

Lake Erie Commission

Senate Finance and Financial Institutions Committee

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Legislative Service Commission*

May 10, 2005

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LSC Redbook for the Lake Erie Commission

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May 10, 2005

Lake Erie Commission

- Implementation of the Balanced Growth Recommendations will be a major focus in the coming biennium
- The Lake Erie Commission expects to award a slightly lower number of grants until license plate revenue rebounds

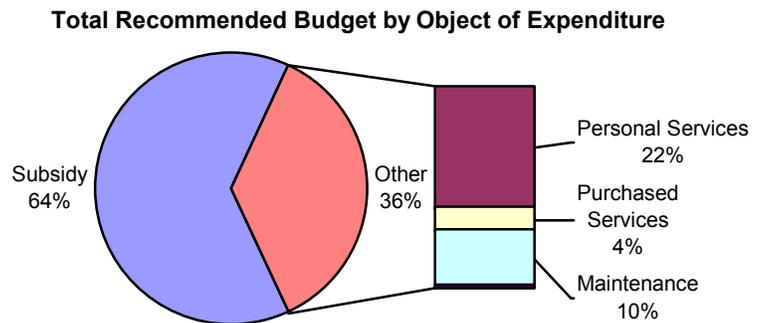
OVERVIEW

The Lake Erie Commission (LEC) is responsible for coordinating state policies and programs that are related to Lake Erie and its surrounding areas. The Lake Erie Commission’s role is to preserve and protect Lake Erie’s natural resources, protect and restore the quality of its waters and ecosystem, and promote economic development of Ohio’s North Coast. The Commission comprises the directors of the Ohio Environmental Protection Agency and the departments of Agriculture, Development, Health, Natural Resources, and Transportation.

Commission staff work from the Lake Erie Office in Toledo, and together with the Commission, focuses on awarding research and implementation grants, providing public education programs, and representing the state of Ohio on many regional and international Great Lakes management organizations. Staff members advise the Governor and the Commission on the development, coordination, and implementation of Lake Erie programs; represent Ohio in regional, national, and international forums relating to the Great Lakes; assist in the Coastal Zone Management program; facilitate compliance with the Great Lakes Water Quality Agreement and Great Lakes Toxic Substances Control Agreement; and manage the distribution of funds from the Lake Erie Protection Fund. The Lake Erie Protection and Restoration Plan, a strategic action plan for the comprehensive and long-term enhancement of Lake Erie and its watershed, guides staff efforts in all of these initiatives.

FYs 2006-2007 Funding

The Commission maintains two accounts, both in the State Special Revenue (SSR) Fund Group. The Lake Erie Protection Fund (Fund 4C0), which was established to protect and enhance Lake Erie through research, restoration, and education, receives thousands of individual donations, primarily through the Lake Erie license plate program. It also receives some revenue from the Lake Erie credit card program. This Fund is used solely to award research grants and contracts through a competitive proposal process. As the pie chart shows, a majority (64%) of the Commission’s funding is used to



award grants for projects involving research and implementation in the priority areas of future improvement of Lake Erie water quality, pollution sources, habitat, biology, coastal recreation, boating, fishing, beaches, tourism, and shipping.

The Lake Erie Resources Fund (Fund 5D8) receives Ohio’s share of the earnings from the Great Lakes Protection Fund, an interstate trust fund established in 1989 to protect and restore the Great Lakes. States contiguous to the Great Lakes deposit money into the fund for projects and programs related to the Great Lakes. One-third of the annual earnings are transferred to the states. Moneys in Fund 5D8 are used to support the operations of the Commission and its Office, the remaining 36% of the Commission's budget. The Commission and the Lake Erie Office receive no General Revenue Fund (GRF) funding.

