

**Greenbook**  
**LSC Analysis of Enacted Budget**

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**Ohio Air Quality**  
**Development Authority**

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# Ohio Air Quality Development Authority

- Total budget of \$2.1 million for the FY 2018-FY 2019 biennium
- Assists in arranging financing and issuing about \$293 million annually in bonds for pollution control projects

## OVERVIEW

The Ohio Air Quality Development Authority (OAQDA) is a nonregulatory state agency that was established in 1970 in response to federal environmental mandates under the first Clean Air Act. A seven-member board governs the Authority. The Governor appoints five of the members; the remaining two members are the directors of the Ohio Department of Health and the Ohio Environmental Protection Agency. OAQDA assists Ohio businesses, government agencies, and not-for-profit agencies and individuals in complying with air quality regulations by providing technical and financial assistance. Using the tool of conduit financing, OAQDA qualifies projects for tax exemptions if the projects contribute to better air quality. The Authority currently employs five full-time staff members.

## Appropriation Overview

The table below shows the OAQDA budget by fund over the FY 2018-FY 2019 biennium, alongside actual FY 2017 spending. Overall, funding for OAQDA's activities for the FY 2018-FY 2019 biennium is approximately \$1,050,000 in each fiscal year, about 8.7% lower than FY 2017 spending.

H.B. 49 Appropriations by Fund, FY 2018-FY 2019					
Fund Name (Fund Number)	FY 2017*	FY 2018	% change, FY 2017-FY 2018	FY 2019	% change, FY 2018-FY 2019
Small Business Assistance (Fund 5A00)	\$365,194	\$450,000	23.2%	\$450,000	0.0%
Small Business Ombudsman (Fund 4Z90)	\$256,964	\$400,000	55.7%	\$400,000	-0.0%
Operating Fund (Fund 5700)	\$169,976	\$200,000	17.7%	\$200,000	0.2%
Energy Strategy Development (Fund 5EG0)	\$173,734	\$0	-100.0%	\$0	0.0%
<b>TOTAL</b>	<b>\$965,868</b>	<b>\$1,050,000</b>	<b>8.7%</b>	<b>\$1,050,000</b>	<b>0.0%</b>

\*FY 2017 figures represent actual expenditures.

## **Appropriations by Fund**

OAQDA is funded by a variety of non-GRF sources, chiefly Title V air pollution permit fees and fees related to project financing arranged by the Authority. This revenue was deposited into the Small Business Assistance Fund (Fund 5A00), the Small Business Ombudsman Fund (Fund 4Z90), and the Operating Fund (Fund 5700). In previous biennia, OAQDA was also supported by cash transfers from designated state agencies that was deposited into the Energy Strategy Development Fund (Fund 5EG0) and used to monitor projects that were financed by advanced energy loans and to oversee state energy strategy in coordination with other state agencies. As the table above indicates, OAQDA will no longer receive funding from these cash transfers into Fund 5EG0. This is because the state's Advanced Energy Loan Program has expired.

However, appropriations from the other three funds under OAQDA's budget are increased to offset the loss. OAQDA uses Title V air permit fees collected by the Ohio EPA and deposited into Fund 4Z90 to run the Clean Air Resource Center, which offers technical assistance to small businesses with regard to Clean Air Act compliance and provides grants and loans for clean air equipment. Fund 5700 revenue consists of fees paid by firms and public entities that obtain bond financing for their air quality projects using assistance from OAQDA. This money is used to administer the financing programs overseen by the Authority. Finally, \$450,000 in annual appropriations is from the Small Business Assistance Fund (Fund 5A00). This money is used exclusively to award grants to small businesses to purchase clean air equipment. These subsidies are also supported by Title V air permit fees collected by the Ohio EPA. Note that this source of funding will be affected by a permanent law change under H.B. 49, described in further detail under the heading immediately following, as well as in the Analysis of the Enacted Budget.

