

LSC Greenbook

Analysis of the Enacted Budget

Public Works Commission

*Jason Phillips, Budget Analyst
Legislative Service Commission*

July 2009

TABLE OF CONTENTS

OVERVIEW	1
Agency Overview.....	1
Appropriation Overview	1
Summary of FY 2010-FY 2011 Budget Issues.....	2
Implementation of H.B. 554, the Jobs Stimulus Bill	2
Summary of PWC Funding Provided in the Transportation Budget Bill	2
Funding Process	3
ANALYSIS OF ENACTED BUDGET	4
State Capital Improvements General Obligation Debt Service (150907)	4
Conservation General Obligation Debt Service (150904)	5
Clean Ohio Operating Expenses (150403)	5
Local Infrastructure Development (150909).....	6

ATTACHMENT:

Budget Spreadsheet By Line Item

Public Works Commission

- H.B. 1 appropriations pay for operating expenses of Clean Ohio program
- GRF debt service of \$294.1 million over biennium

OVERVIEW

Agency Overview

The Public Works Commission (PWC) administers the State Capital Improvement Program (SCIP) and the Local Transportation Improvement Program (LTIP). These two programs provide grants and loans to local governments for infrastructure projects. SCIP receives funding from infrastructure bonds and LTIP receives funding from one cent per gallon of the motor vehicle fuel tax. PWC's administrative costs are funded by interest income. In addition to these infrastructure financing programs, PWC also administers a portion of the Clean Ohio Conservation Program (COCP). As of June 15, 2009, the Commission employed 9 full-time and 1 part-time staff persons. There are two vacancies, one of which likely will not be filled.

Appropriation Overview

PWC's programs and operations are funded by a variety of appropriations bills. The main operating budget bill, the focus of this analysis, contains the appropriations for the GRF debt service payments for COCP and SCIP bonds and for the operating expenses for COCP and the Local Infrastructure Development Program. The appropriations for these programs are summarized in the table below.

Appropriations by Fund Group, FY 2010-FY 2011					
Fund Group	FY 2009	FY 2010	% change FY 2009-FY 2010	FY 2011	% change FY 2010-FY 2011
General Revenue	\$208,475,500	\$138,263,600	(33.7%)	\$155,795,600	12.7%
Clean Ohio Conservation	\$311,509	\$304,332	(2.3%)	\$311,509	2.4%
Local Infrastructure Improvements	\$0	\$261,027	N/A	\$269,555	3.3%
TOTAL	\$208,787,009	\$138,828,959	(33.5%)	\$156,376,664	12.6%

*FY 2009 figures represent actual expenditures.

The appropriations for PWC in H.B. 1 are \$138.8 million in FY 2010 and \$156.4 million in FY 2011, for a total of \$295.2 million over the biennium. \$294.1 million (99.6%) of this amount comes from the General Revenue Fund (GRF) and is slated for debt service on SCIP and COCP bonds.

Summary of FY 2010-FY 2011 Budget Issues

Implementation of H.B. 554, the Jobs Stimulus Bill

H.B. 554, the Jobs Stimulus Bill enacted in the summer of 2008, provided an additional \$400 million in funding for PWC's programs over FY 2009 and FY 2010. Specifically, the bill (1) contained an additional \$200 million for LTIP, (2) accelerated SCIP funding by \$120 million, and (3) appropriated \$80 million from the proceeds of the liquidation of the Tobacco Use Prevention and Control Endowment Fund transferred to the newly created Jobs Fund for local infrastructure development capital improvement and broadband projects.

Funding for this third purpose is in question for two reasons. First, the availability of the \$80 million in funding depends on the outcome of ongoing litigation concerning the liquidation of the Endowment Fund. Moreover, an uncodified law provision in H.B. 1 permits the Director of Budget and Management to request that the Treasurer of State transfer \$258.6 million from the Endowment Fund to support Medicaid, child and adult protective services, and breast and cervical cancer screenings. Given these circumstances, it is unlikely that PWC will have access to this funding for local infrastructure development capital improvement and broadband projects as envisioned in H.B. 554.

