



# Office of Budget and Management

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## SENATE BILL 135 VOTING MACHINE ACQUISITION PROGRAM TESTIMONY OF KURT KAUFFMAN

BEFORE THE

SENATE FINANCE COMMITTEE

MARCH 20, 2018

Chairman Oelslager, Ranking Member Skindell and members of the Senate Finance Committee, my name is Kurt Kauffman and I serve as the Capital Finance Director in the Office of Budget and Management. I was asked to appear before you today to talk about Section 4 of substitute Senate Bill 135 which authorizes the issuance of Certificates of Participation, the proceeds of which would be used to fund the purchase of new voting machines for Ohio counties.

In the interest of time, I'll keep my comments brief and touch on two topics: first, what are Certificates of Participation (or COPs); and second, why are COPs an appropriate financing vehicle for the voting machine acquisition program. First, COPs are a fixed income obligation, analogous to a bond, which are secured by lease payments made by the issuer to acquire an asset. So, in this case, the COPs proceeds would be used to purchase voting machines and debt service due to the COPs investors would be made from lease payments appropriated by the General Assembly to the Secretary of State. At the end of the lease term, the COPs would be fully paid off, and ownership of the voting machines would revert to the respective counties.

Second, why COPs and not bonds in the context of voting machines? The short answer is that COPs enable the State to tailor the term of the financing to the useful life of the asset being purchased. Recall, most state bond funds have dozens of projects being funded at any one time and that most of the projects are for long-lived assets like buildings and structures. Thus, state bonds are typically issued for 20-year terms. Voting machines, comprised of software and equipment, have much shorter useful lives, more in the 10-year range. Rather than shortening a bond sale or series of bond sales to 10-years, we support a separate '10-year' COPs issuance dedicated to voting machines. This achieves our goal of matching the financing term to the life of the asset and ensures that we comply with related federal tax law restrictions. Finally, I would note that the General Assembly has employed COPs to finance short-lived information technology and equipment projects several times in the past, including for the Ohio Administrative Knowledge System (OAKS) and the Multi-Agency Radio Communication System (MARCS) for emergency response. I hope this information has been helpful and I'd be happy to answer any questions the committee may have.