## **Permanent and Temporary Law Changes**

### **Title V Air Emission Fee Revenue Transfers to the Small Business Assistance Fund**

H.B. 49 alters the funding that OAQDA receives from the Title V permit fees collected by the Ohio EPA and that is deposited into the Small Business Assistance Fund (Fund 5A00) in two ways. First, it limits the amount of the per ton fee that may be transferred to not more than 50 cents, instead of exactly 50 cents as under current law. H.B. 49 also makes these transfers discretionary, up to the decision of the Director of Ohio EPA. This appears to better align the amount transferred annually to Fund 5A00 with the amounts actually distributed by OAQDA in the form of grants and loans to small businesses for clean air equipment.

Related temporary law found under the Ohio EPA budget allows the Director of Budget and Management, on July 1, 2017, or as soon as possible thereafter, to transfer up to \$1.5 million cash from Fund 5A00 to the Title V Clean Air Fund (Fund 4T30) used by the Ohio EPA budget.

### **Authority for OAQDA to Issue Advanced Energy Bonds**

The bill repeals OAQDA's authority to issue bonds to fund grants and loans for advanced energy projects. This authority came from the enactment in 2008 of H.B. 554 of the 127th General Assembly, allowing for up to \$84 million in bonds to be issued for this purpose. The bonds were backed by the state's spirituous liquor enterprise, which was transferred to JobsOhio in 2013. In all, \$56 million in advanced energy bonds were issued by the state in the FY 2009-FY 2010 biennium, but the principal and debt was paid as part of the transaction that transferred the spirituous liquor enterprise to JobsOhio.

## ANALYSIS OF ENACTED BUDGET

Appropriations for Air Quality Development Authority				
Fund	ALI and Name		FY 2018	FY 2019
5A00	898603	Small Business Assistance	\$450,000	\$450,000
4Z90	898602	Small Business Ombudsman	\$400,000	\$400,000
5700	898601	Operating Expenses	\$200,000	\$200,000
<b>Total Funding: Air Quality Development Authority</b>			<b>\$1,050,000</b>	<b>\$1,050,000</b>

### Funding for Grants

#### Small Business Assistance Grants (898603)

H.B. 49 includes funding of \$450,000 for this line item in each year of the FY 2018-FY 2019 biennium. The appropriations support the Small Business Assistance Grant Program to assist small businesses in purchasing clean air equipment. These amounts match the appropriations made under H.B. 64, the main operating budget act for the FY 2016-FY 2017 biennium. Actual spending from the line item was around \$170,000 in FY 2016 and \$365,194 in FY 2017. The program is funded by a portion of Title V permit fees collected by Ohio EPA and deposited into the Small Business Assistance Fund (Fund 5A00).

Under the program, OAQDA offers grants of up to 30% for small businesses to purchase clean air equipment, or up to a \$30,000 maximum. To qualify, the business must have 100 or fewer employees and comply with the federal Clean Air Act. Once a small business moves forward with a project, the grant awards may either be used to (1) cover closing costs, or (2) support principal payments on equipment after the equipment has been installed and operational for at least six months.

#### H.B. 49 Provisions Affecting the Small Business Assistance Fund

The bill caps the amount of the Title V air permit fee collected by the Ohio EPA and that may be transferred to Fund 5A00 at an amount not to exceed 50 cents per ton and makes any such transfers discretionary, up to the decision of the Director of the Ohio EPA. Presumably the amount of funding to be transferred annually to Fund 5A00 would reflect the actual usage of the fund each year, up to the amount appropriated, depending on grant program activity. Additionally, the bill allows the Director of Budget and Management to transfer up to \$1.5 million in FY 2018 from Fund 5A00 to the Title V Clean Air Fund (Fund 4T30) used by the Ohio EPA. The Small Business Assistance Fund has maintained a year-end cash balance above \$3.0 million in each fiscal year since FY 2011.

