serious challenges or sweeping opportunities in the past, such as the Clean Ohio Fund, the Third Frontier, and Edison Centers. State leaders today are working on land use reforms and bold approaches to innovation and advanced energy. State agencies such as the Department of Development, the Board of Regents, and the Department of Transportation have all crafted strategic reports in the last few years that show that they recognize the need for transformation in the kinds of approaches, policies, and goals the state pursues. The legislature's Compact with Cities Task Force, the Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio, the Commission on Local Government Reform and Collaboration, and public-private partnerships such as the Auto Industry Support Council are also grappling with how to move Ohio's economy forward. And some chambers of commerce, regional organizations, and other civic, corporate, and philanthropic groups around the state are likewise engaged in the same effort for their regional economies. This report complements these old and new efforts.

Given all this existing work, why does the state need the Restoring Prosperity agenda? This effort differs in important ways from the excellent work described above.

- First, it recognizes Ohio's metropolitan regions, which encompass cities, suburbs, and rural areas, as the key to the state's future prosperity. Metropolitan regions are the key functional units in the global economy today, and their ability to thrive will depend on their ability to collaborate.

- Second, this report understands Ohio in the context of a federalist system. So it talks about the partnerships necessary to bring prosperity across metropolitan regions, between metropolitan regions and the state, and between the state and the federal government. It also draws on the federalist notion, championed by Justice Louis Brandeis, of states as laboratories of democracy, and points out what Ohio can learn from the policy innovations emerging from other states, and how Ohio can itself lead other states in adopting new responses to new problems.

- Third, in its understanding of the complementary roles of the private and public sector, and recognition of the value of philanthropies, universities, and other non-profit institutions, this report represents a mix of traditional ideological positions. The recommendations call for more public investments, but with a business focus on how investments are made. The report advocates for significant changes in how state and local governments organize themselves, not because efficiency is an end in itself, but because these efficiencies, consolidations, and realignments will free up scarce resources to meet more pressing priorities, save taxpayers money, and will better align government with the metropolitan scale at which the modern economy operates.

Ultimately, economic health will come from a strong, innovative, flexible private sector in the state. Even if the state could afford it (which it cannot, even in non-recessionary times), it is not possible for public spending alone to restore prosperity. Moreover, even the most imaginative, energized government cannot replace a strong private sector, and policies cannot compensate for fundamental weaknesses in markets. But if the state government adopts the policies recommended here, it will go far in laying the groundwork for private sector strength, filling holes that the private sector will not, and creating the conditions in which markets, places, *and therefore people* can flourish.

From the Macroeconomy to Metropolitan Regions: Ohio and the Next Economy:

The deep pain the recession has inflicted on the state may obscure the fact that the economy, now recovering from its binge of real estate speculation and financial sleight of hand, is realigning to fit Ohio's existing and emerging strengths. Three hallmarks of the next economy are that it will be export oriented, driven by new, lower-carbon energy sources, and innovation led. Thus, it will draw on some capacities, such as manufacturing products and developing services for the global market, that Ohio has relied on for decades. But it will require a relentless pace of innovation, adaptation, and embrace of new markets and processes—by no means a return to the past. The next economy will also push Ohio to move more aggressively, even fearlessly, in areas where it has shown new strengths, such as the growing renewable energy sector, and in innovation.

The next economy has a fourth key characteristic that also matters very much for Ohio: It will be metropolitan led. There is no U.S., or German, or Chinese, or Ohio economy, but rather a network of sophisticated, hyperlinked, and globally-connected metropolitan economies. These metropolitan regions create, and benefit from, a multiplier effect that results from linking human capital, innovative activity, infrastructure, and value-creation in goods and services in dense geographies. In short, metropolitan areas are where it all comes together.

Ohio exemplifies the power of metropolitan regions. In fact, its 21st century metropolitan regions are the successors to the cities and small towns that drove the state's 20th century economy, and are the places that are incubating the state's *next* economy. Today the seven largest metropolitan areas in the state house 70 percent of the state population and produce 80 percent of the state GDP. All sixteen of the state's metros constitute 81 percent of the population, 84 percent of the state's jobs, and 87 percent of the state's GDP.

Ohio's metropolitan regions are where the assets that will build and benefit from the next economy concentrate. The assets that will be most critical for success in an export-oriented, lower carbon, innovation-led economy and that gather and

strengthen disproportionately in urban and metropolitan places are innovation, human capital, infrastructure, and quality places.

