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**Senate Financial Institutions and Technology Committee  
Proponent Testimony for House Bill 440  
September Coyne, Deputy Director of Policy and Legislative Affairs  
Ohio Treasurer of State  
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Chairman Wilson, Vice-Chair Hottinger, Ranking Member Maharath, and members of the committee, thank you for allowing me to testify today in support of H.B. 440.

The goals of the legislation are threefold. First, the bill would bring much-needed updates to Ag-LINK – a program that has a long history of supporting our farmers and agriculture community. Second, the bill includes provisions to allow our office to leverage the Treasury’s strong liquidity position to reduce borrowing costs for several Ohio hospital systems. And finally, the proposal presents a new and innovative way to reduce borrowing costs for Ohio’s public universities while generating a meaningful return on investment for the State of Ohio.

## **Ag-LINK**

For more than three decades, the Treasurer’s office has helped farmers and agribusinesses to lower borrowing costs through the administration of the Ag-LINK linked deposit program. Our most popular linked deposit program, Ag-LINK helps to lower borrowing costs for Ohio’s farmers every year.

After receiving feedback from farmers and lenders across the state who participate in the program, we are proposing to eliminate the loan cap and to allow the Treasurer’s office to determine individual loan amounts consistent with the needs of the market. Additionally, the bill would eliminate an overall programmatic cap, bringing Ag-LINK into uniformity with the rest of the office’s linked deposit programs, which are all subject to a total cap of 12% of the Treasury. Lastly, we are proposing to add agricultural co-ops as an eligible Ag-LINK borrower.

With rising costs due to inflation and interest rates set to rise in the coming months, these updates to Ag-LINK are needed now more than ever. The benefits of Ag-LINK are needed now more than ever. To that end, an emergency clause is included in both H.B. 440 and its companion, S.B. 241, so that our office can update the program to fit the needs of Ohio’s farmers this year.

## **Reducing costs for Ohio hospitals**

The second proposal in the bill focuses on Ohio’s hospitals.

A Variable Rate Demand Obligation (or “VRDO” for short) is a debt instrument commonly used by large, highly rated institutions – including some of Ohio’s largest hospital systems and the State of Ohio itself. VRDOs are often used by these organizations to finance capital projects. Using a VRDO for debt

issuance requires an entity to act as a liquidity provider or “buyer of last resort,” effectively agreeing to purchase the debt if the market yields no investors. By leveraging our strong liquidity position, the treasury can step into this role on behalf of Ohio’s hospital systems and consequently help to lower their overall borrowing costs.

### **Lowering borrowing costs for our public universities**

The third and final component of the legislation involves Ohio’s public four-year universities. Under current law, the debt of state universities is an eligible investment for the Ohio Treasury. However, we have identified a new way to bolster such an investment – making it a more beneficial and attractive agreement for all parties involved.

We are proposing that public four-year institutions should be able to leverage their State Share of Instruction (SSI) when issuing debt to the Ohio Treasury only. Doing so would not only be safe for both the Treasury and the university, but it would automatically provide a participating university with a significant credit enhancement and result in a more attractive and secure investment for the State of Ohio.

This new option will maximize the value of state funds like never before and provide public universities with another tool to consider when making wise investment decisions for their institution.

We are confident that the three proposals presented in this legislation will significantly modernize and enhance our investment strategies in a safe and effective way. Moreover, the reforms before you will play a critical role in strengthening our state’s financial foundation for the years ahead. We would like to thank this committee for your unanimous support of S.B. 241 which passed out of the Senate earlier this year.

Chairman Wilson and members of the committee, thank you again for allowing me to testify in support of this important legislation. I would be happy to answer any questions at this time.