Despite this change, there will also be an increase in PWC staff workload to review and approve capital projects and process disbursement requests. The acceleration of SCIP funding is expected to result in an additional 490 capital projects and nearly 2,200 more disbursement requests. While PWC does not foresee the need for additional permanent employees to manage this workload, the budget allows for one full-time temporary position in FY 2010 and FY 2011 if necessary.

Summary of PWC Funding Provided in the Transportation Budget Bill

H.B. 2, the FY 2010-FY 2011 transportation budget bill, also provides PWC with approximately \$69 million in each fiscal year, the majority of which is slated for grants under LTIP. This program provides local governments with grants to assist in the costs associated with road and bridge projects. Grants are distributed on a per capita basis and are used to make payments to consultants and contractors for work performed on behalf of local government. The majority of grants are distributed to cities and counties as well as villages and townships. LTIP receives one cent per gallon of the motor fuel tax, which produces roughly \$68 million annually for the program.

Funding Process

SCIP and LTIP Funding

To apply for SCIP or LTIP funds, a political subdivision must apply to its District Public Works Integrating Committee (DPWIC). There are 19 public works districts that are responsible for recommending projects to PWC. The DPWICs consist of local officials representing all levels of government. 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, the 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.

Clean Ohio Conservation Program

The funding allocation process of the Clean Ohio Conservation Program is nearly identical to the SCIP and LTIP funding process. The only difference is that funding is available through the Clean Ohio Program. Local governments and nonprofit organizations apply for the Clean Ohio Conservation Program funding through their natural resource assistance councils rather than DPWICs.

ANALYSIS OF ENACTED BUDGET

The following appropriations provide GRF debt service on the bonds issued under the Clean Ohio Conservation Program and the State Capital Improvements Program. They also provide for the operating expenses associated with the Clean Ohio Conservation and Local Infrastructure Development programs, though this latter program is not likely to begin operations due to the redirection of Tobacco Use Prevention and Control Endowment Fund moneys to other purposes.

Appropriations for Aid to Local Governments				
Fund	ALI and Name		FY 2010	FY 2011
General Revenue Fund				
GRF	150907	State Capital Improvements General Obligation Debt Service	\$118,011,500	\$130,569,700
GRF	150904	Conservation General Obligation Debt Service	\$20,252,100	\$25,225,900
General Revenue Fund Subtotal			\$138,263,600	\$155,795,600
Local Infrastructure Improvements Fund Group				
7039	150909	Local Infrastructure Development	\$261,027	\$269,555
Local Infrastructure Improvements Fund Group Subtotal			\$261,027	\$269,555
Clean Ohio Conservation Fund Group				
7056	150403	Clean Ohio Operating Expenses	\$304,332	\$311,509
Clean Ohio Conservation Fund Group Subtotal			\$304,332	\$311,509
Total Funding: Aid to Local Governments			\$138,828,959	\$156,376,664

State Capital Improvements General Obligation Debt Service (150907)

This GRF line item pays the debt service on State Capital Improvement Program (SCIP) bonds. Through SCIP, PWC uses infrastructure bond proceeds to provide grants and loans to local governments for improvement of their infrastructure systems. Bond-issuing authority is provided in Section 2p, Article VIII of the Ohio Constitution. Each year approximately \$120 million to \$150 million in bonds are issued to provide the grants and loans. Eligible projects include improvements to roads, bridges, culverts, water supply systems, wastewater systems, storm water collection systems, and solid waste disposal systems. SCIP has two subprograms, the Small Government Program, which sets aside \$12 million each fiscal year for villages and townships with less than 5,000 in population, and the Emergency Assistance Program, which provides \$2.5 million each fiscal year for infrastructure emergencies.

For this line item, the budget appropriates \$118.0 million in FY 2010, a 37.5% decrease from FY 2009 appropriations of \$188.7 million, and \$130.6 million in FY 2011, a

10.6% increase from the FY 2010 appropriation. These amounts reflect the strategy to restructure state general obligation debt in order to achieve GRF savings.

Conservation General Obligation Debt Service (150904)

This line item pays the debt service on Clean Ohio Conservation bonds. The budget provides \$20.3 million in FY 2010, a 2.4% increase over FY 2009 appropriations of \$19.8 million, and \$25.2 million in FY 2011, or 24.6% over the FY 2010 appropriation. Details concerning the Clean Ohio Conservation Program are discussed below.