Innovation: Ohio's seven largest metro areas concentrate slightly more than 75 percent of the state's patenting activity, and 82 percent of the state's knowledge jobs.

Human Capital: Ohio's metros in the nation's top 100 contain 81 percent of the state's adults aged 25 or older with at least a bachelor's degree.

Infrastructure: The largest metros account for nearly 100 percent of the state's air cargo and commercial passengers, and are where most of its ports are found, particularly relevant as the economy transitions to one based on exports, not consumption.

Quality Places: Ohio's top seven metros concentrate 62 percent of historic places statewide. Their concentration of assets and people create a level of market activity, public amenities (e.g., health facilities, theaters, restaurants, parks, and waterfront districts), and sense of place that is critical to attract and retain innovative firms and talented workers. Their pockets of density are conducive to transportation options like biking, walking, and mass-transit, and energy-efficient housing options.

For Ohio to prosper in the next economy, and serve its taxpayers well, it needs to support the prosperity of its metropolitan regions. Because of Ohio's multiplicity of metros, concentrating on and investing in metropolitan regions as the economic drivers and the hubs of activity is practically a "leave no place behind" strategy. Almost every single Ohioan lives within an hour's drive of an urbanized area, and half of the state's population lives within 10 miles of an urban core. As OSU researchers have found "[A] bucolic landscape is not necessarily a sign that residents are not integrated with the nearby urban area." Because of sprawling development patterns in the state, more than half of rural Ohioans actually live within the boundaries of metropolitan areas. This metro orientation does not mean that only large cities receive state investments. It means instead that the state evaluates its investments based not on each county, city, or township getting an equal share, but on what investments will make the most sense in which places.

The Restoring Prosperity Agenda

The Restoring Prosperity agenda that will use the strengths of Ohio's metropolitan regions to solidify Ohio's place in the next economy has three elements: 1) Build on next economy assets in metropolitan areas; 2) Catalyze transformative changes in governance to lower costs and boost competitiveness; and 3) Engage and lead the federal government.

1. Build on assets in metropolitan areas

There are four key metropolitan assets that should continue to drive Ohio's metropolitan investment agenda: innovation, human capital, infrastructure, and quality places.

Historically, Ohio is a state where private sector *innovation* has flourished: from the Wright Brothers' famous aviation invention; to Charles Kettering's development of the first electric cash register and automobile electric ignition system; to Harvey Firestone and Franklin Seiberling, Akronites who founded global rubber and tire companies, among many others. But lately, Ohio has slipped in measures of entrepreneurial strength. Ohio ranks in the bottom six states in the nation on several measures of entrepreneurship, according to a recent survey by the Kauffman Foundation. This Restoring Prosperity agenda plants the seeds for a new era of innovation and helps reenergize Ohio's entrepreneurial culture with the following recommendations:

- Preserve Third Frontier funding
- Find creative sources of funding for innovation-based economic development
- Significantly expand the state's advanced manufacturing network
- Create micro-investment funds

Ohio's firms, whether engaged in manufacturing products for export or those oriented to new energy sources, cannot compete and thrive unless they have a well-prepared workforce, and of course Ohio's workers cannot thrive unless they have the skills for well-paying jobs, with advancement opportunities, in secure and growing industries. The needs of employers and workers are bound up in *human capital*. While the state has made commendable efforts to reorganize its workforce system, particularly through the research, sectoral, and regional efforts under the Ohio Skills Bank umbrella, Ohio still needs better mechanisms for connecting workers, especially low-skilled workers, to jobs, so this report directs Ohio to:

- Support Workforce Intermediaries across the state
- Substantially raise the number of Ohioans earning non-degree workforce certificates who enter long-term career paths

Maximizing the impact of the state's *infrastructure* is an important part of increasing the state's ability to transition to the next economy, as the state needs new transportation networks and multimodal freight facilities to get state-manufactured goods to international markets. Moreover, the type of infrastructure people use to get from place to place will also have an effect on the global challenge of climate change, which has quickly emerged as the main environmental problem linked to transportation. Ohio's current pattern of infrastructure spending by and large is not keeping up with the changing needs of the economy. While the state has made some promising moves in the direction of a wider range of transportation infrastructure, the state must go still further and create a new transportation strategy that enables more transportation options and positions the state for a low-carbon future, through the following steps:

- Elevate "fix-it-first" as the central principle guiding transportation investment decisions
- Analyze and track ODOT investment decisions on the basis of greatest returns on investment
- Create a state-wide sustainability challenge competition
- Change how infrastructure gets funded in Ohio in order to support transformative investments

