

# **Air Quality Development Authority**

**Senate Finance & Financial Institutions Committee**

*Ruhaiza Ridzwan, Economist*

*Legislative Service Commission*

*May 14, 2003*

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# LSC Redbook for the Air Quality Development Authority

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*May 14, 2003*

Note: The estimated General Revenue Fund (GRF) spending for FY 2003 used in this LSC Redbook reflects the 2.5% reduction made as a result of the Governor's January 22, 2003 budget cut order. The executive reduction was applied across-the-board to FY 2003 GRF appropriations, subject to certain exceptions. Subsequent to such reductions (and not reflected in the Redbook), state agencies were permitted to reallocate the amount that each of their GRF appropriation line items was reduced, while still absorbing the 2.5% budget cut within the total amount of their GRF appropriations.

# Air Quality Development Authority

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- OAQDA is an independent state agency
- The OAQDA uses no GRF moneys
- The Authority generates its own funding through fees charged to those it assists
- Revenue bonds issued by the Authority do not contribute to overall state debt

## OVERVIEW

The Ohio Air Quality Development Authority (OAQDA) is a non-regulatory state government agency that was established in 1970 in response to environmental mandates handed down by the federal government in the first Clean Air Act. The Authority is governed by a seven-member board. The Governor appoints five of the members and the remaining two members are the directors of the Ohio Department of Health and the Ohio Environmental Protection Agency. Currently, the Authority has three full-time employees. The Authority assists Ohio businesses, government agencies, and not-for-profit agencies and individuals in complying with air quality regulations by providing technical and financial assistance.

Recommended funding for FY 2004 is \$674,328. This is 2.2% decrease from FY 2003. Recommended funding for FY 2005 is \$674,328. This amount is the same amount as the recommended funding in FY 2004. None of the recommended funding is from the General Revenue Fund (GRF).

### Financing Assistance

The OAQDA assists Ohio businesses, government agencies, and not-for-profit agencies in complying with environmental standards by financing the purchase, construction, or installation of air pollution control equipment. In addition, the Authority provides financial assistance for energy efficiency and conservation and for ethanol and other bio-fuel production facilities.

To date in the current biennium, the authority has issued over \$270 million in bonds and currently manages outstanding bonds or refinanced debt totaling more than \$1.6 billion. The bonds issued by the OAQDA are air quality revenue bonds on either a tax-exempt or taxable basis. The repayment stream and funding for the Authority come from rentals and lease payments paid by the business, agency, or utility for which the bonds were issued. Because state revenues are not used, these bonds do not contribute to overall state debt.

### Clean Air Resource Center

Officially entitled the “Office of Ombudsman for the Small Business Stationary Source Technical and Environmental Compliance Assistance Program,” the Clean Air Resource Center assists small businesses as they face the challenges of new and sometimes stringent air regulations. The Authority operates the Ohio Clean Air Ombudsman for Small Business program and the Small Business Assistance program.

The Ohio Clean Air Ombudsman for Small Business serves not only as a repository of complaints, but also as a source of education and assistance. The ombudsman educates small businesses about the requirements of Clean Air regulations at the state and federal levels; provides access to expert technical advice on rules, regulations, and compliance options; and provides financing advice and assistance to small businesses. This program is funded by revenue generated by permit fees collected pursuant to Title V of the Clean Air Amendments of 1990.

The Small Business Assistance program enables small businesses with 100 or fewer employees to attain the benefits of OAQDA financing without incurring all the costs normally associated with bond finance. The initial focus for this financial assistance program was the development of an assistance mechanism that would provide assistance to the most businesses possible using limited resources. A careful consideration of options led to the adoption of a small grant program that helps small businesses meet the initial costs of clean air compliance financing. Projects as small as \$25,000 have been approved under this program.

### **Customer Education**

The Authority reaches out to its clients, through both the Clean Air Resource Center and traditional OAQDA financing programs, using three major vehicles: close cooperation with other state agencies, cooperative efforts with trade associations, and independent outreach programs.

Cooperation with other state agencies enables the OAQDA to leverage its resources to assist its clients. The Clean Air Resource Center relies on the Ohio EPA Small Business Assistance Program for technical information about state interpretation and implementation of air quality regulations. The Center has also worked with the OEPA's Office of Pollution Prevention to provide technical and financial information to businesses. The Authority works with the Department of Development on a project basis. The Ohio Air Quality Development Authority has been involved in an energy conservation program with the Department of Administrative Services, helping to reduce the cost to the state of such investments.

