



Representatives Louis W. Blessing, III, and Theresa Gavarone

Sponsor Testimony HB 54

February 23, 2017

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Chairwoman Anielski, Vice Chair Hambley, Ranking Member Bishoff, and members of the House State and Local Government Committee, thank you for giving us the opportunity to provide testimony for House Bill 54.

House Bill 54 creates a state bond bank administered by the Ohio Treasurer of State, permitting the Treasurer to issue revenue obligation bonds for the purpose of making loans to qualified local governments. Under the program, the bond bank would issue these bonds and use the proceeds to make loans to Ohio local governments at their request. The local government that is borrowing the funds would repay the state bond bank and the bond bank would then repay the holders of the bonds.

Each bond obligation will be paid from the revenue or special funds pledged during the bond proceedings. Bond holders will not have the right to levy a tax on the state or local government for the payment of bond service charges. A bond bank program can consolidate local bond issues to create a single, pooled issue.

This bill would benefit local governments by lowering borrowing costs through economies of scale, reduced administrative burden, and more efficient capital market access. For smaller localities with smaller bond issuances or less frequent bond issuances, bond banks can save both time and money. The intercept provisions would potentially reduce interest costs without obligating the State of Ohio. The bond could issue taxable or tax exempt obligations depending on how the proceeds will be used. This program is optional for local governments and they are not required to participate in the bond bank.

A similar program for Ohio local governments for sewer and water projects has been around for approximately 18 years benefiting local governments and has issued debt with a AAA rating. The bill had a few changes made to it during the committee process in the House. Several of those were technical changes. The big change that was made is that you cannot pool local governments with different ratings together unless they agree

to it. There are 11 other states with State Bond Banks, including Alaska, Idaho, Indiana, Mississippi, New Hampshire, and Virginia. This bill passed nearly unanimously out of the House.

Chairwoman Anielski, Vice Chair Hambley, Ranking Member Bishoff, and members of the committee, We thank you for your time, and we would be happy to answer any questions you may have.