

Greenbook
LSC Analysis of Enacted Budget

Public Works Commission
Main Operating Budget Funding

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ATTACHMENT:

Budget Spreadsheet By Line Item

Public Works Commission

- About 99.6% of PWC's budget in H.B. 49 covers debt service on bonds issued under State Capital Improvement and Clean Ohio Conservation programs
- The remainder pays for the operating expenses of the programs

OVERVIEW

The Public Works Commission (PWC) acts as a public sector bank to administer grants and loans to local governments for infrastructure projects through two programs: the State Capital Improvement Program (SCIP) and the Local Transportation Improvement Program (LTIP). SCIP receives funding from infrastructure bonds backed by general obligation of the state, while LTIP is funded by a portion of revenue from the state motor fuel tax (one cent per gallon). In addition to these infrastructure programs, the Commission administers a third funding initiative that provides for the conservation of greenspace under the Clean Ohio Conservation Program (COCP). The Commission employs a staff of ten.

The Commission's programs and operations are funded under three appropriations bills enacted by the General Assembly. Table 1 below indicates the budget bills and time periods of funding associated with each of PWC's three programs.

Program	Use of Funding	Budget Bill		
		Transportation (FY 2018-FY 2019)	Main Operating (FY 2018-FY 2019)	Capital (FY 2017-FY 2018)
LTIP	Program/Administration	✓		
SCIP	Program			✓
	Debt Service/Administration		✓	
COCP	Program			✓
	Debt Service/Administration		✓	

The capital budget act for the FY 2017-FY 2018 biennium, S.B. 310 of the 131st General Assembly, contained appropriations for subsidy assistance under SCIP and COCP. H.B. 26, the FY 2018-FY 2019 transportation budget act, provides funding to administer and award grants to local governments under LTIP. The main operating budget bill for the FY 2018-FY 2019 biennium, H.B. 49, contains the funding for the debt service and operating costs of SCIP and COCP.

ANALYSIS OF ENACTED BUDGET

The main operating budget appropriations for PWC in H.B. 49 total \$266.9 million in FY 2018 and \$262.8 million in FY 2019, or \$529.7 million for the biennium. Of this biennial total, nearly all (99.6%) comes from the GRF for debt service payments for bonds issued to finance the State Capital Improvement Program (SCIP) and the Clean Ohio Conservation Program (COCP).

The remaining 0.4% of H.B. 49 appropriations will pay for PWC's operating expenses associated with administering SCIP and COCP. Of the amounts budgeted for these operating costs, about 75% (\$1.8 million) over the biennium is for SCIP administration, and the other 25% (\$600,000) is for COCP operations. These amounts are consistent with funding in prior years.

H.B. 49 Appropriations for Public Works Commission				
Fund	ALI and Name		FY 2018	FY 2019
General Revenue Fund				
GRF	150907	Infrastructure Improvement General Obligation Bond Debt Service	\$228,005,100	\$221,142,200
GRF	150904	Conservation General Obligation Debt Service	\$37,708,400	\$40,503,200
General Revenue Fund Subtotal			\$265,713,500	\$261,645,400
Capital Projects Fund Group				
7038	150321	State Capital Improvement Program – Operating Expenses	\$880,952	\$880,952
7056	150403	Clean Ohio Operating Expenses	\$296,051	\$296,051
Capital Projects Fund Group Subtotal			\$1,177,003	\$1,177,003
Total Funding: Public Works Commission			\$266,890,503	\$262,822,403

State Capital Improvement Program (SCIP)

GO Bond Funding (150907)

Since SCIP is financed using the proceeds of general obligation (GO) bonds, the programmatic funding is appropriated in the capital budget bills passed every two years. Enacted in May 2016, S.B. 310 of the 131st General Assembly included appropriations of \$350 million for SCIP loans and grants during the FY 2017-FY 2018 capital biennium. In addition, S.B. 310 provided \$75.4 million for SCIP revolving loans, funded by reusing the principal and interest income from local government loan repayments from previously awarded SCIP loans.

