

Public Works Commission

(H.B. 95 Portion – Main Operating Bill)

Senate Finance and Financial Institutions Committee

*Jonathan Lee, Budget Analyst
Legislative Service Commission*

May 6, 2003

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LSC Redbook
for the
Public Works Commission
(H.B. 95 Portion – Main Operating Bill)

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May 6, 2003

<p>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.</p>

Public Works Commission

(H.B. 95 Portion – Main Operating Bill)

- Total appropriations in Main Operating Bill are \$330,625,900; total appropriations in Transportation Bill are \$137,380,950
- Program Year 2 of the Clean Ohio Program will be implemented in FY 2004 and Program Year 3 will be implemented in FY 2005

OVERVIEW

The Agency

The Public Works Commission (PWC) is responsible for the implementation of three infrastructure assistance programs for local governments: the State Capital Improvements Program (SCIP), the Local Transportation Improvements Program (LTIP), and the new Clean Ohio Conservation Program (COCP). All three programs are designed to preserve and expand public infrastructure of local governments, ensure the public health, safety, and welfare, and create and preserve jobs. The implementation of these programs is done with a staff of 12 who review and approve applications, process project agreements, attend District Public Works Integrating Committee meetings and Natural Resource Assistance Council meetings, process disbursement requests, and monitor projects. The main operating bill (H.B. 95) contains the operating and debt service dollars for the COCP, as well as the debt service dollars for the SCIP. The transportation budget bill (H.B. 87) contains the operating dollars for the LTIP and the SCIP, as well as the capital dollars for the LTIP. The capital dollars for COCP were already appropriated by H.B. 675 of the 124th General Assembly. Finally, the capital dollars for SCIP were already appropriated by H.B. 524 of the 124th General Assembly.

Fiscal Years 2004 – 2005 Budget

Main Operating Bill

The main operating bill contains appropriations for PWC's operating expenses and debt service for the Clean Ohio Program (COCP), as well as a debt service line item for the State Capital Improvement Program (SCIP). For the COCP's operating expenses, the Executive's FY 2004 recommendations increase 3.4% above FY 2003 estimates, and FY 2005 recommendations increase 2.1% above FY 2004 levels. For the COCP's debt service line item, the Executive's FY 2004 recommendations increase 45.5% above FY 2003 estimates, and FY 2005 recommendations increase 15.3% above FY 2004 levels. For the SCIP debt service line item, the Executive's FY 2004 recommendations increase 7.4% above FY 2003 estimates, whereas FY 2005 recommendations decrease 3.1% below FY 2004 levels. The Public Works Commission's total appropriations in the main operating bill are \$167,016,100 in FY 2004 and \$163,609,800 in FY 2005, for a total of \$330,625,900.

Transportation Budget Bill

The transportation budget bill (Am. Sub. H.B. 87 of the 125th General Assembly) contains appropriations for PWC's operating expenses for the State Capital Improvement Program (SCIP) and the Local Transportation Improvement Program (LTIP). The bill also contains a capital appropriation for the LTIP program to provide grants to local governments. The capital request for \$67.5 million is based on annual motor fuel tax revenues and interest income. The Public Works Commission requested a FY 2004 budget that is 11% below FY 2003 appropriations, and .01% above FY 2004 levels. The Public Works Commission's total appropriations in the transportation bill are \$68,676,185 in FY 2004 and \$68,704,765 in FY 2005, for a total of \$137,380,950.

Clean Ohio Conservation Program

The Clean Ohio Conservation Program (COCP) was created by Am. Sub. H.B. 3 of the 124th General Assembly following a Constitutional amendment approved by the voters. This program provides grants for brownfields revitalization projects and open space acquisition. The Clean Ohio Conservation Program has two funds: the Clean Ohio Revitalization Fund (which is administered by the Department of Development and the Ohio Environmental Protection Agency) and the Clean Ohio Conservation Fund (which is administered by the Public Works Commission). 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.

The Public Works Commission will be implementing program year (PY) 2 of the Clean Ohio Program. Program year 3 will be implemented in FY 2005. The Public Works Commission indicates that this program provided approximately 100 grants per fiscal year to various local governments.