Executive Recommendation

Recommended funding for FY 2006 is \$1,361,072, which is 10% less than estimated FY 2005 expenditures of \$1,518,975. Recommended funding for FY 2007 is \$1,367,794, which is less than 1% above the recommendation for FY 2006. While recommended funding for the Lake Erie Resources Fund (Fund 5D8) increases slightly in both fiscal years, the recommended amount for the Lake Erie Protection Fund (Fund 4C0) in both fiscal years represents an 18% decrease from estimated FY 2005 expenditures. The following table shows these differences.

| Line Item | FY 2005 Estimated Expenditures | FY 2006 | FY 2007 |
|------------------------------------|--------------------------------|-----------|-----------|
| 4C0, 780-601, Lake Erie Protection | \$1,070,975 | \$875,000 | \$875,000 |
| 5D8, 780-602, Lake Erie Resources | \$448,000 | \$486,072 | \$492,794 |

The Lake Erie Commission indicates that actual spending in Fund 4C0 in FY 2005 will not reach the estimated amount because of declining revenue from license plate sales.

FYs 2006-2007 Budget Focus

Lake Erie Grants

Commission staff selects grant recipients through a competitive process. The Commission has a small grant cycle for research projects, and a large grant cycle for implementation projects. Once applications are received, they are reviewed by both outside researchers and state agency officials to determine the viability and applicability of each proposal. The LEC Grants Committee, which comprises one designee from each of the cabinet-level agencies that serve on the Commission, conducts a final review prior to approval by the Commission. Proposals are reviewed and judged according to technical quality, relevance to the Commission’s stated goals, and the degree to which the proposal will result in real improvements to the Lake Erie watershed. Grants are awarded to private organizations, nonprofit organizations, academic groups, and state/local government agencies. Grants are applicable for up to three years, and a 10% match is required. Examples of typical projects include: restoration of wetlands or habitat; ecology research; monitoring of manufacturing and/or chemical plants; and the implementation of Best Management Practices (BMPs). Over the FY 2004-2005 biennium, the Lake Erie Protection Fund was also used to further develop the Lake Erie Quality Index metrics that are used in the *State of the Lake Report*, the newest version of which was released in September 2004. During the current biennium, approximately 36 grants will have been awarded totaling \$1 million.

Lake Erie Protection and Restoration Plan/Balanced Growth Initiative

The *Lake Erie Protection and Restoration Plan* is a comprehensive and long-term plan that plots a course for the continued enhancement of Lake Erie and its watershed. This plan was created in response to the *1998 State of the Lake Report-Lake Erie Quality Index* containing quantitative metrics measuring the environmental, recreational, and economic quality of the Lake Erie watershed. The plan focuses attention on those remaining problems that continue to impair the full use and enjoyment of Lake Erie.

The plan called for strategic action on Balanced Growth. In FY 2002, the Balanced Growth Blue Ribbon Task Force was given the responsibility to recommend strategies to better integrate environmental and economic impacts into Ohio's land-use planning and future investments in Lake Erie. The Commission adopted these recommendations in April 2004 and committed their efforts for the coming biennium to move forward with managing the implementation of Lake Erie's Balanced Growth Initiative as a key program to help restore Lake Erie and its watershed. A major focus of the Commission in the coming biennium will be to work with local and state government to work towards integration of sustainable development practices into state development policies and development funding decisions.

Other specific *Lake Erie Protection and Restoration Plan* strategic actions assigned to the Commission that will continue to be pursued include:

- The Governor's Lake Erie Balanced Growth Awards, an incentive program awarded from the Lake Erie Protection Fund for innovative examples of balanced growth practices;
- The Lake Erie Lighthouse Designation to recognize those entities practicing sound balanced growth principles;
- Publishing and distributing the Lake Erie Model Zoning Ordinance and Building Code;
- The Lake Erie Watershed Monitoring Network to collaborate with federal, local, and private organizations to establish water monitoring stations and regular sampling schedules for water clarity, water chemistry, and biological sampling, providing a support system for science-based management decision; and
- Progress Reports on the progress of each commission agency's assigned strategic action outlined in the *Lake Erie Protection and Restoration Plan*.

