

**Testimony of
Thomas F. Needles**

**Chair
Ohio Higher Educational Facility Commission
Finance Subcommittee on Higher Education**

April 28, 2015

Chairman Gardner, Vice Chair Cafaro, and members of the Subcommittee, I am grateful for the opportunity to testify on behalf of the Ohio Higher Educational Facility Commission. My name is Tom Needles, and I have been a member of the Commission since December 1998. I have been Chairman of the Commission under four different Governors.

The Commission is a 9-member body (see attached Appendix A) established by the Ohio Legislature in the late-1960s for the purpose of issuing bonds of the State of Ohio for the acquisition, construction, or renovation of higher educational facilities at Ohio's independent, nonprofit colleges and universities. Although the bonds are State bonds, all principal and interest payments are made by the colleges and universities for which the bonds are issued. No State taxes or other State funds are used or pledged for the bonds.

Since the Commission is an agency of the State of Ohio, whose mission is very similar to the state's housing, water development and air quality agencies, all of which have the same kind of bond program, the interest paid to the bondholders is exempt from federal and State income tax. As such, the Commission is able to provide these institutions with capital financing rates that are significantly lower than standard market rates. That was the reason the legislature created the Commission nearly a half-century ago.

Upon request, the Commission would be pleased to provide a list of all Commission financing activity from 1968 through the present.

In 2005, the General Assembly authorized the Commission to also issue tax-exempt bonds for nonprofit hospitals and health systems. Since February 2007, the Commission has issued over

two billion dollars of hospital bonds. Again, the debt service on these bonds is paid entirely by the hospital systems. The State is not responsible for and makes no payments on these bonds.

Institutions issuing debt through the Commission can reduce the interest rate on the debt by as much as two percentage points, thus saving up to 25% on their annual interest costs. Based on the outstanding principal amount of bonds and an estimated average interest rate of five percent, this represents an annual savings of well over \$80 million to these nonprofit colleges, universities and hospital systems.

The Commission is a modest agency with no General Revenue Fund budget and minimal operating costs. Revenues are derived from fees paid by the participating colleges, universities and hospital systems. A flat fee of \$500 is paid to the Commission by each applicant at the initial stage of the process. After the bonds have actually been issued a second small fee is assessed – never less than \$3,000 and no more than \$25,000.

Revenues from these fees help the Commission defray administrative costs and reimburse Commission members for their expenses related to the work of the Commission, such as travel to meetings, membership fees in the National Association of Health and Educational Facilities Financing Authorities, and occasional fees for such things as ethics training and audits conducted by the State Auditor's Office. Commission members receive no compensation for their services.

The fees are also used to partially reimburse the Ohio Board of Regents for providing staff assistance, which helps us with scheduling, accounting and financial services needs, as well as the costs associated with maintaining the Commission's records.

A continuation of the Commission's funding will allow the Board to maintain the administrative staff position to manage every aspect of the Commission's work.

The Commission seeks funding of \$12,500.00 in FY 2016 and \$12,500.00 in FY 2017. This is the same amount requested in FY 2014 and FY 2015.

Thank you for the opportunity to testify before this subcommittee. I would be happy to provide additional information as requested by the subcommittee.

On behalf of the Commission, we appreciate your consideration of our request.

Appendix A

Members of the Ohio Higher Educational Facility Commission

March 2015

Mr. Thomas F. Needles, Chair
21 East State Street, Suite 320
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(614) 221-5150

Dr. Kenneth Kutina, Secretary

Mr. John R. Wells

Ms. Susan Tate

Mrs. Wanda L. Carter, Esq.

Chancellor of the Ohio Board of Regents or the designee of the Chancellor

Mr. James R. Wilson

Mr. James Shindler

Mr. John Martin