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BEFORE THE SENATE FINANCIAL INSTITUTIONS & TECHNOLOGY COMMITTEE

**SENATOR STEVE WILSON
CHAIR**

**TESTIMONY
OF
BRUCE JOHNSON
PRESIDENT**

INTER-UNIVERSITY COUNCIL OF OHIO

NOVEMBER 16, 2021

The Public Universities of Ohio

The University of Akron
University of Cincinnati
Miami University
Ohio University
Wright State University

Bowling Green State University
Cleveland State University
Northeast Ohio Medical University
Shawnee State University
Youngstown State University

Central State University
Kent State University
The Ohio State University
The University of Toledo

Chair Wilson, Vice Chair Hottinger, Ranking Minority Member Maharath, and members of the Senate Financial Institutions & Technology Committee, thank you for allowing me to provide written proponent testimony on Senate Bill 241 on behalf of the state's fourteen public universities, all of which are members of the Inter-University Council of Ohio (IUC). My name is Bruce Johnson, and I am the President of the IUC. The IUC was established in 1939 as a voluntary educational association of Ohio's public universities.

Under current law, university debt is permitted as an eligible investment for the State Treasury. However, the law today is not as robust as it could be and that is what Senate Bill 241 seeks to change. The bill would permit state universities, when issuing debt to the State Treasury, to leverage their portion of the state share of instruction (SSI) funding received from the Ohio Department of Higher Education. Being able to use SSI dollars to back funds borrowed from the State Treasury would help a university financially.

The IUC appreciates Treasurer Sprague and the sponsors of the bill, Senators Cirino and Rulli, for proposing this forward-thinking and creative initiative. Ohio's public universities view it as an opportunity to access state funds in a way to help better manage debt obligations and to give them more flexibility and additional options when borrowing. Having this option available will enhance the credit of the institution, maximize the institution's borrowing leverage through the State Treasurer's Office, and maximize the value of state funds. All of which will make for a more attractive and secure investment for the State of Ohio, while improving the institution's credit rating. Not only will institutions that opt to utilize this program see a benefit, but the state of Ohio – by generating a meaningful return on the investment for the Treasury – also will benefit.

Under the bill, when a state university or college issues obligations, the State Treasurer and the institution would be required to enter into an agreement. Such an agreement would have to provide for both of the following: (1) the purchase of the obligations by the Treasurer on terms and subject to conditions set forth in the agreement; and (2) the Department of Higher Education to withhold, in the event the state university or college does not pay bond service charges when due, appropriated funds (an institution's SSI) allocated to the state university or college in an amount sufficient to pay the bond service charges, less any amounts deposited for that purpose under the bond proceedings. This section also requires the Department of Higher Education to promptly pay to the Treasurer the amounts withheld upon the Treasurer's request.

We support the permissive nature of this legislation and the capacity ingrained in the proposal for institutions to decide to use or not use this tool based on what makes the most financial sense for the institution. In our view, it is a win-win and carries very little risk for the institution. Ohio's public universities would like to thank Treasurer Sprague for reaching out to the IUC in the development of this legislation and the opportunity he afforded us to work with his office. We support Senate Bill 241, and the creation of this opportunity to participate in a new program specifically designed to help reduce the cost of borrowing for our universities. We ask this Committee to support it too. Thank you, Mr. Chairman, and members of the Committee for your consideration of my testimony.