



November 28, 2018

The Honorable Mike Duffey  
Chair, Committee on Higher Education and Workforce Development  
Ohio House of Representatives  
77 S. High Street, 13th floor  
Columbus, OH 43215

Dear Chair Duffey, Vice Chair Antani, and Ranking Member Ramos:

On behalf of National Taxpayers Union's (NTU's) members and supporters in Ohio, I write to offer our support for House Bill 668, which we understand will be the subject of a public hearing today. This forward-looking, fiscally responsible legislation would allow Ohio to join 15 other states that give government entities such as state agencies, public schools, universities, and localities the ability to create Public Private Partnerships (P3s) for buildings. As advocates for overburdened taxpayers, we believe this innovative yet practical proposal will harness the expertise of the private sector in ensuring cost-effective construction of schools, hospitals, and other government structures – just as P3s have achieved in the area of transportation.

Government facilities serve as some of the most visible reminders to citizens of how their tax dollars are spent, and all too often, they are expended under conditions of poor oversight and accountability. The results can be projects that are over budget, behind schedule, or ill-suited to efficient long term asset management practices. A 2013 McKinsey Global Institute survey of hundreds of infrastructure projects may help to identify several reasons why this phenomenon repeats itself: lack of prioritization and evaluation in selecting projects, failure to take advantage of more efficient construction techniques, and underutilization of existing assets. The authors concluded that the private sector can “engage in a productive dialogue with public-sector stakeholders, and develop business and contracting models that promote ... productivity opportunities.”

One way to break this cycle of waste is through Public Private Partnerships (PPP), where a single private consortium is made responsible for designing, building, operating, and maintaining a government structure. This arrangement, which is more fully guided by the life cycle costs of a given project, also has the advantage of transferring the risk of excessive costs or delays from taxpayers to the consortium and its investors. Equally important, it has functioned well in the real world. Although primarily limited to road and water projects in the U.S., elsewhere around the globe PPPs are commonplace for schools and other “social infrastructure,” encouraging fiscal discipline in hundreds of instances. Relying on the experience of P3s, the Beacon Hill Institute released a study last year observing that taxpayers would save up to 25 percent over the life cycle of a public building project versus the status quo approach.

These lessons are especially applicable – and encouraging – to Ohio's taxpayers. When government construction projects grow out of control, the property or other local taxes to help finance them can be a genuine hardship for your citizens. House Bill 668 can help to provide a “pressure relief valve” that functions in two ways. By keeping projects on-budget and on-time, PPPs demonstrate sound financial management techniques that may be applicable even to “traditional” government building ventures. Furthermore, should PPP overruns ever occur, they do not translate into losses for governments because the risk is not borne by taxpayers.

House Bill 668 is carefully balanced to maximize the benefits of P3s for governments and taxpayers. The alternative procurement process in the legislation is modeled after P3 procedures at the Ohio Department of Transportation. Because this option is non-compulsory, government entities would still have the freedom to choose which method of facility procurement or renovation suits them best. As an additional safeguard, any P3 contract would stipulate that the building be delivered in good or better shape at the end of the agreement.

In 2017, NTU led a coalition statement from 10 organizations on behalf of bipartisan federal legislation (HR 960/S 326) that would add a carefully-defined category of public buildings to the 15 other categories of infrastructure under federal law that qualify for private activity bond financing (which can help to facilitate P3s). Signatories of our statement included Taxpayers Protection Alliance, Small Business & Entrepreneurship Council, and Council for Citizens Against Government Waste. Those bills remain active even in the waning days of the Congressional session for good reason. As our coalition letter noted, at a time when federal officials were “focused on making the tax system more equitable and uniform, expanding infrastructure investment, and maximizing the value of every government dollar, few other pieces of legislation can so admirably answer to all of these purposes.”

While not directly concerned with the tax system, House Bill 668 certainly (and admirably) answers to the purposes of expanded investment and maximized value for taxpayers. Accordingly, NTU hopes you will choose to make Ohio a shining example of fiscally disciplined infrastructure policy by approving House Bill 668 for a floor vote.

Thank you for your consideration of these comments, and should you have any questions, I am at your service.

Appreciatively,

A handwritten signature in black ink, appearing to read 'Pete Sepp', with a stylized flourish at the end.

Pete Sepp  
President