The authority to issue SCIP bonds is provided in sections 2p and 2s, Article VIII of the Ohio Constitution. The current cap on the amount of bonds that may be issued is \$175.0 million annually, and will increase to \$200.0 million annually beginning in FY 2022 through FY 2026. As of the end of calendar year 2016, there was \$1.81 billion in SCIP debt outstanding. GRF line item 150907, Infrastructure Improvement General Obligation Bond Debt Service, is used to cover the debt service costs related to the SCIP bonds. H.B. 49 includes funding of \$228.0 million in FY 2018 and \$221.1 million in FY 2019 for these purposes.

SCIP Awards

To use the SCIP funding each year, local governments apply for grants or loans for a multitude of infrastructure projects, including capital improvements to (1) roads, (2) bridges, (3) culverts, (4) wastewater systems, (5) water supply systems, and (6) stormwater systems. Eligible applicants are counties, cities, villages, townships, and water, sewer, or sanitary (WSS) districts. Of the annual allocations, by statute, \$17.5 million is set aside for small governments, including villages and townships with populations of 5,000 or less, and \$3.5 million is set aside for use at the Director's discretion to pay for emergency infrastructure projects.

Application Process

SCIP funding is allocated annually on a per capita basis to each of the 19 district public works integrating committees (DPWICs) across the state, and may cover up to 100% of project costs.¹ DPWICs consist of local officials representing all levels of government. Eligible costs for grants include property and facility acquisition, engineering and design, and construction.

Each DPWIC evaluates and scores applications using a locally developed methodology based on criteria listed in Chapter 164. of the Revised Code. These evaluation criteria focus on the financial need of the subdivision, the project's strategic importance to the district and subdivision, and emphasize the repair and replacement of infrastructure rather than new and expansionary infrastructure.

After evaluating and scoring the projects, a DPWIC creates a list of high-priority projects and submits them to PWC. PWC reviews the project selection and evaluation methodology used by the DPWIC to ensure fair and objective decision making. Then, each application is reviewed for completeness and project eligibility. After all requirements are met on the district level and the application is approved, a formal agreement is issued by PWC to the individual political subdivision. PWC's staff maintains ongoing contact with local communities, providing technical assistance through the project's completion.

¹ The allocation formula is outlined in section 164.08 of the Revised Code.

Award Activity

The two charts below show SCIP grant and loan distributions in program year (PY) 29 and PY 30. These program years correspond to the FY 2016-FY 2017 budget biennium. Chart 1 displays the SCIP funding by the type of political subdivision receiving the grant assistance, while Chart 2 depicts the funding by type of infrastructure project. Overall funding under SCIP during this span was \$437.4 million.

As Chart 1 shows, city governments received 45.9% (\$200.8 million) of the total. Meanwhile, counties were allocated 23.6% (\$103.4 million), villages were awarded 21.1% (\$92.3 million), townships were given 7.8% (\$34.0 million), and water, sewer, and sanitary (WSS) districts got around 1.6% (\$6.9 million) in SCIP funding during this time frame.

Chart 2, showing awards by project type, reveals that road projects comprised the majority of awards, totaling \$231.7 million (53.0%). With bridge projects receiving awards of \$22.6 million (5.2%), the total road and bridge funding was \$254.3 million. These amounts were complemented by PWC grant funding under LTIP totaling \$130.7 million over the same period. The water-related infrastructure funding amounted to \$183.2 million in projects, or 41.9% of all SCIP funding over the two years.

