



Representative John M. Rogers

Representative Denise Driehaus

Sponsor Testimony -HB 492

Good morning Chairman Smith, Vice Chair Ryan, and members of the House Finance Committee. Thank you for offering Rep. Rogers and I the opportunity to provide you today with sponsor testimony on House Bill 492.

Under current Ohio law, local governments are currently eligible for assistance through the Ohio Public Works Commission's State Capitol Improvement Program.

Provisions within our Constitution allow Ohio to use its general revenues as debt support to issue general obligation bonds. In fiscal years 2017 through 2021, these amounts will be \$175 million annually, increasing to \$200 million annually in fiscal years 2022 to 2026.

These funds are made available in the form of grants, loans, and loan assistance or local debt support.

Grants are available for up to 90% of the total project costs for repair/replacement, and up to 50% for new/expansion. Loans can be provided for up to 100% of the project costs. Grant/loan combinations are often the case.

John, as a former Mayor, can attest to the importance of these funds. Often referred to as Issue 2 Funds, they are invaluable to communities – both large and small, especially communities such as where I live.

Eligible projects include improvements to roads, bridges, culverts, water supply systems, wastewater systems, storm water collection systems, and solid waste disposal facilities.

Indeed, without the availability of this vital funding mechanism, many localities, to whom the greatest proportion of infrastructure responsibility falls, would be unable to make necessary investments to address their infrastructure needs, investments absolutely necessary to ensuring the strength and vitality of Ohio's communities.

Sadly, much remains to be done!

The American Society of Engineers relates that here in Ohio there are:

- 361 dams considered “high hazard dams”
- \$12.2B is needed in drinking water infrastructure over the next 20 years
- \$14.2B will be needed in waste water infrastructure needs during the next 20 years
- There are 2000 bridges considered structurally deficient, while over 4,000 are functionally obsolete
- 2,000 miles of Ohio roadways considered to be in poor condition
- The estimated cost to Ohio drivers each year is \$3.3B (over \$400 per motorist) for vehicle repairs due to poor road conditions.

And, the list goes on...

I suspect that all of us have been told by our district's community leaders as to how they have been impacted by recent State Budgetary Policies. Indeed, communities throughout our state have repeatedly had to ask residents to increase their tax contributions in an effort to offset the loss of shared funds necessary for capital spending, continued services and infrastructure needs.

House Bill 492, a pilot program is an offer in compromise between the State and its residents, proposing to create the Supplemental State Capital Improvements Pilot Program.

By design it incrementally leverages a portion of an existing asset, our Budget Stabilization Fund, over a five-year period, in an effort to maximize the rate of return on our reserves - as opposed to realizing the nominal rate of return currently offered by the rate of interest now being earned.

The program makes available funds, in 200 million dollar increments, over five years, for distribution as loans with zero to low interest rate to our communities, for the purpose of infrastructure investment. Additionally, it would make available one half of the interest earned by the Stabilization Fund for grants.

When implemented, it would be overseen by the Ohio Public Works Commission, in a manner identical to the Public Works program now in place.

Not only would it fund the previously mentioned types of projects, but would expand infrastructure assistance for investment in airports, railroad crossings, facilities of historical interest or significance, transit systems and dams.

This incremental approach:

- ensures the stability and reserves of the rainy day fund,
- enables the programs suspension in the event the economy should take another hit,
- lends assistance to our communities that are otherwise would otherwise be unavailable today (it effectively doubles the Public Works Dollars), and
- in the end sees the Budgets Stabilization funds replenished over the lifetime of the investment projects.

What adds to the attractiveness of this initiative is the economic impact both short and long term this investment will lead to.

When considering the various forms of tax revenue generated, including the commercial receipts or business taxes, sales taxes, income taxes, gasoline taxes, etc., combined with the multiplier effect observed with infrastructure investment, I estimate that the long term economic impact created by this leveraging of our resources could easily generate a financial rate of return in excess of 15%.

This - as opposed to the approximate .32% currently being realized by this money sitting in some bank. ($\$6.5 \text{ million} / \$2,004,568,932 = .03242592$)

From a perspective of job retention, support and growth, I suggest that this program would likely fund an estimated 20,000+ construction related jobs, providing decent wages and benefits.

Simply stated, this legislation is a fiscally responsible approach to using existing resources while assisting our local communities with much needed relief from infrastructure deterioration.

By providing the necessary funds for critical infrastructure projects, this program would immediately generate economic growth, while simultaneously addressing a Ohio's needs without requiring any new taxes or unnecessary spending.

We appreciate your time and consideration of this proposal and respectfully ask for your support. Thank you.