Current Issues and Challenges

Declining License Plate Revenue in the Lake Erie Protection Fund (Fund 4C0)

The Lake Erie License Plate Sales Program, which supports the Lake Erie Protection Fund grants program, has experienced decreased revenue over the past several years as a result of increased competition in the specialty license plate market. As a result of decreased funds, the Commission expects a decrease in grants that may be issued. However, the Commission expects to at least maintain and possibly increase the amount of Lake Erie license plate sales revenue through several initiatives. In FY 2004 a marketing team was established representing the member agencies of the Commission to assist in revitalizing the Lake Erie License Plate Program and develop future revenue-generating ideas. The Commission issued a new Lake Erie license plate commemorating the 100-year anniversary of Toledo's Harbor Light. In addition, promotional packages have been sent to Deputy Registrars along the shoreline and to interest groups such as boat clubs. The Commission has taken steps toward utilizing cabinet agency members' Public Information Officers with press releases and poster designs. In the coming biennium, it is anticipated that new license plate initiatives aimed at reversing the decreasing sales trend will be launched.

Economic Impacts on the Lake Erie Resources Fund (Fund 5D8)

Operating funds for the Commission have also declined as the Great Lakes Protection Fund is dependent upon earnings from its endowment and the fund has been negatively impacted by the economic conditions of the past few years. As a result, the Lake Erie Commission adjusted its expenditures in FY 2005 by cutting operational expenses. The Commission indicates that revenue is expected to increase in the coming biennium and is working to secure grant funds from the Ohio Department of Natural Resources and the United States Environmental Protection Agency to help maintain programs while the Great Lakes Protection Fund rebounds. The Commission’s recommended appropriation for this fund in FY 2006, \$486,072, is approximately 8% above estimated FY 2005 expenditures.

Staffing Levels

The Lake Erie Office staff consists of three full-time employees and two part-time employees: (1) Part-time executive director, (2) executive secretary, (3) environmental specialist, (4) fiscal specialist, and (6) part-time secretary/webmaster.

The following table represents the Lake Erie Commission’s staffing levels from FYs 2002 through 2005, with proposed staffing levels for FYs 2006-2007.

| Lake Erie Commission Staffing Levels, by Fiscal Year | | | | | | |
|---|-------------|-------------|-------------|-------------|------------------|-------------|
| Employees | 2002 | 2003 | 2004 | 2005 | <i>Estimated</i> | |
| | | | | | 2006 | 2007 |
| Executive Director | 1 | 1 | 1 | 0.5 | 0.5 | 0.5 |
| Executive Secretary | 1 | 1 | 1 | 1 | 1 | 1 |
| Environmental Specialist | 0 | 1 | 1 | 1 | 1 | 1 |
| College Intern | 0.5 | 0 | 0 | 0 | 0 | 0 |
| Fiscal Specialist | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Information Specialist | 1 | 0 | 0 | 0 | 0 | 0 |
| Secretary/Webmaster | 0.5 | .75 | .75 | .75 | .75 | .75 |
| Totals | 5 | 4.75 | 4.75 | 4.25 | 4.25 | 4.25 |

Funding will not support additional employees in the coming biennium. Services are provided to the Commission by member state agencies to reduce expenditures. OEPA supplies fiscal management services and, beginning in FY 2003 with the elimination of the Public Information Specialist position, ODNR provides public information and management services.

ANALYSIS OF EXECUTIVE PROPOSAL

Lake Erie Commission

Purpose: The mission of the Ohio Lake Erie Commission is to preserve Lake Erie’s natural resources, protect the ecological quality of its watershed, and promote economic development on the North Coast through coordination of policies and programs of state government pertaining to such matters as water quality, habitat, recreation and tourism, and resource management within the Lake Erie Basin.