Quality places, the fourth driver of prosperity, are where all the other prosperity drivers intersect and leverage each other. Ohio's quality places legacy presents a paradox that is found throughout older industrial cities of the Northeast and Midwest: These places have physical amenities like waterfronts and a mature parks system, interesting architecture, historic buildings, pedestrian-scale neighborhoods, and institutions like universities, colleges, museums, and medical centers. But at the same time, they suffer from decades of depopulation, job loss, and underinvestment, and their current physical footprints and land use patterns do not fit their current levels of population and economic activity. This reality demands a new approach to land use and planning that aims ultimately to stabilize these places around or slightly below current population levels, while at the same time reaping the greatest benefits from their assets. To grapple with the challenge of its shrinking cities, this report directs Ohio to:

- Pass a legislative package of foreclosure prevention and corrective action bills
- Expand Ohio's land bank statute to apply to all the state's counties to help places address excess vacant land
- Develop an Anchor Institution Innovation Zone program
- Establish a targeted neighborhood revitalization strategy program
- Modernize Ohio's planning statutes
- Create a state-level "Walkable Waterfronts" initiative

2. Catalyze Transformative Changes in Governance

The second element of the Restoring Prosperity agenda is a significant change in the structure of government and governance in Ohio. Because of the recession, Ohio's fiscal difficulties at the state and local level are severe, inescapable, and worsening. As a result, there is not enough low-hanging fruit left to pluck on the spending and revenue side to close the budget gaps that Ohio and its municipalities will face for the next biennium and likely beyond. In order to continue to make strategic investments and maintain decent levels of service provision, Ohio will have to do more to encourage money-saving or efficiency-enhancing consolidation and collaboration between local governments, including school districts. Ohio needs to move down the path of reforms that will either save money or yield better results for money spent, through consolidations where appropriate; much more aggressive efforts to encourage local governments to collaborate and share services across the board; and smarter, sharper alignments of the state's own policies and programs to make the most of scarce state resources.

As a first step, Ohio must shift *more K-12 dollars to classrooms*. Ohio ranks 47th in the nation in the share of elementary and secondary education spending that goes to instruction and ninth in the share that goes to administration. More pointedly, Ohio's share of spending on school district administration (rather than school administration such as principals) is 49 percent higher than the national average. It appears from projections in other states and from actual experience in Ohio that school district consolidation, or at the very least more aggressive shared services agreements between existing districts, could free up money for classrooms. So this report urges the state to:

- Make the costs of school district administration transparent to Ohioans
- Push school districts to enter aggressive shared services agreements
- Create a BRAC-like commission to mandate best practices in administration and cut the number of Ohio's school districts by at least one-third

The state also needs to catalyze *local government collaboration*. Ohioans live and work amid a proliferation of local governments. The state has 3,800 local government jurisdictions, including 250 cities, 695 villages, and 1,308 townships. Ohioans have the ninth highest local tax burden in the U.S., compared to the 34th highest for state taxes. While the proliferation of local governments and the fragmentation of the state into tiny "little box" jurisdictions may satisfy residents' desire for accessible government, it also creates a staggering array of costs, such as duplication of infrastructure, staffing, and services, and a race-to-the-bottom competition among multiple municipalities for desirable commercial, industrial, and residential tax base. Perhaps most damaging is the fact that fragmented regions are less competitive than more cohesive metropolitan regions. To encourage collaboration, save costs, and boost competitiveness, the state should:

- Change state law to make local government tax sharing explicitly permitted
- Create a commission to study the costs of local government and realign state and local funding
- Catalyze a network of public sector leaders to promote high performance government
- Support the creation of regional business plans
- Reward counties and metros that adopt innovative governance and service delivery

Governmental fragmentation plagues not only Ohio's localities but also the state government, in the form of a multiplicity of unrelated programs and inconsistent regional delivery systems. So, the state must *break up program silos* to align and maximize state investments. For all the dollars flowing into the state's metropolitan regions—e.g., to businesses, schools, job training centers, housing, or infrastructure projects—funding is seldom targeted toward a unified goal or outcome, be it cultivating certain regional business clusters (and simultaneously building the workforce and infrastructure they need to grow and thrive), revitalizing particular neighborhoods (and improving the quality of schools, retail opportunities, and housing to attract and retain residents), or helping low-income families move into the middle class (and creating the career ladder jobs, strong work supports, and quality neighborhoods and schools they need to build skills

and assets). The state cannot expect to improve its metropolitan regions, and its prosperity, without intentional, aligned, cross-agency efforts. This report recommends that the state:

- Align programs to make sure that state investments reinforce each other
- Establish a state-level cross-agency "healthy communities" initiative to develop new sustainable models for smaller cities
- Institutionalize a challenge grant program to reward regional comprehensive redevelopment and planning
- Implement a Community Development Action Teams (CDATs) program, particularly targeted at small and medium-sized communities
- Align state economic development program boundaries with metropolitan regions

3. Engage and lead the federal government

To fulfill the final element of the Restoring Prosperity agenda, Ohio needs to engage the federal government. One state cannot overcome the impact of a global recession entirely on its own. Restoring prosperity in Ohio will require a purposeful alignment of federal and state priorities, policies, and practices. Ohio must be strategic in thinking about forthcoming federal investments in clean energy or support for manufacturing, for example, and it should take an even bolder approach towards the federal government's flow of funds.

The federal government recognizes its own role in intentionally setting the United States on the fast track to the next economy. There are federal funds available for the state and its metropolitan regions to use to make the necessary transition to an export-oriented, lower-carbon, innovation-fueled economy. There are also monies for innovative regional planning and land use projects, which Ohio's communities could use in their reinvention as smaller, stronger places. Ohio must *position itself to compete* for these funds, showing a united front and a clear vision aligned with federal goals. Places that have organized initiatives and can deliver smart proposals will likely attract federal interest and investment. This report recommends that Ohio:

- Secure an Energy Innovation Hub
- Take advantage of federal support for clusters
- Use federal Sustainable Communities funds to support smaller, stronger Ohio cities

In addition to seizing on short-term opportunities, the state should also *take a leadership role* with the federal government, advising its efforts and rallying similarly situated states and communities to shape the direction of federal policy. To that end, the state should:

- Press federal policy-makers to earmark funds for operations and planning for the new county-wide land banks through an NSP III or another federal program
- Put the needs of places that are not growing on the sustainability agenda
- Press federal agencies to explicitly reward multi-jurisdictional land use and transportation plans
- Support a cross-agency policy agenda to assist auto communities
- Develop a list of nationally significant projects based on merit-based criteria for potential application to a National Infrastructure Innovation and Finance Fund
- Encourage the federal government to create incentives for shared service delivery programs
- Organize for a National Advanced Manufacturing Laboratory

This is an ambitious agenda—39 policy prescriptions in all—some of which the state can and should act on immediately, others that are better suited for the medium or long term. These recommendations are the result of a long process of engagement by the Greater Ohio Policy Center and the Brookings Institution, which began in mid-2007 with a series of roundtables and small convenings on workforce issues, economic development, transportation, and neighborhood revitalization. In Fall 2008, after a year's worth of additional meetings and listening sessions across the state, Greater Ohio and Brookings held a summit attended by over 1,000 people, including local and state business, political, and civic leaders, at which we released a preliminary report that laid out the importance of metropolitan areas in Ohio's communities, established the outlines of some of the recommendations contained in this final report, and launched the Restoring Prosperity Initiative.

The summit and the financial market collapse that followed it drove us to re-evaluate our agenda. We heard at the summit that Ohioans were eager for a deep agenda on governance, so we commissioned new research to address the problems of fragmentation. Then the recession started to strangle state and local budgets, so we looked for

ways that the state could cut spending in some places in order to free up funds for investment elsewhere. And the talk of "a great reset" and the desire to understand "what comes next" caused us to focus on the broader context of Ohio's revival and the elements of the emerging economy.

During the past year, we have seeded additional research, held new convenings, listened to more experts within and outside of Ohio, and received feedback from every corner of the state, and from business, civic, political, and philanthropic leaders, including the First Suburbs Consortium, metropolitan chambers of commerce, Metropolitan Planning Organizations, community development corporations, local editorial boards, and small community chambers of commerce.