The State Capital Improvements Program

During the FY 2004-2005 biennium the State Capital Improvement Program (SCIP) will be entering into program years (PY) 17 and 18. The State Capital Improvement Program provides low-interest loans and grants to local governments for projects involving roads and bridges, fresh water supply treatment and distribution systems, waste-water collection and treatment facilities, and storm sewer systems and solid waste disposal facilities. Grant funding comes from \$120 million in bonds each year with the GRF used as debt support. All repayments of loans made under SCIP are deposited into a revolving loan fund.

In PY 15, the SCIP program provided \$90,441,002 in grants, \$27,263,019 in loans, \$17,299,407 in revolving loans, and \$2,437,283 in credit enhancements. In PY 15, the majority of SCIP funding went to Cuyahoga County (\$14,214,000), followed by Franklin County (\$9,745,000), and Hamilton County (\$8,754,000).

The SCIP has two subprograms, the Small Government Program, which sets aside \$12 million each fiscal year for villages and townships less than 5,000 in population, and the Emergency Assistance Program, which provides \$2.5 million for infrastructure emergencies. In PY 15, PWC provided the full \$2.5 million in emergency moneys.

ANALYSIS OF EXECUTIVE PROPOSAL

The main appropriations bill provides funding for *two out of three* program series¹ within the Ohio Public Works Commission, this program series includes:

- **State Capital Improvement Program**
- **Clean Ohio Conservation Program**

State Capital Improvement Program

Program Series 1

Program Description: The State Capital Improvement Program (SCIP) provides low-interest loans and grants to local governments for projects involving roads and bridges; fresh water supply treatment and distribution systems, waste-water collection and treatment facilities, and storm sewer systems and solid waste disposal facilities. The SCIP has two subprograms, the Small Government Program, which sets aside \$12 million each fiscal year for villages and townships less than 5,000 in population, and the Emergency Assistance Program, which provides \$2.5 million for infrastructure emergencies. Grant funding is from \$120 million in bonds issued each year with the GRF used as debt support. All repayments of loans made under SCIP are deposited into a revolving loan fund.

Funding Source: GRF is used for debt service.

Line Item: The following table displays the Executive’s recommended funding level for one of two line items that fund the State Capital Improvement series. The other line item² is in the transportation bill. GRF 150-907 supports the debt service on bonds issued under the SCIP. See the Catalog of Budget Line Items (COBLI) for additional information.

Fund	ALI	Title	FY 2004	FY 2005
GRF	150-907	State Capital Improvements G.O. Debt Service	\$156,974,400	\$152,069,700
Total funding: State Capital Improvement			\$156,974,400	\$152,069,700

Implication of the Executive’s Recommendation: Total recommended funding for the biennium for line item 105-907 is \$309,044,100, whereas requested levels were at \$308,694,300, representing an *increase* less than 1%, or \$349,800. These recommended funding levels will permit the PWC to fulfill their statutory duties and continue their activities at current levels.

¹ The transportation bill includes the Local Transportation Improvement Program (Program Series 2).

² 038 150-321 SCIP Operating Expenses

Clean Ohio Conservation Program

Program Series 3

Program Description: The Clean Ohio Conservation Program (COCP) was created by Am. Sub. H.B. 3 of the 124th General Assembly. This program provides grants for brownfields revitalization projects and open space acquisition. The COCP has two funds: the Clean Ohio Revitalization Fund (which is administered by the Department of Development and the Ohio Environmental Protection Agency) and the Clean Ohio Conservation Fund (which is administered by the Public Works Commission). 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.

Funding: GRF and investment income. The Public Works Commission estimates line item 150-403 will receive approximately \$650,000 each year during the biennium. Investment income is used for the PWC’s COCP administrative expenses. Fund 056 receives 75% of the net proceeds of obligations issued and sold by the Ohio Public Facilities Commission. Proceeds are used to provide grants to political subdivisions and nonprofit organizations. This fund was recently created. Nominal activity occurred in FY 2002 which was primarily payroll costs of approximately \$43,000. One Clean Ohio bond was issued in FY 2002 in the amount of \$37.5 million.

Line Item: The following table displays the Executive’s recommended funding level for *all line items* that fund the Clean Ohio program series. See the Catalog of Budget Line Items (COBLI) for additional information.