Chart 1: SCIP Awards by Political Subdivision, PY 29-PY 30

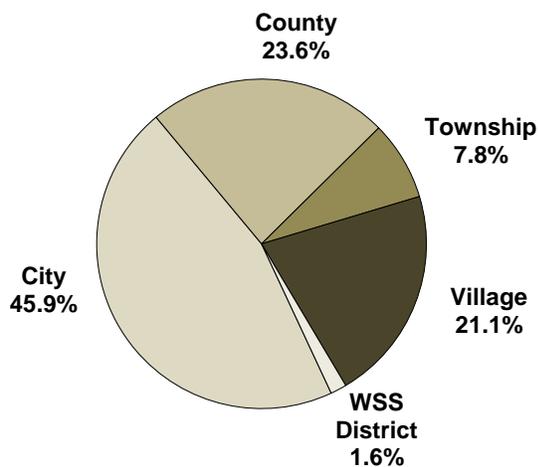
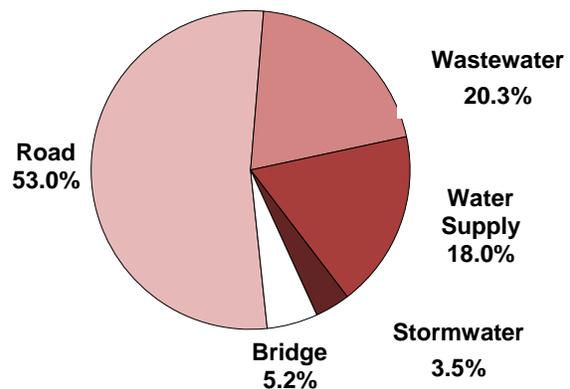


Chart 2: SCIP Awards by Project Type, PY 29-PY 30



Over the FY 2016-FY 2017 period, 62.7% (\$274.1 million) was awarded in grants, while 36.9% (\$161.5 million) supported loans. The remaining 0.4% (\$1.8 million) in funding was in the form of credit enhancement assistance, which is a one-time infusion of funds to enhance the local government's ability to secure affordable debt. With a total of 1,289 awards over this two-year period, the average award was almost \$338,000.

SCIP Operating Costs (150321)

Spending from line item 150321 supports SCIP's administrative expenses, which are funded by bond proceeds and investment income deposited into the State Capital Improvement Fund (Fund 7038). Administrative expenses include costs for project monitoring, processing disbursement requests, maintaining PWC's information systems, and preparing financial reports. SCIP comprises about 60% of the Commission's total administrative costs among the three infrastructure programs under its purview.

At any given time, PWC maintains an active portfolio of approximately 1,400 ongoing SCIP projects. With the SCIP funding already appropriated in the capital budget bill, PWC expects to approve approximately 1,200 additional projects for PY 31 and PY 32. The main operating budget bill provides almost \$881,000 for these program oversight activities in each of FY 2018 and FY 2019.

DPWIC Administration

H.B. 49 includes a provision allowing the State Capital Improvement Fund (Fund 7038) to be used to cover DPWIC operating costs. The bill allows up to \$1,235,000 in each of FY 2018 and FY 2019 to be made available for this purpose, but limits each of the 19 DPWICs from receiving more than \$65,000 per year. PWC is to define allowable costs that would be reimbursed under this authority, but the language specifies that indirect costs, elected official salaries and benefits, and project-specific costs are not allowable.

Clean Ohio Conservation Program

PWC also administers a component of the three-pronged Clean Ohio Conservation Program (COCP). Two other state agencies – the Department of Natural Resources (DNR) and the Department of Agriculture (AGR) – administer COCP funds for other conservation purposes. The goal of PWC's portion of COCP is to preserve open space, stream corridors, and other land valued for its ecological importance. The award process for the program is nearly identical to that for SCIP and LTIP, except that local governments and nonprofit organizations apply for funding through their natural resource assistance councils (NRACs) rather than DPWICs.

S.B. 310 of the 131st General Assembly included appropriations of \$75.0 million over the FY 2017-FY 2018 capital biennium for COCP grants to local governments and nonprofits for the purposes listed above. From the inception of this Clean Ohio Conservation Program in FY 2003, PWC had awarded 1,131 projects a total of \$408.0 million in funding to preserve natural areas, watersheds, and other greenspace, an average of over \$360,000 per project.

