

# Public Works Commission

(H.B. 66 Main Operating Budget Funding Component)

House Transportation and Justice Subcommittee

*Jonathan Lee, Budget Analyst*

*Legislative Service Commission*

*March 10, 2005*

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# **LSC Redbook for the Public Works Commission**

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*March 10, 2005*

# Public Works Commission

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- Implementation of program years 19 and 20 of the SCIP program
- Implementation of program years 3 and 4 of the COCP program
- Current service and staffing levels will be maintained over the biennium

## OVERVIEW

### The Agency

The Public Works Commission (PWC) administers the State Capital Improvement Program (SCIP) and the Local Transportation Improvement Program (LTIP). These programs provide grants and loans to local governments for infrastructure projects. The SCIP receives funding from infrastructure bonds and the LTIP receives funding from one cent of the motor fuel tax. The PWC also administers a portion of the Clean Ohio Conservation Program (COCP). Currently, the Commission employs a staff of 13.

### Funding Distribution

The main appropriations bill contains the debt service appropriations for the SCIP and the COCP, as well as operating dollars for the latter program. This analysis will focus on these dollars.

The capital re-appropriations bill and the capital bill contain the *capital* dollars for the SCIP. The Transportation budget bill contains the *operating* dollars for the LTIP and the SCIP as well as the capital dollars for the LTIP.

### FYs 2006-2007 Budget

The PWC's executive recommended budget in the main appropriations bill is \$174.72 million in FY 2006 and \$189.63 million in FY 2007, for a total of \$364.35 million for the biennium. Of this total, 91% is for SCIP debt service payments, while 8% is for Clean Ohio debt service and Clean Ohio operating expenses. Compared to last biennium, the Commission's total recommended funding is 10% more than FY 2004-2005 appropriations.

Overall, the recommendations reduced Clean Ohio operating appropriations \$12,937 below requested levels. The PWC indicates that it will still be able to maintain current service and staffing levels with these recommendations. On the other hand, the recommendations increase SCIP and COCP debt service payments above requested levels to align more closely to the Office of Budget and Management's (OBM) debt management figures. Funding in the bill also provides for a 4% cost of living adjustment, merit increases, healthcare costs, travel, and bond counsel fees.

**Staffing Levels**

The Commission's staffing levels have been constant over recent years. From 1991 to 1998, the staff was reduced from 18 to the current level of 13. The table below displays PWC's staffing levels from FYs 2002 to 2007.

Public Works Commission Staffing Levels, by Fiscal Year						
Program Series/Division	2002	2003	2004	2005	Estimated	
					2006	2007
SCIP/LTIP/COCP	13	13	13	13	13	13
<b>Totals</b>	13	13	13	13	13	13

**Summary of FYs 2006-2007 Budget Issues**

Over the biennium the PWC will focus on the following issues;

- Continual development of the PWC-Information Systems database. This database provides local governments and contractors with direct access to the Commission's data network;
- Continual development of the statewide Capital Improvement Report database; this database inventories all local government infrastructure in the state;
- Ongoing development of forms and procedures to expedite application review and approval processes;
- Continued administration of the SCIP, LTIP, and COCP; and
- Reauthorization of the SCIP program

**Reauthorization of the SCIP program**

House Joint Resolution (H.J.R.) 3 and Senate Joint Resolution (S.J.R.) 2 are currently pending before the 126th General Assembly. Both companion resolutions propose to amend the Ohio Constitution to authorize the issuance of general obligation bonds to assist in financing the cost of local infrastructure projects under the SCIP. The amendment will allow the state to issue \$120 million principal amount of obligations each fiscal year (plus the unobligated balance of prior fiscal years) up to \$1.2 billion. The new issuances are estimated to start in December 2009 and continue each year until 2018 (or later), and will not be issued until the prior constitutional authority has been exhausted. At this point, there is approximately \$120 million in remaining authority to be appropriated.

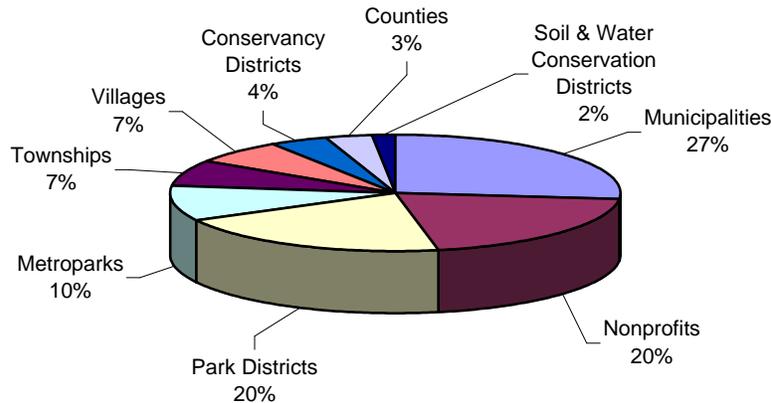
The largest fiscal impact will be the overall increased state indebtedness. Debt service costs are estimated to begin at \$11 million per year and maximize at \$114 million per year. However, the resolutions do not require, but merely allow, the state to issue \$120 million in bonds each fiscal year; thus, if the state's indebtedness gets close to the constitutionally mandated 5% debt service limitation, less than \$120 million in bonds (or none at all) could be issued in a fiscal year. Overall, the reauthorization will allow local governments to continue improving local infrastructure and experience direct and indirect economic benefits from local employment.