Fund	ALI	Title	FY 2004	FY 2005
GRF	150-904	Conservation Gen. Oblig. Debt Service	\$9,743,500	\$11,235,700
056	150-403	Clean Ohio Operating Expenses	\$298,200	\$304,400
Total funding: Clean Ohio Conservation Program			\$10,041,700	\$11,540,100

Implications of the Executive’s Recommendation: The Executive recommended full funding for line item 150-904. This funding level will permit the PWC to fulfill their statutory duties and continue their activities at current levels.

For line item 150-403, the Executive provided full funding of PWC’s CBLs of \$288,459 for both fiscal years of the biennium, however, the Executive partially funded PWC’s supplemental request for this line item. The Executive funded supplemental requests at \$48,411 below requested levels in the personal services object class. All other object classes were funded at requested levels: purchased personal services at \$24,000, maintenance at \$101,200, and equipment at \$7,000.

ADDITIONAL FACTS AND FIGURES

State Capital Improvement Program - Program Year 1-20 Schedule and Bond Issuance Dates

Program Year	Capital Biennium	Date applications received	Date Projects released	Date Bonds Issued ⁽¹⁾	\$ Amount Issued	Program Year Bond Issuance Supports	Constitutional Authorization
1	89	6/89 – 11/89	6/89 – 11/89	12/88	120,000,000	1	2K
2	90	12/89 – 2/90	1/90 – 4/90	12/89	120,000,000	2	2K
3	91	12/90 – 1/91	1/91 – 4/91				
4	92	9/91 – 1/92	1/92 – 4/92	12/91	120,000,000	3	2K
5	93	3/92 – 8/92	7/92 – 9/92	12/92	120,000,000	4	2K
6 ⁽²⁾	93	10/92 – 5/93	12/92 – 3/93	12/93	120,000,000	5	2K
7	94	10/92 – 5/93	3/93 – 7/93	2/94	120,000,000	6	2K
8	95	1/94 – 3/94	7/94	2/95	120,000,000	7	2K
9	96	1/95 – 3/95	7/95	1/96	120,000,000	8	2K
10	97	1/96 – 3/96	7/96	1/97	120,000,000	9	2K
11	98	1/97 – 3/97	7/97	1/98	120,000,000	10	2M
12	99	1/98 – 3/98	7/98	8/98	120,000,000	11	2M
13	00	1/99 – 3/99	7/99	9/99	120,000,000	12	2M
14	01	1/00 – 3/00	7/00	11/00	120,000,000	13	2M
15	02	1/01 – 3/01	7/01	12/01	120,000,000	14	2M
16	03	1/02 - 3/02	7/02	11/02	120,000,000	15	2M
17	04	1/03 – 3/03	7/03	11/03	120,000,000	16	2M
18	05	1/04 - 3/04	7/04	11/04	120,000,000	17	2M
19	06	1/05 - 3/04	7/05	11/05	120,000,000	18	2M
20	07	1/06 – 3/06	7/06	11/06	120,000,000	19	2M
				11/07	120,000,000	20	2M
TOTAL					\$2,400,000,000		

Source: Public Works Commission

(1) Bond issuance based on cash flow needs and not particular program year. Upcoming issuance dates are estimates.

(2) Pursuant to H.B. 808, program years 5,6,7 approved during FY 93-94 capital biennium.

The table above displays the State Capital Improvement Program (SCIP) program year schedule and bond issuance dates. All debt issued by PWC is done to provide cash for capital projects approved during a previous or current “capital biennium.” For the FY 2003-2004 “capital biennium,” the PWC received funding for two program years of the SCIP. This funding was provided via Am. Sub. H.B. 524 of the 124th General Assembly (the reappropriations bill). The appropriation contained in Section 32 of the bill provides funding for Program Years 16 and 17 of the SCIP plus appropriations for investment income earned in prior years and projected to be earned in future years.

Section 33 of Am. Sub. H.B. 524 authorizes the Treasurer of State to issue \$240,000,000 in general obligations from time to time in amounts necessary in order to provide sufficient cash to the State Capital Improvement Fund. This authority to issue debt allows the PWC to provide the actual cash for Program Years 16 and 17 as it is needed to support project costs.

Program Year 16 was released on July 1, 2002. Program Year 17 is to be released on July 1, 2003. The actual bond issuance for a particular program year occurs after the projects have been released. This is due to cash flow needs of the fund and the fact that cash for capital improvements tends to be “back loaded” and the actual debt issuance for previously authorized projects usually occurs later during the fiscal year or during the next capital biennium.