## **Funding for Operating Costs**

A total of \$600,000 each year is appropriated in H.B. 49 to support OAQDA's operating costs, which are split between appropriation items 898602 and 898601.

### **Small Business Ombudsman (898602)**

Appropriation item 898602, Small Business Ombudsman, supports the Office of Ombudsman, commonly referred to as the Clean Air Resource Center. The budget funds the Center's activities at \$400,000 in each of FY 2018 and FY 2019. Like the grant program line item, the Center is funded by some of the revenue generated by pollution control permit fees; however the Ombudsman costs are paid for through the Small Business Ombudsman Fund (Fund 4Z90).

The Clean Air Resource Center fulfills Ohio's mandate under the Clean Air Act amendments of 1990 to offer business assistance as part of the state's efforts in attaining and maintaining national ambient air quality standards. The Center provides small business assistance including: (1) onsite visits to identify air pollution problems and solutions, (2) technical assistance for meeting pollution requirements, and (3) distribution of information on financing assistance to purchase pollution control equipment. OAQDA estimates that approximately 40,000 small businesses (100 or fewer employees and not a major source of air emissions) across the state are required to know whether or not they are covered by the federal Clean Air requirements.

### **Operating Expenses (898601)**

Line item 898601, Operating Expenses, provides funding for the administrative costs of the Authority's air quality financing assistance programs, and receives appropriations of \$200,000 in each fiscal year under H.B. 49. The Operating Fund (Fund 5700) receives fees associated with the financing programs.

The financing assistance comes in two typical forms of bond support. Primarily, the Authority assists large scale manufacturing and public utility companies by offering low-cost financing alternatives for investment in pollution control and prevention measures. The other form of assistance is Qualified Energy Conservation Bonds, which help public entities, such as local governments or universities, to install heating and lighting systems to conserve energy. OAQDA estimates that the average annual amount in bonds issued from FY 2014 to FY 2016 was around \$293 million. The amounts fluctuate widely depending on market conditions. The duties involved with these project financing programs include educating the potential client base about available assistance, developing potential projects, reviewing applications, authorizing and issuing the bonds, and administering outstanding bonds throughout their terms, which last as long as 40 years.

**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	
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Enacted</b>								
<b>AIR</b>	<b>Air Quality Development Authority</b>										
4Z90	898602	Small Business Ombudsman	\$ 259,475	\$ 256,964	\$ 400,000	\$ 143,036	55.66%	\$ 400,000	\$ 0	0.00%	
5700	898601	Operating Expenses	\$ 172,790	\$ 169,976	\$ 200,000	\$ 30,024	17.66%	\$ 200,000	\$ 0	0.00%	
5A00	898603	Small Business Assistance	\$ 170,229	\$ 365,194	\$ 450,000	\$ 84,806	23.22%	\$ 450,000	\$ 0	0.00%	
5EG0	898608	Energy Strategy Development	\$ 178,787	\$ 173,734	\$ 0	(\$173,734)	-100.00%	\$ 0	\$ 0	N/A	
<b>Sub-Total Dedicated Purpose Fund Group</b>			<b>\$ 781,282</b>	<b>\$ 965,868</b>	<b>\$ 1,050,000</b>	<b>\$ 84,132</b>	<b>8.71%</b>	<b>\$ 1,050,000</b>	<b>\$ 0</b>	<b>0.00%</b>	
<b>Air Quality Development Authority Total</b>			<b>\$ 781,282</b>	<b>\$ 965,868</b>	<b>\$ 1,050,000</b>	<b>\$ 84,132</b>	<b>8.71%</b>	<b>\$ 1,050,000</b>	<b>\$ 0</b>	<b>0.00%</b>	
<b>Grand Total</b>			<b>\$ 781,282</b>	<b>\$ 965,868</b>	<b>\$ 1,050,000</b>	<b>\$ 84,132</b>	<b>8.71%</b>	<b>\$ 1,050,000</b>	<b>\$ 0</b>	<b>0.00%</b>	