Clean Ohio Operating Expenses (150403)

This line item funds the operating expenses of the Clean Ohio Conservation Program (COCP), which was created by H.B. 3 of the 124th General Assembly and renewed through the approval of voters in November 2008. This program provides grants for brownfield revitalization projects and open space acquisition. Grant funding is from bond sales, of which 75% is used for open space acquisition, 12.5% for agricultural easements, and 12.5% for recreational trail construction. COCP bonds are usually issued once in a calendar year and the funds are disbursed over a two-year period. The program provides payments to various property owners to acquire and provide access improvements to open space and enhance riparian corridors. COCP 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. The Clean Ohio Conservation Program comprises about 20% of all administrative costs incurred by PWC with over 150 projects being managed at any one time. PWC's administrative activities involve reviewing and approving project applications, executing funding agreements, disbursing funds, and providing technical assistance, such as attendance at natural resource council meetings and project monitoring. The budget appropriates \$304,332 in FY 2010 and \$311,509 in FY 2011 for these activities, which are funded by investment income earned on the Clean Ohio Conservation Fund (Fund 7056). The amounts are similar to those for the FY 2008-FY 2009 biennium.

H.B. 1 requires PWC, on or before June 15, 2011, to certify to the Director of Budget and Management any excess investment earnings credited to the Clean Ohio Conservation Fund (Fund 7056) and then instructs the Director to transfer the excess investment earnings to the GRF as a reimbursement for FY 2010-FY 2011 expenditures out of appropriation item 770409, Farmland Preservation, within the Department of Agriculture budget. The bill appropriates \$200,000 per fiscal year in GRF Farmland Preservation funds.

Local Infrastructure Development (150909)

The budget appropriates \$261,027 in FY 2010 and \$269,555 in FY 2011 for operating expenses necessary to carry out the Local Infrastructure Development Program created in H.B. 554, the Jobs Stimulus Bill of the 127th General Assembly. That bill provided \$80 million in one-time funds from the liquidated assets of the Tobacco Use Prevention and Control Endowment Fund for local capital improvements and broadband infrastructure, though this transfer has not yet taken place due to ongoing litigation. Putting the Local Infrastructure Development Program in further doubt, if not forestalling the program altogether, is uncodified law in H.B. 1 permitting the transfer of \$258.6 million in liquidated Endowment Fund assets to support Medicaid services, child and adult protective services, and breast and cervical cancer screenings. Were this transfer to be made, it would make the need for the operating appropriation associated with the Local Infrastructure Development Program unnecessary.

PWC.docx / th

FY 2010 - 2011 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2008	FY 2009	FY 2010 Appropriations	% Change FY09 - FY10	FY 2011 Appropriations	% Change FY10 - FY11
Report For: Main Operating Appropriations Bill			Version: Enacted					
PWC Public Works Commission								
GRF	150904	Conservation General Obligation Debt Service	\$ 15,715,668	\$ 18,475,510	\$ 20,252,100	9.62%	\$ 25,225,900	24.56%
GRF	150907	State Capital Improvements General Obligation Debt Service	\$ 172,150,271	\$ 185,940,729	\$ 118,011,500	-36.53%	\$ 130,569,700	10.64%
General Revenue Fund Total			\$ 187,865,939	\$ 204,416,239	\$ 138,263,600	-32.36%	\$ 155,795,600	12.68%
7056	150403	Clean Ohio Operating Expenses	\$ 242,948	\$ 241,714	\$ 304,332	25.91%	\$ 311,509	2.36%
Clean Ohio Conservation Fund Total			\$ 242,948	\$ 241,714	\$ 304,332	25.91%	\$ 311,509	2.36%
7039	150909	Local Infrastructure Development	\$0	\$0	\$ 261,027	N/A	\$ 269,555	3.27%
Local Infrastructure Improvement Fund Group Total			\$0	\$0	\$ 261,027	N/A	\$ 269,555	3.27%
Public Works Commission Total			\$ 188,108,886	\$ 204,657,952	\$ 138,828,959	-32.17%	\$ 156,376,664	12.64%