In addition to working with the people representing organizations on our Restoring Prosperity Steering Committee, we have conducted a peer-to-peer workshop to educate leaders from medium-sized communities across the state about this agenda and elicit feedback; with PolicyBridge, the Fund for our Economic Future, and other Cleveland partners, we hosted the Restoring Prosperity to Cleveland mini-summit attended by hundreds of Clevelanders who shared their opinions; and were hosted by the Cincinnati metropolitan area's Agenda 360 leaders. We have worked closely with local, non-profit, citizen, and downtown organizations including Downtown Dayton Partnership, Neighborhood Progress, the Allen County 2020 Commission, Hamilton Chamber of Commerce, and the Ohio Farm Bureau. Leaders from universities of Cincinnati and Akron, and Youngstown State and Ohio State universities contributed to this process as well. We are extremely grateful for all their contributions and their partnership, which have strengthened this report and sharpened its relevance and will continue to make implementation of this agenda possible.

This report is not the end of the Restoring Prosperity agenda, but rather the beginning. The upcoming 2010 elections will be a time of intense policy debates about where they state is going and how best to get there. In 2011, Ohioans will consider whether to have a constitutional convention, at which they could make major changes in how the state's local governments are structured and formed. The Restoring Prosperity agenda is relevant to these opportunities and many more emerging across the state.

We hope that this report, with its description of the next economy, its agenda for how the state can thrive in this emerging economic context, its argument for governance reform, and its description of an aligned state and federal approach, will help the state regain control of its destiny and restore prosperity to its people.

The Restoring Prosperity Agenda

1 *Build on Assets*

	Build on Innovation	Build on Human Capital	Build on Infrastructure	Build on Quality Places
Short-Term Recommendations	Preserve Third Frontier funding Find creative funding for innovation-based economic development		Elevate "fix-it-first" as the central principle guiding transportation investment decisions Analyze and track ODOT investment decisions on the basis of greatest returns on investment	Pass a legislative package of foreclosure prevention and corrective action bills Expand Ohio's land bank statute to apply to all the state's counties to help places address excess vacant land Develop an Anchor Institution Innovation Zone program
Medium-Term Recommendations	Significantly expand the state advanced manufacturing network	Support Workforce Intermediaries across the state	Create a state-wide sustainability challenge competition Change how infrastructure gets funded in Ohio in order to support transformative investments	Establish a targeted neighborhood revitalization strategy program Modernize Ohio's planning statutes Create a state-level "Walkable Waterfronts" initiative
Long-Term Recommendations	Create micro-investment funds	Substantially raise the number of Ohioans earning non-degree workforce certificates who enter long-term career paths		

The Restoring Prosperity Agenda

2	*Reform Governance*		
	Shift Spending to Classrooms	**Catalyze Local Government Collaboration**	**Align State Programs and Investments**
Short-Term Recommendations	Make the costs of school district administration transparent to Ohioans Push school districts to enter aggressive shared services agreements	Change state law to make local government tax sharing explicitly permissive Create a commission to study the costs of local government and realign state and local funding Catalyze a network of public sector leaders to promote high performance government	Align programs to make sure that State investments reinforce each other Establish a state-level cross-agency (e.g., ODOD, ODOT, OEPA, OHFA, OBOR, and ODJFS) "healthy communities" initiative, modeled on the existing cross-agency federal sustainability initiative, to develop new sustainable models for smaller cities Institutionalize a challenge grant program to reward regional comprehensive redevelopment and planning Implement a Community Development Action Teams (CDATs) program, particularly targeted at small and medium-sized communities, that requires community-driven project proposals and cross-agency team responses at the Administrative level
Medium-Term Recommendations	Create a BRAC-like commission to mandate best practices in administration and cut the number of Ohio's school districts by at least one-third	Support the creation of regional business plans	Align state economic development program boundaries with metropolitan regions
Long-Term Recommendations		Reward counties and metros that adopt innovative governance and service delivery	

The Restoring Prosperity Agenda

3	*Engage Federal Government*	
	Compete for Current Federal Funds	**Shape Government Approach to Ohio**
Short-Term Recommendations	Secure an Energy Innovation Hub Take advantage of federal support for clusters Use federal Sustainable Communities funds to support smaller, stronger Ohio cities	Press federal policy-makers to earmark funds for operations and planning for the new county-wide land banks through an NSP III or another federal program Put needs of places that are not growing on the sustainability agenda Press federal agencies to explicitly reward multi-jurisdictional land use and transportation plans Support a cross-agency policy agenda to assist auto communities
Medium-Term Recommendations		Develop a list of nationally significant projects based on merit-based criteria for potential application to a National Infrastructure Innovation and Finance Fund Encourage the federal government to create incentives for shared service delivery programs Organize for a National Advanced Manufacturing Laboratory

Restoring Our Prosperity

GREATER OHIO

Metropolitan Policy Program
at BROOKINGS