## FACTS AND FIGURES

### Clean Ohio Program (COCP)

The COCP was created in FY 2002 under Am. Sub. H.B. 3 of the 124th General Assembly to provide access improvements to open space and enhance riparian corridors. The COCP will be entering the program years (PYs) 3 and 4 over the biennium. Program years 1 and 2 are completed and data regarding the percentage of funding by political subdivision and the largest grants provided is displayed below.

**Percent of funding from the PWC Clean Ohio Conservation Program (PYs 1 & 2)**



**Largest Clean Ohio Grants in Program Year 1**

Project	County	Grant award
Ottawa River Walk Phase II	Allen	\$1,073,604
Pearson Metropark Land Acquisition	Lucas	\$979,200
Big Creek Corridor Protection	Lake	\$907,568
Burton Headwaters Trust for Public Land	Nonprofit Org.	\$802,000
Caesar Creek Gorge Park and Preserve	Warren	\$1,016,765

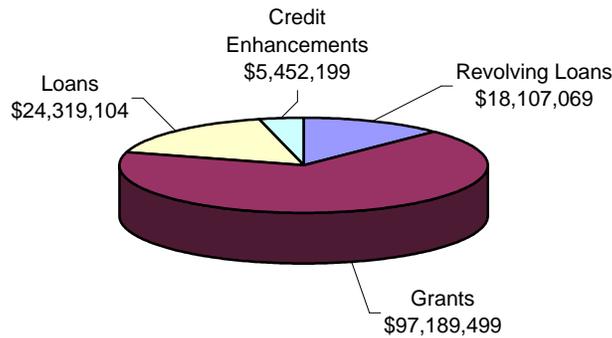
**Largest Clean Ohio Grants in Program Year 2**

Project	County	Grant award
East Sandusky Bay Project	Erie	\$1,495,000
Avon Lakes Wood Park	Lorain	\$1,250,000
Oaks Opening Corridor	Lucas	\$1,228,440
Gilmore Ponds Conservation Corridor	Butler	\$1,085,079
Sauer Farm and Crall Woods Acquisition	Ashland	\$988,675

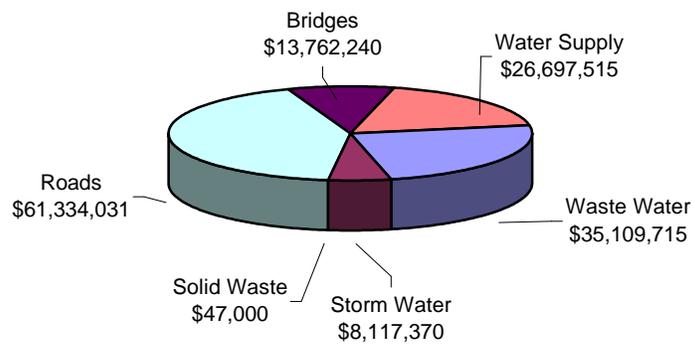
**State Capital Improvement Program (SCIP)**

Currently, the PWC is implementing program year (PY) 18 of the SCIP program and will implement PYs 18 and 19 over the biennium. Program year 20 is the last PY the PWC will be administering under the SCIP's current constitutional authority. Reauthorization for another ten years of funding is currently pending before the General Assembly, under companion legislation H.J.R 3 and S.J.R 2. The most recent data available for the SCIP program is from PY 17. The charts below display PY 17 disbursements by political subdivision, financial assistance type, and by project type.