The Authority works with various state agencies and statewide trade associations to provide information to Ohio businesses. Examples include committee briefings, membership mailings, and training efforts. A significant project was with the Printing Industry of Ohio. This sector, composed of mostly small businesses, faced a significant regulatory burden under the Clean Air Act. The Authority was actively involved in the project Enviroprint Ohio. Other associations that the Authority worked with include the Ohio Cast Metals Association, Ohio Chemical Council, Ohio Small Business Council, and the National Federation of Independent Businesses-Ohio.

The Authority reaches out to its clients independently by attending various conferences, making presentations and speeches, distributing literature, and by responding to inquiries. Although resource limitations have led to less reliance on this method of outreach, OAQDA plans to give more emphasis to this method in the future.

## **ANALYSIS OF EXECUTIVE PROPOSAL**

### **Air Quality Development Authority**

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**Purpose:** The Air Quality Development Authority assists Ohio businesses in complying with air quality regulations. It serves Ohio businesses, government agencies, and not-for-profit agencies in complying with air quality regulations and providing financial assistance for energy efficiency and for ethanol and other bio-fuel production facilities.

The following table shows the line items that are used to fund this agency, as well as the Governor's recommended funding levels.

<b>Fund</b>	<b>ALI</b>	<b>Title</b>	<b>FY 2004</b>	<b>FY 2005</b>
570	898-601	Operating Expenses	\$243,383	\$243,383
4Z9	898-602	Small Business Ombudsman	\$233,482	\$233,482
5A0	898-603	Small Business Assistance	\$197,463	\$197,463
<b>Total funding: Air Quality Development Authority</b>			<b>\$674,328</b>	<b>\$674,328</b>

#### **Operating Expenses**

**Program Description:** The Air Quality Development Authority was created in 1970 and operates under the authority of Chapter 3706. of the Revised Code. It serves Ohio businesses, government agencies, and not-for-profit agencies in complying with air quality regulations and provides financial assistance for energy efficiency and for ethanol and other bio-fuel production facilities for individual, industry, commerce, and research.

**Funding Source:** Administrative fees generated from the issuance of bonds

**Line Items:** 898-601

**Implication of Recommendation:** Recommended funding for FY 2004 is \$243,383. This amount is \$15,000 lower than in FY 2003, a 5.8% decrease. Funding for FY 2005 is the same as in FY 2004. This line item provides funds for payroll, fringe benefits, and maintenance for the OAQDA employees and five board members.

#### **Small Business Ombudsman**

**Program Description:** The Clean Air Ombudsman for Small Business is mandated by the federal Clean Air Act Amendments of 1990. The Ombudsman serves as both a repository of complaints and a source of education and assistance. The program educates small businesses about the requirements of Clean Air regulations at the state and federal levels; provides access to technical advice on rules, regulations, and compliance options; and provides financing advice and assistance to small businesses.

**Funding Source:** Transfers of Title V permit fees from Ohio Environmental Protection Agency (OEPA)

**Line Items:** 898-602

**Implication of Recommendation:** Recommended funding for FY 2004 is \$233,482. This amount is the same amount as in FY 2003. Funding for FY 2005 is the same as in FY 2004.

**Small Business Assistance**

**Program Description:** The Small Business Assistance program enables small businesses to attain the benefits of OAQDA financing without incurring all the costs normally associated with bond finance. A small grant program helps small businesses meet the initial costs of clean air compliance financing.

**Funding Source:** Administrative fees generated by the issuance of bonds; Title V permit fees

**Line Items:** 898-603

**Implication of Recommendation:** Recommended funding for FY 2004 is \$197,463. This amount is the same amount as in FY 2003. Funding for FY 2005 is the same as in FY 2004.

## **PERMANENT AND TEMPORARY LAW**

This section describes permanent and temporary law provisions contained in the executive budget that will affect the Agency's activities and spending decisions during the next biennium.

There are no permanent or temporary law provisions with fiscal effects on this agency.

## **REQUESTS NOT FUNDED**

This agency's request for fund 570 line item 898-601 (Operating Expenses) was decreased by \$15,000 to \$243,383 from \$258,383 (a 2.2% decrease) in FY 2004 and flat-funded in FY 2005.