All debt to be issued during the FY 2004-2005 “operating biennium” will be done to provide cash for projects approved during a past or current “capital biennium.” The Public Works Commission will have two bond issuances of \$120 million each during the FY 2004-2005 operating biennium.



The above map displays the Ohio Public Works Commission district map. Below is a corresponding numbered list of the counties that are in a particular district.

- (1) Cuyahoga
- (2) Hamilton
- (3) Franklin
- (4) Montgomery
- (5) Defiance, Erie, Fulton, Henry, Ottawa, Paulding, Sandusky, William, Wood
- (6) Mahoning, Trumbull
- (7) Ashtabula, Geauga, Lake, Portage
- (8) Summit
- (9) Huron, Lorain, Medina
- (10) Butler, Clermont, Clinton, Warren
- (11) Clark, Champaign, Darke, Greene, Madison, Miami, Preble, Union
- (12) Lucas
- (13) Allen, Auglaize, Hancock, Logan, Mercer, Putnam, Shelby, Van Wert

- (14) Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Tuscarawas
- (15) Adams, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, Vinton
- (16) Ashland, Crawford, Hardin, Marion, Richland, Seneca, Wayne, Wyandot
- (17) Delaware, Fairfield, Knox, Licking, Morrow, Pickaway
- (18) Athens, Belmont, Hocking, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Washington
- (19) Stark

PERMANENT AND TEMPORARY LAW

Permanent Law

Clean Ohio Investment Earnings (R.C. section 164.27)

This provision will allow PWC to continue to use investment earnings from the Clean Ohio Conservation Fund for operating expenses. This provision would eliminate the two-year time limitation that investment earnings credited to the Clean Ohio Conservation Fund and be used by PWC for administrative expenses of the Clean Ohio Conservation Program. Without this change in permanent law, PWC's Clean Ohio operating expenses would have to be paid from the General Revenue Fund. The Public Works Commission estimates it will receive \$650,000 in investment income in each year of the biennium, and shall cover all operating costs for this program.

Temporary Law

State Capital Improvements General Obligation Debt Service

This provision specifies that appropriation item 105-907, State Capital Improvements General Obligation Debt Service, shall be used to pay all debt service and financing costs at the times they are required to be made pursuant to section 151.01, and 151.08 of the Revised Code. Payments shall be made by an intrastate transfer voucher, as determined by the Office of the Sinking Fund or the Director of Budget and Management.

Conservation General Obligation Debt Service

This provision specifies that appropriation item 150-904, Conservation General Obligation Debt Service, shall be used to pay all debt service and related financing costs at the times they are required to be made pursuant to sections 151.01 and 151.09 of the Revised Code during the period from July 1, 2003 to June 30, 2005.

Clean Ohio Operating Expenses

The foregoing appropriation item 150-403, Clean Ohio Operating Expenses, shall be used by the Ohio Public Works Commission in administering sections 164.20 to 164.27 of the Revised Code.

REQUESTS NOT FUNDED

Clean Ohio Conservation Program - Operating						
Fund Line Item	FY 2004 Requested	FY 2004 Recommended	Difference	FY 2005 Requested	FY 2005 Recommended	Difference
150-403	\$38,446	\$9,741	(\$28,705)	54,611	\$15,941	(\$38,670)
Total	\$38,446	\$9,741	(\$28,705)	54,611	\$15,941	(\$38,670)

The Executive funded supplemental requests at \$48,411 below requested levels. This supplemental funding request is to provide funding for the administration of the Clean Ohio Program. With these recommended funding levels, PWC estimates possible delays in application review, application approval, and technical assistance.

General Revenue Fund

GRF 150-904 Conservation General Obligation Debt Service

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$0	\$0	\$0	\$6,695,000	\$9,743,500	\$11,235,700
	N/A	N/A	N/A	45.5%	15.3%

Source: GRF

Legal Basis: Section 92 of Am. Sub. H.B. 3 of the 124th G.A.

Purpose: This line item is used to pay all debt service and financing costs on obligations issued for conservation projects.

