

LSC Greenbook

Analysis of the Enacted Budget

Southern Ohio Agricultural and Community Development Foundation

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Southern Ohio Agricultural and Community Development Foundation

- Approximately \$3.8 million in grants awarded in FY 2011
- Grant awards are funded by an endowment that is not subject to legislative appropriation
- Payroll costs are appropriated by the General Assembly and are funded in H.B. 153

OVERVIEW

The Southern Ohio Agricultural and Community Development Foundation (SOA) is charged with developing and carrying out programs to help replace the production of tobacco with other agricultural products and to mitigate the adverse economic impact of reduced tobacco production in Ohio's traditional tobacco growing region. A 12-member Board of Trustees governs the Foundation, while day-to-day operations are overseen by an executive director and four staff.

The Foundation advances its mission through three key programs. The Educational Assistance Program provides education and training assistance to tobacco farmers to help them make the transition from tobacco production to other crops. The Agricultural Development Program is designed to help farmers who voluntarily move away from their dependence on tobacco by expanding current enterprises or diversifying into alternative agricultural enterprises. Finally, the Economic Development Program provides strategic investments in communities that have been adversely affected by the reduction in demand for tobacco, with an emphasis on job creation and retention.

Since FY 2010, all three of the Foundation's grant programs and operating expenses have been entirely supported by an endowment fund and the investment and interest earnings associated with that fund. The endowment fund is not subject to the General Assembly's appropriation process. Previously, the Foundation was appropriated funding based on the stream of revenue derived from the 1998 Tobacco Master Settlement Agreement between the states and major tobacco manufacturers. Ohio's share of these proceeds has been securitized and set aside for public school and higher education facilities construction.

Appropriation Overview

While grant awards are disbursed from the Southern Ohio Agricultural and Community Development Foundation Endowment Fund and are not subject to the appropriation process, the General Assembly is responsible for appropriating the funding to cover the Foundation's payroll. These payroll costs are supported by periodic transfers from the Endowment Fund to the Southern Ohio Agricultural and Community Development Operating Expenses Fund (Fund 5M90). The budget funds the payroll expenses associated with the five employees of the Foundation with \$436,500 in FY 2012, a 2.7% increase when compared to FY 2011 spending of \$425,054 for this purpose. The amount appropriated for FY 2013 is \$426,800, a 2.2% reduction from the FY 2012 amount. The budget also makes an important change affecting costs that SOA incurs for administering its grant programs. Specifically, it removes a provision of existing law that limits the amount that can be spent on administrative expenses to 5% of total disbursements.

Grant Programs Supported by the Endowment Fund

SOA awarded approximately \$3.8 million in grants during FY 2011 among the three programs the Foundation oversees. The number and amount of grants awarded in FY 2011 are shown in the table below, listed by program. This is followed by a description of the three types of grant awards issued.

SOA Awards Issued in FY 2011		
Program	Awards Issued	Total
Educational Assistance	385	\$1,190,000
Economic Development	20	\$818,000
Agricultural Development – Tier 1	39	\$164,000
Agricultural Development – Tier 2	79	\$1,663,000
Total	523	\$3,835,000

Agricultural Development

Of the three grant programs, awards made under both parts of the Agricultural Development Program account for \$1.83 million, or 47.7%, of the total awarded in FY 2011. This program offers competitive grants to tobacco farmers who undertake projects that expand or diversify their businesses into nontobacco-related agricultural markets. To qualify for funding, farmers must submit business plans and demonstrate their own financial commitment to the projects. The grants can be used to reimburse recipients for the costs of goods or equipment directly related to business transition plans, labor costs, and acquisition costs of certain types of livestock. Growers within the 22 burley tobacco producing counties in southern Ohio are eligible. The grants are issued in two tiers. Under Tier 1 grants, farmers may seek reimbursement for 50% of

eligible expenses, with a cap of \$5,000. Tier 2 allows for reimbursement of 50% of eligible costs but with a cap of \$25,000. Because of the higher award levels, applicants for Tier 2 must meet stricter qualifying criteria. Their applications must also include current and future year cash flow projections.

Educational Assistance

Educational Assistance grants accounted for a further \$1.19 million, or 31.0%, of the sums awarded in FY 2011. The Educational Assistance Grant Program offers tobacco growers and their dependents tuition assistance if they are enrolled in undergraduate or graduate programs in fields other than tobacco farming, and reimbursements for nondegree programs.

Economic Development

Finally, there were 20 awards worth \$818,000, or approximately 21.3% of the total, awarded under the Economic Development Grant Program in FY 2011. The Economic Development Grant Program is targeted toward communities affected by the reduction in demand for tobacco and provides financial assistance to projects that create, retain, or expand job opportunities for residents in these areas. Eligible recipients include political subdivisions and businesses.

ANALYSIS OF ENACTED BUDGET

Funding for the Southern Ohio Agricultural and Community Development Foundation Payroll				
Fund	ALI and Name		FY 2012	FY 2013
Southern Ohio Agricultural and Community Development Operating Expenses Fund				
5M90	945601	Operating Expenses	\$436,500	\$426,800

Operating Expenses (945601)

Fund 5M90 line item 945601, Operating Expenses, is used to cover payroll expenses for the five employees of the Southern Ohio Agricultural and Community Development Foundation. The Foundation's offices are located in Hillsboro. The amount appropriated for payroll expenses in FY 2012 is \$436,500, approximately 2.7% more than \$425,054 spent for payroll in FY 2011. For FY 2013, the amount appropriated for payroll is \$426,800, a 2.2% decrease compared to the FY 2012 amount.

The source of revenue for Fund 5M90 is periodic transfers of cash that the Treasurer of State is required to make from the Southern Ohio Agricultural and Community Development Foundation Endowment Fund. The Endowment Fund, it should be noted, is not subject to the appropriation process.

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FY 2012 - FY 2013 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
Report For Main Operating Appropriations Bill			Version: Enacted					
SOA Southern Ohio Agricultural and Community Development Foundation								
5M90	945601	Operating Expenses	\$ 399,989	\$ 425,054	\$ 436,500	2.69%	\$ 426,800	-2.22%
----- Tobacco Master Settlement Agreement Fund Group Total			\$ 399,989	\$ 425,054	\$ 436,500	2.69%	\$ 426,800	-2.22%
Southern Ohio Agricultural and Community Development Foundation Tot			\$ 399,989	\$ 425,054	\$ 436,500	2.69%	\$ 426,800	-2.22%