## General Revenue Fund

### GRF 898-402 Coal Development Office

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$0	\$0	\$0	\$0	\$588,041	\$599,802
	N/A	N/A	N/A	N/A	2.0%

**Source:** GRF

**Legal Basis:** Proposed under ORC 1551.11 to 1551.35, ORC 1555.02 to 1555.17, and Section 13.02 of H.B. 95 of the 125th G.A. (originally established in ORC 1551.30 to 1551.36 and 1555 of Am. Sub. H. B. 291 of the 115th G.A.)

**Purpose:** These funds will pay for the administrative costs of evaluating and processing research proposals and grant administration, which contribute to the development of clean coal technology as a major energy resource.

### GRF 898-901 Coal R & D Gen Obligation Debt Service

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$0	\$0	\$0	\$0	\$7,231,200	\$9,185,100
	N/A	N/A	N/A	N/A	27.0%

**Source:** GRF

**Legal Basis:** Proposed under ORC 1551.03 and Section 13.02 of H.B. 95 of the 125th G.A. (originally established in ORC 151.07 and Section 15 of Article VIII of the Ohio Constitution, approved by voters on November 5, 1985)

**Purpose:** This line item will pay for debt service on bonds issued to provide funds for financial assistance for research and development of clean coal technology that will encourage the use of Ohio coal. Not more than \$100 million in bonds may be outstanding in any single calendar year. Prior to FY 2002 this item was paid from the budget of the Commissioners of the Sinking Fund.

## Coal Research/Development Fund

### 046 898-604 Coal Research and Development Fund

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$0	\$0	\$0	\$0	\$13,168,357	\$13,168,357
	N/A	N/A	N/A	N/A	0.0%

**Source:** 046: Coal bond proceeds

**Legal Basis:** Proposed under ORC 1551.03 and Section 13.01 of H.B. 95 of the 125th G.A. (originally established in ORC 151.07 and Section 15 of Article VIII of the Ohio Constitution, approved by voters on November 5, 1985, and by Am. Sub. H.B. 750 of the 116th G.A.)

**Purpose:** The funds will be used to fund programs that seek to find ways to burn clean Ohio coal with fewer emissions in a manner that meets federal clean air standards.

## Agency Fund Group

### 4Z9 898-602 Small Business Ombudsman

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$122,799	\$224,734	\$197,653	\$233,482	<b>\$233,482</b>	<b>\$233,482</b>
	83.0%	-12.1%	18.1%	<b>0.0%</b>	<b>0.0%</b>

**Source:** AGY: Title V permit fees

**Legal Basis:** ORC 3706.19 (mandated by Federal Clean Air Act Amendments of 1990)

**Purpose:** The Clean Air Ombudsman for Small Business educates small businesses about requirements of Clean Air regulations at the state and federal levels; provides access to expert technical advice on rules, regulations, and compliance options; and provides financing advice and assistance to small businesses.

### 570 898-601 Operating Expenses

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$192,738	\$203,769	\$219,853	\$258,383	<b>\$243,383</b>	<b>\$243,383</b>
	5.7%	7.9%	17.5%	<b>-5.8%</b>	<b>0.0%</b>

**Source:** AGY: Fees and charges paid by firms for which the OAQDA issues tax-exempt or taxable bonds

**Legal Basis:** ORC 3706

**Purpose:** This line item contains funds for personal services for the OAQDA. These funds are used to compensate the authority's board members and employees. Funds are transferred from the authority's general trust fund to this line item solely to cover payroll costs through the state personnel system.

### 5A0 898-603 Small Business Assistance

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$4,655	\$30,441	\$66,121	\$197,463	<b>\$197,463</b>	<b>\$197,463</b>
	553.9%	117.2%	198.6%	<b>0.0%</b>	<b>0.0%</b>

**Source:** AGY: Title V permit fees

**Legal Basis:** ORC 3706.19(E)

**Purpose:** This line item provides funds which are used to enable small businesses to attain the benefits of OAQDA financing without incurring all the costs normally associated with bond finance.

## As Introduced

## As Passed by the House

**Subject: Coal Research and Development General Obligation Debt Service**

No provision.