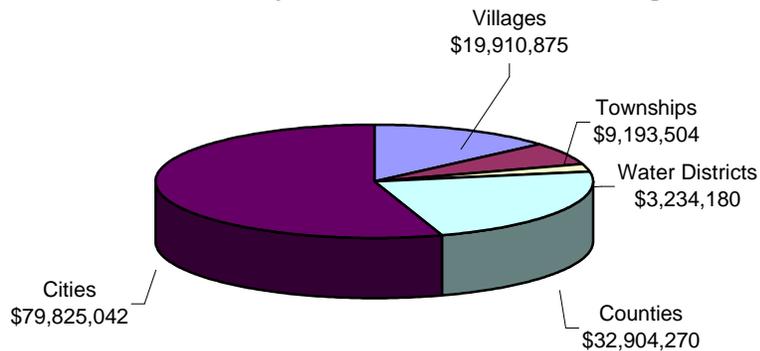
**SCIP Disbursements by Type for Program Year 17**



**SCIP Disbursements by Project for Program Year 17**



**SCIP Disbursements by Political Subdivision in Program Year 17**



## ANALYSIS OF EXECUTIVE PROPOSAL

### Program Series 1

### Aid to Local Government Improvements

**Purpose:** This program series provides grants and loans to address Ohio’s local public infrastructure needs.

The following table shows the line items that are used to fund the Aid to Local Government Improvements program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
<b>General Revenue Fund</b>				
GRF	150-904	Conservation General Obligation Debt Service	\$13,687,300	\$17,168,800
GRF	150-907	State Capital Improvements General Obligation Debt Service	\$160,731,400	\$172,145,100
<b>General Revenue Fund Subtotal</b>			<b>\$174,418,700</b>	<b>\$189,313,900</b>
<b>Clean Ohio Revitalization Fund</b>				
056	150-403	Clean Ohio Operating Expenses	\$298,245	\$311,509
<b>Clean Ohio Revitalization Fund Subtotal</b>			<b>\$298,245</b>	<b>\$311,509</b>
<b>Total Funding: Aid to Local Government Improvements</b>			<b>\$174,716,945</b>	<b>\$189,625,409</b>

The Aid to Local Government Improvements program series includes two programs:

- **Program 1.01: State Capital Improvement Program (SCIP)**
- **Program 1.03: Clean Ohio Conservation Program (COCP)**

#### Program 1.01 – State Capital Improvement Program (SCIP)

**Program Description:** SCIP 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 2m, Article VIII of the Ohio Constitution. Each year approximately \$120 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. The SCIP also 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.

The main appropriations bill only provides the debt service appropriations for the SCIP program. The transportation budget bill (H.B. 68 of the 126th General Assembly) provides the operating funds for the SCIP. Also, the SCIP's capital appropriations are provided in the capital bill and the capital reappropriations bill.

**Funding Source:** GRF used for debt service

**Line Items:** 150-907, State Capital Improvements General Obligation Debt Service

**Implication of Executive Recommendation:** Total recommended funding for this line item is increased to \$160,731,400 in FY 2006 and \$172,145,100 in FY 2007, or by \$28,737,100 above requested levels, to align more closely to OBM's debt management figures. Overall, the recommendations will allow debt service payments to continue as scheduled. The recommendations will allow the PWC to implement program years 19 and 20 of the SCIP. The PWC estimates they will approve over 1,144 projects over these program years resulting in over \$276 million in financial assistance.

**Temporary and Permanent Law Provisions**

**Permanent Law**

There are no permanent law provisions in the bill affecting the SCIP.

**Temporary Law**

**State Capital Improvements General Obligation Debt Service (Section 209.57).** This provision requires that appropriation item 150-907, State Capital Improvements General Obligation Debt Service, be used to pay all debt service and related financing costs of the SCIP program over the biennium. It also requires the Office of the Sinking Fund or OBM to make the required debt service payment by intrastate voucher.

**Program 1.03 – Clean Ohio Conservation Program**

**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. One bond is usually issued in a calendar year and the funds are disbursed over a two-year program. The COCP provides cash payments to various property owners to acquire and provide access improvements to open space and enhance riparian corridors. The program primarily services local governments in Ohio, nonprofit organizations, and consultants and contractors hired to perform work on approved projects.

**Funding:** GRF and investment income. The GRF supports the program's debt service payments and bond investment income pays for the program's operating expenses.

**Line Items:** 150-403, Clean Ohio Operating Expenses and 150-904, General Obligation Debt Service

**Implication of Executive Recommendation:** The recommendations reduce COCP operating expenses by \$12,937 over the biennium to \$298,245 in FY 2006 and \$311,509 in FY 2007. On the other hand, the recommendations increased COCP debt service appropriations by \$8,384,700 above requested levels to \$13,687,300 in FY 2006 and \$17,168,800 in FY 2007 to align more closely to OBM's debt management figures. Overall, the recommendations will allow debt service payments to continue as scheduled and will allow current service and staffing levels to be maintained. The recommendations will allow the PWC

to implement program years 3 and 4 of the COCP. The PWC estimates they will approve over 250 projects over these program years resulting in over \$75 million in financial assistance.

*Temporary and Permanent Law Provisions*

**Permanent Law**

There are no permanent law provisions in the bill affecting the COCP.

