



An Open Letter to the State and Local Government Committee on HB 218: Put “P3s” to Work for Taxpayers!

June 19, 2019

The Honorable Scott Wiggam
Chair, State and Local Government Committee
Ohio House of Representatives
77 S. High Street, 13th floor
Columbus, OH 43215

Dear Chair Wiggam, Vice Chair Ginter, Ranking Member Kelly, and Members of the Committee:

On behalf of National Taxpayers Union’s (NTU’s) members and supporters in Ohio, I write to offer our support for House Bill 218, which we understand will be the subject of a public hearing shortly. This forward-looking, fiscally responsible legislation would allow Ohio to join more than a dozen other states that give government entities such as state agencies, public schools, universities, and localities the ability to create Public Private Partnerships (P3s) for buildings. As advocates for overburdened taxpayers, we believe this innovative yet practical proposal will harness the expertise of the private sector in ensuring cost-effective construction of schools, hospitals, and other government structures – just as P3s have achieved in the area of transportation.

Government facilities serve as some of the most visible reminders to citizens of how their tax dollars are spent, and all too often, they are expended under conditions of poor oversight and accountability. The results can be projects that are over budget, behind schedule, or ill-suited to efficient long term asset management practices. A 2013 McKinsey Global Institute survey of hundreds of infrastructure projects may help to identify several reasons why this phenomenon repeats itself: lack of prioritization and evaluation in selecting projects, failure to take advantage of more efficient construction techniques, and underutilization of existing assets. The authors concluded that the private sector can “engage in a productive dialogue with public-sector stakeholders, and develop business and contracting models that promote ... productivity opportunities.”

One way to break this cycle of waste is through Public Private Partnerships, where a single private consortium is made responsible for designing, building, operating, and maintaining a government structure. This arrangement, which is more fully guided by the life cycle costs of a given project, also has the advantage of transferring the risk of excessive costs or delays from taxpayers to the consortium and its investors. Equally important, it has functioned well in the real world. Although primarily limited to road and water projects in the U.S., elsewhere around the globe P3s are commonplace for schools and other “social infrastructure,” encouraging fiscal discipline in hundreds of instances. Relying on the experience of P3s, the Beacon Hill Institute released a study in 2017 observing that taxpayers would save up to 25 percent over the life cycle of a public building project versus the status quo approach.

These lessons are especially applicable – and encouraging – to Ohio’s taxpayers. When government construction projects grow out of control, the property or other local taxes to help finance them can be a genuine hardship for your citizens. House Bill 218 can help to provide a “pressure relief valve” that functions in two

ways. By keeping projects on-budget and on-time, P3s demonstrate sound financial management techniques that may be applicable even to “traditional” government building ventures. Furthermore, should P3 overruns ever occur, they do not translate into losses for governments because the risk is not borne by taxpayers.

House Bill 218 is carefully balanced to maximize the benefits of P3s for governments and taxpayers. The alternative procurement process in the legislation is modeled after P3 procedures at the Ohio Department of Transportation. Because this option is non-compulsory, government entities would still have the freedom to choose which method of facility procurement or renovation suits them best. As an additional safeguard, any P3 contract would stipulate that the building be delivered in good or better shape at the end of the agreement.

In 2017, NTU led a coalition statement from 10 organizations on behalf of bipartisan federal legislation (HR 960/S 326) that would add a carefully-defined category of public buildings to the 15 other categories of infrastructure under federal law that qualify for private activity bond financing (which can help to facilitate P3s). Signatories of our statement included Taxpayers Protection Alliance, Small Business & Entrepreneurship Council, and Council for Citizens Against Government Waste. As our coalition letter noted, at a time when federal officials were “focused on making the tax system more equitable and uniform, expanding infrastructure investment, and maximizing the value of every government dollar, few other pieces of legislation can so admirably answer to all of these purposes.” The bill has been reintroduced with bipartisan support in the U.S. House of Representatives and U.S. Senate this year (HR 251/S 932).

While not directly concerned with the tax system, House Bill 218 certainly (and admirably) answers to the purposes of expanded investment and maximized value for taxpayers. Accordingly, NTU hopes you will choose to make Ohio a shining example of fiscally disciplined infrastructure policy by approving this legislation for a floor vote.

Thank you for your consideration of these comments, and should you have any questions, I am at your service.

Appreciatively,

A handwritten signature in black ink, appearing to read 'Pete Sepp', written in a cursive style.

Pete Sepp
President