**R.C. 1551.03, Section 13.02**

Transfers the responsibilities of Ohio Coal Development Office to Air Quality Development Authority from the Department of Development. Specifies that GRF appropriation item 898-901, Coal R & D Gen Obligation Debt Service, be used to pay debt service on bonds issued for coal research and development purposes. Requires the Office of the Sinking Fund or the Director of Budget and Management to make payments by an intrastate transfer voucher.

(See Department of Development subject title "Coal Research and Development General Obligation Debt Service") and "Coal Research and Development"

Fiscal effect: None.

**Subject: Ohio Coal Development Office**

No provision.

**R.C. 1551.11, 1551.12, 1551.15, 1551.311, 1551.32, 1551.33, 1551.35, 1555.02, 1555.03, 1555.04, 1555.05, 1555.06, 1555.08, 1555.09, Section 13.01**

Transfers the Ohio Coal Development Office from Department of Development to the Ohio Air Quality Development Authority. Requires that GRF appropriation item 898-402, Coal Development Office, be used for administrative costs of the office. Provides that after the Coal Development Office is transferred to the Ohio Air Quality Development Authority, the Office's employees are in the unclassified service and serve at the pleasure of the Authority. (See Department of Development subject item "Ohio Coal Development Office Transfer")

Fiscal effect: None

**As Introduced****As Passed by the House****Subject: Science and Technology Collaboration**

No provision.

**Section: 13.03**

Requires the Authority to work closely with the Department of Development (ODOD), Board of Regents (BOR), and the Third Frontier Commission to ensure implementation of a coherent state strategy with respect to science and technology. Includes duplicate language on the Third Frontier Commission. (See subject title "Science and technology Collaboration" under ODOD and BOR.)  
Fiscal effect: None.

**Subject: Ohio Coal Development Office Appropriations**

No provision.

**Section: 145.03E**

Abolishes the Ohio Coal Development Office in the Department of Development. Transfers the Office, its functions, assets, and liabilities to the Ohio Air Quality Development Authority. Transfers the Office's appropriations to the Authority's budget.  
Fiscal effect: The move is revenue neutral.

## LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

<i>Fund ALI ALI Title</i>	<i>Estimated 2003</i>	<i>As Introduced 2004</i>	<i>House Sub Bill 2004</i>	<i>% Change Est. 2003 to House 2004</i>	<i>As Introduced 2005</i>	<i>House Sub Bill 2005</i>	<i>% Change House 2004 to House 2005</i>
<b><i>AIR Air Quality Development Authority</i></b>							
GRF 898-402 Coal Development Office		----	\$ 588,041	N/A		\$ 599,802	2.0%
GRF 898-901 Coal R & D Gen Obligation Debt Service		----	\$ 7,231,200	N/A		\$ 9,185,100	27.0%
<b>General Revenue Fund Total</b>	----	----	<b>\$ 7,819,241</b>	<b>N/A</b>	----	<b>\$ 9,784,902</b>	<b>25.1%</b>
046 898-604 Coal Research and Development Fund		----	\$ 13,168,357	N/A		\$ 13,168,357	0.0%
<b>Coal Research/Development Fund Total</b>	----	----	<b>\$ 13,168,357</b>	<b>N/A</b>	----	<b>\$ 13,168,357</b>	<b>0.0%</b>
4Z9 898-602 Small Business Ombudsman	\$233,482	\$ 233,482	\$ 233,482	0.0%	\$ 233,482	\$ 233,482	0.0%
570 898-601 Operating Expenses	\$258,383	\$ 243,383	\$ 243,383	-5.8%	\$ 243,383	\$ 243,383	0.0%
5A0 898-603 Small Business Assistance	\$197,463	\$ 197,463	\$ 197,463	0.0%	\$ 197,463	\$ 197,463	0.0%
<b>Agency Fund Group Total</b>	<b>\$ 689,328</b>	<b>\$ 674,328</b>	<b>\$ 674,328</b>	<b>-2.2%</b>	<b>\$ 674,328</b>	<b>\$ 674,328</b>	<b>0.0%</b>
<b><i>Total All Budget Fund Groups</i></b>							
	<b>\$ 689,328</b>	<b>\$ 674,328</b>	<b>\$ 21,661,926</b>	<b>3,042.5%</b>	<b>\$ 674,328</b>	<b>\$ 23,627,587</b>	<b>9.1%</b>