Testimony of
Thomas F. Needles

Chair
Ohio Higher Educational Facility Commission

House Workforce and Higher Education Committee
February 19, 2025

Chair Young, Ranking Member Piccolantonio, members of the Workforce and Higher Education Committee, thank you for the opportunity to present testimony 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 five 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 can provide these institutions with capital financing rates that are significantly lower than standard market rates. That was the reason the legislature created the Commission 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 more than eight 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.

It is worth noting that nonprofits cannot issue tax exempt bonds on their own. The work of the Commission allows institutions of higher education and healthcare providers to finance projects at lower interest/borrowing rates than would otherwise be available, thus making projects possible at lower costs or making them possible where they may not have been possible at all without the Commission. Also, by issuing through the Commission, the nonprofits can access a larger pool of prospective lenders and or investors that specialize in tax exempt debt. In addition to lower rates, nonprofits borrowing with tax exempt bonds can obtain other more favorable financing terms, including more favorable prepayment provisions, pay-back periods, and financial covenants.

These projects are not only critical to the institutions themselves but to their communities, where they are often an important employer and community partner. And the construction projects have short- and long-term benefits to the local economy.

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 healthcare 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 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 Commission seeks non-GRF appropriation authority in the amount of $15,513 in both years of the operating biennium. This is a slight increase compared to the FY24-25 biennium but is consistent with FY24 spending levels.

Thank you for the opportunity to provide this testimony to the committee. I would be happy to provide additional information as requested by the committee.

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

Appendix A

Members of the Ohio Higher Educational Facility Commission

February 2025

Mr. Thomas F. Needles, Chair
322 Fairway Circle
Columbus, Ohio 43213
(614) 571-8999

Chancellor of the Ohio Department of Higher Education or the designee of the Chancellor, Vice Chair

Mr. John Martin, Secretary

Mr. John C. Adams

Mrs. Susan Tate

Mr. William C. Elliot

Mr. John W. Rozic

Mr. Michael Gonsiorowski