**Temporary Law**

**Conservation General Obligation Debt Service (Section 209.57).** The provision requires that appropriation item 150-904, State Capital Improvements General Obligation Debt Service, be use to pay all debt service and related financing costs of the COCP program over the biennium. Also, requires the Office of the Sinking Fund or OBM to make the required debt service payment by intrastate voucher.

**Reimbursement to the General Revenue Fund (Section 209.57).** This provision requires that on or before June 1, 2007 the PWC shall certify to OBM any excess investment earnings credited to the Clean Ohio Conservation Fund (Fund 056) and transfer the excess investment earnings to appropriation item 770-409, Farmland Preservation within the Department of Agriculture. The PWC is currently doing this. In FY 2003, the PWC transferred \$178,600 from Fund 056 to the GRF for the Department of Agriculture's Farmland Preservation Program.

**Clean Ohio Operating Expenses (Section 209.57).** Requires appropriation item 150-403 to be used for Clean Ohio operating expenses.

## REQUESTS NOT FUNDED

Clean Ohio Operating Expenses						
Fund Line Item	FY 2006 Requested	FY 2006 Recommended	Difference	FY 2007 Requested	FY 2007 Recommended	Difference
056 150-403	\$304,400	\$298,245	(\$6,155)	\$318,291	\$311,509	(\$6,782)
<b>TOTALS</b>	<b>\$304,400</b>	<b>\$298,245</b>	<b>(\$6,155)</b>	<b>\$318,291</b>	<b>\$311,509</b>	<b>(\$6,782)</b>

The executive recommendations reduced requested COCP operating appropriations by \$6,155 in FY 2006 and by \$6,782 in FY 2007, for a total reduction of \$12,937 over the biennium. The PWC indicates current service and staffing levels will be maintained despite the reductions. The PWC will likely adjust object code allotments within the fund to cover expenses. However, if healthcare costs or other unexpected emergency expenses are incurred, the fund may not have adequate cash reserves to cover them.

## General Revenue Fund

### GRF 150-904 Conservation General Obligation Debt Service

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$0	\$3,436,202	\$3,721,066	\$11,235,700	\$13,687,300	\$17,168,800
	N/A	8.3%	201.9%	21.8%	25.4%

**Source:** GRF

**Legal Basis:** Section 87 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 3 of the 124th G.A.)

**Purpose:** Moneys in this line item pay all debt service and financing costs on obligations issued for conservation projects under the Clean Ohio Conservation Program.

### GRF 150-907 State Capital Improvements General Obligation Debt Service

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$130,646,343	\$126,574,561	\$135,253,809	\$152,069,700	\$160,731,400	\$172,145,100
	-3.1%	6.9%	12.4%	5.7%	7.1%

**Source:** GRF

**Legal Basis:** Section 87 of Am. Sub. H.B. 95 of the 125th 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$43,845	\$214,343	\$243,469	\$304,400	\$298,245	\$311,509
	388.9%	13.6%	25.0%	-2.0%	4.4%

**Source:** CLF: Investment income

**Legal Basis:** Section 87 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 3 of 124th G.A.)

**Purpose:** This line item funds the administrative expenses of the PWC's portion of the Clean Ohio Conservation Program.

## LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2004</i>	<i>Estimated 2005</i>	<i>Executive 2006</i>	<i>% Change 2005 to 2006</i>	<i>Executive 2007</i>	<i>% Change 2006 to 2007</i>
<b><i>PWC Public Works Commission</i></b>								
GRF	150-904	Conservation General Obligation Debt Service	\$ 3,721,066	\$11,235,700	\$ 13,687,300	21.8%	\$ 17,168,800	25.4%
GRF	150-907	State Capital Improvements General Obligation Debt	\$ 135,253,809	\$152,069,700	\$ 160,731,400	5.7%	\$ 172,145,100	7.1%
<b>General Revenue Fund Total</b>			<b>\$ 138,974,875</b>	<b>\$ 163,305,400</b>	<b>\$ 174,418,700</b>	<b>6.8%</b>	<b>\$ 189,313,900</b>	<b>8.5%</b>
056	150-403	Clean Ohio Operating Expenses	\$ 243,469	\$304,400	\$ 298,245	-2.0%	\$ 311,509	4.4%
<b>Clean Ohio Revitalization Fund Total</b>			<b>\$ 243,469</b>	<b>\$ 304,400</b>	<b>\$ 298,245</b>	<b>-2.0%</b>	<b>\$ 311,509</b>	<b>4.4%</b>
<b>Total All Budget Fund Groups</b>			<b>\$ 139,218,344</b>	<b>\$ 163,609,800</b>	<b>\$ 174,716,945</b>	<b>6.8%</b>	<b>\$ 189,625,409</b>	<b>8.5%</b>