GRF 150-907 State Capital Improvements G.O. Debt Service

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$0	\$0	\$130,646,343	\$146,210,200	\$156,974,400	\$152,069,700
	N/A	N/A	11.9%	7.4%	-3.1%

Source: GRF

Legal Basis: Section 92 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: This line item is used to pay all debt service and financing costs of the State Capital Improvement Program

Clean Ohio Revitalization Fund

056 150-403 Clean Ohio Operating Expenses

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$0	\$0	\$43,845	\$288,459	\$298,200	\$304,400
	N/A	N/A	557.9%	3.4%	2.1%

Source: CLF: Investment income

Legal Basis: Originally established by Am. Sub. H.B. 3 of 124th G.A.

Purpose: This line item is used for administrative costs of the Clean Ohio Conservation Program.

As Introduced

As Passed by the House

Subject: Clean Ohio Investment Earnings**R.C. 164.27**

Eliminates a sunset provision authorizing investment earnings of the Clean Ohio Conservation Fund, which are credited to the Fund, to be used only until July 26, 2003, to pay costs incurred by the Ohio Public Works Commission in administering the law that governs the issuance of grants for certain projects related to open space acquisition and protection of riparian corridors or watersheds, thus authorizing the investment earnings to be used indefinitely. Fiscal effect: Without this change, the Public Works Commission's Clean Ohio operating expenses would have to be paid from the General Revenue Fund.

R.C. 164.27

No change.

As Introduced**As Passed by the House****Subject: Conservation General Obligation Debt Service****Section: 86**

Specifies that GRF appropriation item 150-904, Conservation General Obligation Debt Service, must be used to pay the debt service on bonds issued for conservation projects, specifically open space acquisition and riparian enhancement.

Fiscal effect: None. Capital appropriations in the amount of \$37.5 million per year, appropriated in the 124th General Assembly's capital bill (H.B. 675), allow the state to issue bonds to fund these conservation projects. Bonds sales provide grant funding of which 75% is used for open space acquisition, 12.5% for agricultural easements, and 12.5% for recreational trail construction.

Section: 86

No change.

Subject: State Capital Improvements General Obligation Debt Service**Section: 86**

Specifies that GRF appropriation item 150-907, State Capital Improvements General Obligation Debt Service, must be used to make the debt service payments on bonds issued for local infrastructure projects.

Fiscal effect: None. Capital appropriations in the amount of \$252 million, appropriated in the 124th General Assembly's capital reappropriations bill (H.B. 524), allow the state to issue bonds to fund these projects.

Section: 86

No change.

As Introduced**As Passed by the House****Subject: Clean Ohio Operating Expenses****Section: 86**

Specifies that appropriation item 150-403, Clean Ohio Operating Expenses, (Fund 056) in the Clean Ohio Fund Group must be used by the Public Works Commission for administrative expenses related to the Clean Ohio Conservation Program.

Fiscal effect: None. Appropriation item 150-403, Clean Ohio Operating Expenses, (Fund 056) receives investment income from bond sales. The Public Works Commission estimates the bonds will generate approximately \$650,000 in investment income each year of the biennium.

Section: 86

No change.

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

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	Estimated 2003	<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>
<i>PWC Public Works Commission</i>									
GRF	150-904	Conservation General Obligation Debt Service	\$6,695,000	\$ 9,743,500	\$ 9,743,500	45.5%	\$ 11,235,700	\$ 11,235,700	15.3%
GRF	150-907	State Capital Improvements G.O. Debt Service	\$146,210,200	\$ 156,974,400	\$ 156,974,400	7.4%	\$ 152,069,700	\$ 152,069,700	-3.1%
General Revenue Fund Total			\$ 152,905,200	\$ 166,717,900	\$ 166,717,900	9.0%	\$ 163,305,400	\$ 163,305,400	-2.0%
056	150-403	Clean Ohio Operating Expenses	\$288,459	\$ 298,200	\$ 298,200	3.4%	\$ 304,400	\$ 304,400	2.1%
Clean Ohio Revitalization Fund Total			\$ 288,459	\$ 298,200	\$ 298,200	3.4%	\$ 304,400	\$ 304,400	2.1%
Total All Budget Fund Groups			\$ 153,193,659	\$ 167,016,100	\$ 167,016,100	9.0%	\$ 163,609,800	\$ 163,609,800	-2.0%