GO Bond Funding (150904)

Under sections 2o and 2q of Article VIII of the Ohio Constitution, up to \$400.0 million in GO bonds may be outstanding at any one time to support the Clean Ohio Conservation Program. The Constitution also requires that only \$50.0 million in bonds may be issued each year, plus the amount that could have been issued, but was not, in prior years. Thus far, the Ohio General Assembly has authorized a total of \$600.0 million in bonds, and of that amount, \$400.0 million has been issued.

H.B. 49 funding of \$37.7 million in FY 2018 and \$40.5 million in FY 2019 under GRF line item 150904, Conservation General Obligation Bond Debt Service, will pay debt service on the bonds already issued to support PWC's COCP projects, as well as the recreational trails program overseen by Ohio DNR and the agricultural easement purchase program overseen by AGR. Of total bond funding, 75.0% is used for PWC's component, 12.5% is for the Clean Ohio trails program overseen by DNR, and a final 12.5% is for the Clean Ohio agricultural easement purchase program overseen by AGR.

Clean Ohio Operating Costs (150403)

PWC's greenspace program under COCP provides payments to various property owners to acquire and provide access improvements to open space and enhance riparian corridors. The program primarily serves local governments and nonprofit organizations, as well as consultants and contractors hired to perform work on approved projects.

PWC aligns its budget to reflect the administrative effort necessary to manage its programs. COCP comprises about 20% of all administrative costs incurred by PWC with about 200 projects being managed at any one time. The Commission's administrative activities involve reviewing and approving project applications, executing funding agreements, disbursing funds, and providing technical assistance. H.B. 49 provides about \$296,000 in each fiscal year for these activities, which are funded by bond proceeds and investment income earned on the Clean Ohio Conservation Fund (Fund 7056).

NRAC Administration

H.B. 49 includes a provision allowing the Clean Ohio Conservation Fund (Fund 7056) to be used to cover NRAC operating costs. The bill limits each of the 19 NRACs from receiving more than \$15,000 per year. PWC is to define allowable costs that would be reimbursed under this authority, but the language specifies that indirect costs, elected official salaries and benefits, and project-specific costs are not allowable.

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FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2016	FY 2017	Appropriations	FY 2017 to FY 2018		Appropriations	FY 2018 to FY 2019	
					FY 2018	\$ Change	% Change	FY 2019	\$ Change	% Change
Report For Main Operating Appropriations Bill			Version: As Enacted							
PWC Public Works Commission										
GRF	150904	Conservation General Obligation Bond Debt Service	\$ 30,618,334	\$ 34,917,298	\$ 37,708,400	\$ 2,791,102	7.99%	\$ 40,503,200	\$ 2,794,800	7.41%
GRF	150907	Infrastructure Improvement General Obligation Bond Debt Service	\$ 218,564,731	\$ 220,270,129	\$ 228,005,100	\$ 7,734,971	3.51%	\$ 221,142,200	(\$6,862,900)	-3.01%
Sub-Total General Revenue Fund			\$ 249,183,065	\$ 255,187,427	\$ 265,713,500	\$ 10,526,073	4.12%	\$ 261,645,400	(\$4,068,100)	-1.53%
7038	150321	State Capital Improvements Program - Operating Expenses	\$ 735,497	\$ 684,545	\$ 880,952	\$ 196,407	28.69%	\$ 880,952	\$ 0	0.00%
7056	150403	Clean Ohio Conservation Operating	\$ 233,138	\$ 225,144	\$ 296,051	\$ 70,907	31.49%	\$ 296,051	\$ 0	0.00%
Sub-Total Capital Projects Fund Group			\$ 968,635	\$ 909,688	\$ 1,177,003	\$ 267,315	29.39%	\$ 1,177,003	\$ 0	0.00%
Public Works Commission Total			\$ 250,151,700	\$ 256,097,115	\$ 266,890,503	\$ 10,793,388	4.21%	\$ 262,822,403	(\$4,068,100)	-1.52%
Grand Total			\$ 250,151,700	\$ 256,097,115	\$ 266,890,503	\$ 10,793,388	4.21%	\$ 262,822,403	(\$4,068,100)	-1.52%