



**TESTIMONY
TO THE
SENATE GENERAL GOVERNMENT AND AGENCY REVIEW COMMITTEE
BY
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EXECUTIVE DIRECTOR
OHIO AIR QUALITY DEVELOPMENT AUTHORITY**

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Chairman Schuring, Ranking Member O'Brien, and members of the Committee, my name is Christina O'Keefe, and I am the Executive Director of the Ohio Air Quality Development Authority (OAQDA). I appreciate the opportunity to be with all of you today and to discuss the Authority's proposed budget for fiscal years 2020 and 2021. For FY2020, OAQDA is requesting \$1,224,177 and \$1,242,208 for FY2021. The spending authority requested for the biennium does not utilize General Revenue Fund (GRF), but rather is supported through programmatic administrative and permitting fees.

Since its inception in the early 1970's, OAQDA has focused on helping Ohio businesses, both small and large, to meet the challenges of complying with federal environmental regulations, namely the Clean Air Act. Improving air quality can be costly. However, the OAQDA provides an important, cost-effective financing tool that the private sector is utilizing to invest and improve operations. We focus on protecting air as a natural resource while stimulating economic benefits through operational savings, job creation or retention, improved employee health and enhanced productivity. OAQDA demonstrates that environmental and economic development policies can work hand in hand effectively and efficiently.

PROJECT FINANCE AND DEVELOPMENT

The Authority offers financing assistance for air quality projects of different types. They can be investments to comply with regulations through pollution control technologies and strategies. They can also include investments to improve operations by going beyond compliance, such as using energy efficiency and conservation to reduce air pollution. The main tool offered by OAQDA is serving as a conduit bond issuer through our project finance and development (PDAF) program. This assistance enables Ohio businesses to improve their bottom line and the environment cost-effectively. Our PDAF program constitutes our traditional activity over the past five decades. Through the issuance of air quality project revenue bonds, we actively administer more than \$3.2 billion in outstanding debt for hundreds of projects. As you may know, these types of bonds do not pledge the faith and credit of the State of Ohio. Rather, the credit analysis and liability for repayment is on the project themselves. If eligible under federal rules for tax-exempt financing, projects receive federal tax benefits and lower interest rates. At the state level, projects financed through OAQDA also receive exemptions as it relates

historically to property, sales and use taxes. Further, OAQDA can be flexible in various ways of structuring the debt. The Ohio Revised Code can allow financing in the form of traditional bond packages, loan agreements with the borrower's preferred lending institution and a variety of lease structures. This ability allows OAQDA to be flexible within the marketplace on identifying the financing assistance that works best for our business customers, but also allows us to work with government and non-profit organizations.

CLEAN AIR RESOURCE CENTER FOR SMALL BUSINESS

In addition to this traditional role, OAQDA is charged by the General Assembly to serve as Ohio's Clean Air Ombudsman for Small Business. This effort makes special recognition of the challenges faced by businesses with fewer than 100 employees as they seek to comply with the stringent regulations of the Clean Air Act Amendments of 1990. The small business arm of the Authority, known as the Clean Air Resource Center, is tasked with reaching out to small businesses to educate them about the current requirements. We work with a variety of partners and stakeholders around the state to reach thousands of small businesses such as printers, drycleaners, auto collision repair shops and metal working companies to figure out just what they need to do to comply with air regulations. The Center also works closely with the Ohio Environmental Protection Agency (OEPA) to make detailed technical assistance available and understandable.

Often the most crucial and frustrating challenge facing these small businesses is paying for the changes required by those regulations. By participating in the Clean Air Resource Center, small business owners can utilize the financing assistance through the issuance of bonds and grants for projects, which have been in the range of \$20,000 to \$300,000. We work with the small business and their preferred banking institution to invest in newer, cleaner technologies that assists their business growth while improving the environmental conditions of their community.

