

**Testimony of
Thomas F. Needles**

**Member
Ohio Higher Educational Facility Commission**

Senate Finance Committee

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Chairman Widener, Vice Chairman Jones, Ranking Member Skindell, and members of the Committee, I appreciate the opportunity to testify on behalf of the Ohio Higher Educational Facility Commission. My name is Tom Needles, and I have been a member of the Commission for the past 12 years.

The Commission is a nine-member body established by the Ohio General Assembly 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, the interest paid to the bondholders is exempt from Federal and State income tax. As such, the Commission is able to provide these institutions with capital financing rates that are significantly lower than standard market rates.

In 2005, Sub. H.B. 239 authorized the Commission to also issue tax-exempt bonds for nonprofit hospitals. Since February 2007, the Commission has issued over two 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 2 percentage points, thus saving up to 25% on their annual interest costs.

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 hospital systems. A flat \$500 fee is paid to the Commission by each applicant at the initial stage of the process. After the bonds have actually been issued a second fee is assessed. The amount of the fee is equal to the principal amount of the bonds multiplied by 0.0001 (or one ten-thousandths of the principal amount), provided that the total fee is no 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 actual and necessary 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, 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 fees are also used to partially reimburse the Ohio Board of Regents for its expenses in providing staff assistance, such as scheduling, accounting and financial services, meeting costs and storage facilities for the 42 years worth of Commission records and documents, and to compensate the Ohio Board of Regents for staff assistance and related maintenance and equipment costs. A continuation of the Commission's funding will allow the Board to maintain the administrative staff position to manage the Commission's finances, maintain its web site, and further develop financial analyses on behalf of the Commission.

The Commission seeks funding of \$30,000 in FY 2012 and \$30,000 in FY 2013. These funds will be used for Commission expenses, as described above.

Thank you for the opportunity to testify before this Committee. On behalf of the Commission, we appreciate your consideration of our request.