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Sponsor Testimony

Senate Bill 241

Financial Institutions and Technology Committee

November 9, 2021

Chairman Wilson, Ranking Member Maharath, and members of the Financial Institutions and Technology Committee: Thank you for allowing us the opportunity to provide sponsor testimony on Senate Bill 241. This bill seeks to expand the Treasurer of State's Agricultural Linked Deposit Program, as well as the types of obligations in which the Treasurer of State may invest interim funds.

The first thing that Senate Bill 241 will do is provide support for Ohio's agriculture community. The Treasurer's office has long administered the Ag-LINK linked deposit program, which provides farmers and agribusinesses with interest rate reductions on new or existing loans. Our bill would eliminate Ag-LINK's current programmatic and loan caps to ensure the agriculture community has access to lower-cost capital when it's most needed. This change will also align Ag-LINK with other linked deposit programs administered in the Treasurer's office. Additionally, this bill would add agriculture co-ops as eligible Ag-Link borrowers.

Secondly, our bill would work to help hospitals save. Currently, several of the state's largest health systems utilize a borrowing tool called a Variable Rate Demand Obligation (VRDO) when financing capital projects. A VRDO requires an entity to act as a "buyer of last resort," agreeing to purchase the debt if the market yields no other options. Typically, large banks serve in this capacity; however, the Ohio Treasury can leverage its strong liquidity position and high credit rating to step into this role on behalf of Ohio's hospital systems. In doing so, a hospital system would lower its overall borrowing costs. Last year, the Treasurer's office entered such a partnership with the Cleveland Clinic because

the Clinic already qualified as an eligible investment of the Treasury. This bill would extend this cost-savings opportunity to more Ohio hospital systems and other entities that utilize VRDOs.

Lastly, this legislation would reduce costs for public universities. Under current law, the debt of Ohio's state universities is an eligible investment of the Treasury. However, a public four-year institution's credit could automatically be enhanced if it were permitted to leverage its State Share of Instruction (SSI) when debt is issued to the State Treasury only. This minor yet significant change not only enhances a university's credit, but also makes it a more attractive and secure investment for the State of Ohio. This proposal aims to maximize the value of state funds like never before by providing a unique cost savings opportunity at the university-level and generating a meaningful return on the investment for the Treasury.

Senate Bill 241 will create cost saving opportunities for businesses and institutions while securely investing more of Ohio's Tax dollars in our state creating a stronger financial foundation for our future. Thank you again for your time and consideration of this piece of legislation. We would be happy to answer any questions at this time.