PROGRAM RESULTS

To date within the current biennium, OAQDA has issued bonds totaling \$377 million to assist 43 projects, while managing the \$3.2 billion in outstanding debt. These projects result in a positive impact on the State of Ohio. In total, projects approved by OAQDA over the last two years, since July 2017, are achieving the following environmental and economic benefits:

- 2,300 jobs retained in companies involved in OAQDA projects;
- 357 new jobs created by our projects;
- 17 million kilowatt hours (kWh) per year reduction in energy usage;
- \$1.6 million saved in annual electric costs;
- 63,000 pounds per year reduction in Nitrous Oxide (NO_x) emissions;
- 165,000 pounds per year reduction in Sulfur Dioxide (SO₂) emissions; and,
- 22 million pounds per year reduction in Carbon Dioxide (CO₂) emissions.

During this same period, as an example of improving employee health, OAQDA has worked with eleven dry cleaners, which affects 138 existing and 16 future employees, to help these neighborhood businesses switch from using PERC, a known carcinogen, to more water-based and environmentally-friendly solutions.

Some recent projects make OAQDA results more tangible:

We approved \$210 million in bond financing for Pratt Paper to construct a paper mill in Wapakenta, Ohio (Auglaize County). The purpose is aligned with federal tax-exempt revenue bond financing to handle and convert mixed waste paper into useable recycled linerboard and corrugated container materials. As a result, OAQDA issued bonds and provided the proceeds to the company in the form of a loan to complete the project. Once fully operational, the paper mill will achieve a production capacity of 396,010 tons and create upwards of 300 new jobs.

Through the Clean Air Resource Center, we approved \$150,000 to assist Klaben Ford Lincoln of Warren, Ohio (Trumbull County) to replace and install paint booths that utilize state-of-the-art technology that greatly removes particulate matter and improves energy efficiency. OAQDA worked with the company's capital provider to serve as the bondholder and incorporated a lease-to-own arrangement for the project. By making this improvement, Klaben Ford Lincoln of Warren was able to reduce air pollutants by using more environmentally-friendly water-based

paint and expand their operational capacity to handle more customers while creating an additional two full-time-equivalent (FTE) jobs. In addition, the company received a Small Business Assistance Grant to help cover closing and other costs.

We also help our public partners. We're actively engaged with the Ohio Facilities Construction Commission to make investments in state-owned properties by using energy performance contracts leveraged with private energy service companies. A great example is \$10.3 million approved for comprehensive energy retrofits of the Belmont Correctional Institution in St. Clairsville (Belmont County) and Noble Correctional Institution in Caldwell, Ohio (Noble County) with the private partner, Johnson Controls. The company manages and guarantees the annual savings of more than \$730,000 each year, or about 21% reduction on utility costs associated with the project for new LED lighting, upgrades to the heating & cooling systems and to address code and safety issues. OAQDA issued and sold bonds to help pay for these improvements with the lender determined by Johnson Controls as the borrower and owner of the project. The \$10.3 million investment will realize total projected savings of \$14.1 million over fifteen years, while achieving significant air quality benefits (i.e. 12 million pounds of sulfur dioxide annual reduction and 7.1 thousand pounds of nitrogen oxide annual reduction).

Three projects—different sizes, different companies, different air quality challenges—all helped by OAQDA to strengthen the business and the environment.

CONCLUSION

OAQDA accomplishes this important work with a small Board and a small staff and during the period of FY20-FY21, we will continue to carry out our programmatic responsibilities with our focused efficiency and proactive use of market financing mechanisms. Operating its bond related functions on fee revenues generated by the issuance of those bonds, the Authority uses no General Revenue Fund monies. In addition, the Clean Air Resource Center serves our small businesses without GRF monies, funded by a portion of Title V permit fees negotiated with OEPA as mandated by law. With this budget request, we will provide assistance to thousands of Ohio businesses, helping them to understand the demands of better air quality and to meet the financial challenges such demands impose. Our work will continue to focus on serving these environmental and economic development opportunities.

Thank you Mr. Chairman. I will be happy to answer any questions.