The following table shows the line items that are used to fund the Lake Erie Commission, as well as the Governor’s recommended funding levels.

| Fund | ALI | Title | FY 2006 | FY 2007 |
|--|---------|----------------------|--------------------|--------------------|
| State Special Revenue Fund | | | | |
| 4C0 | 780-601 | Lake Erie Protection | \$875,000 | \$875,000 |
| 5D8 | 780-602 | Lake Erie Resources | \$486,072 | \$492,794 |
| Total Funding: Lake Erie Commission | | | \$1,361,072 | \$1,367,794 |

Funding Source: The Lake Erie Protection Fund (Fund 4C0), consisting of revenue generated from the sale of Lake Erie license plates and other donations, gifts, and bequests; and the Lake Erie Resources Fund (Fund 5D8), consisting of Ohio's share of the earnings from the Great Lakes Protection Fund (an interstate trust fund) and other donations, gifts, and bequests

Line Items: 780-601, Lake Erie Protection; 780-602, Lake Erie Resources

Implication of Executive Recommendation: The Executive recommends funding of \$1,361,072 in FY 2006 and \$1,367,794 in FY 2007.

Funding at this level will permit the Lake Erie Commission to continue to focus on the Balanced Growth Initiative. Funding will also enable the Commission to cover cost of living and mandated state pay increases.

In addition to priorities mentioned in the Overview, the Commission will continue to pursue the following priority activities at current levels: release of program reports of the Lake Erie Protection and Restoration Plan; quarterly meetings of the Commission to coordinate state policies and management activities concerning Lake Erie and providing a forum for Ohio citizens and organizations to voice their concerns to state government officials; promotion of the annual Ohio Coastweeks program, an annual public outreach program to promote the preservation, protection, and enjoyment of Lake Erie through volunteer cleanup activities, exhibits related to Lake Erie conservation and development, and various recreational activities; promotion of the Ohio Lake Erie Awards and Photo Contest; and continued Ohio representation on regional Great Lakes management forums.

Temporary Law Provisions: Cash Transfer (Section 206.78). This language allows the Lake Erie Commission to transfer excess funds from the Lake Erie Resources Fund (Fund 5D8) to the Lake Erie Protection Fund (Fund 4C0). The Lake Erie Protection Fund is used for research and program grants that support the protection and restoration of Lake Erie. The fund has experienced a decrease in revenues from its license plate sales over the past several years. This transfer would allow the Commission to support ongoing and future grants.

REQUESTS NOT FUNDED

The following table illustrates the difference between the requested and recommended funding for the Lake Erie Protection Fund (Fund 4C0).

| Lake Erie Protection Fund (Fund 4C0) | | | | | | |
|--------------------------------------|-------------------|---------------------|-------------|-------------------|---------------------|-------------|
| SSR | FY 2006 Requested | FY 2006 Recommended | Difference | FY 2007 Requested | FY 2007 Recommended | Difference |
| 4C0 780-601 | \$1,070,975 | \$875,000 | (\$195,975) | \$1,070,975 | \$875,000 | (\$195,975) |

After the original budget submission, the Lake Erie Commission revised FY 2005 spending estimates and, therefore, FYs 2006-2007 request amounts, based on revenue in Fund 4C0. As a result, the executive recommendation reflects the updated request amount. In essence, the executive recommendation fully funds the Lake Erie Commission at requested levels.

State Special Revenue Fund Group

4C0 780-601 Lake Erie Protection

| 2002 | 2003 | 2004 | 2005 Estimate | 2006 House Passed | 2007 House Passed |
|-----------|-----------|-----------|------------------|----------------------|----------------------|
| \$987,520 | \$631,529 | \$692,968 | \$1,070,975 | \$875,000 | \$875,000 |
| | -36.0% | 9.7% | 54.5% | -18.3% | 0.0% |

Source: SSR: Revenues generated from the sale of Lake Erie license plates and other donations, gifts, and bequests

Legal Basis: ORC 1506.23

Purpose: Moneys in this fund may be used to: (1) accelerate the pace of research related to contamination of Lake Erie and its tributaries; (2) fund cooperative research and data collection regarding water quality and toxic contamination; (3) develop improved methods of measuring water quality and establish a basin-wide system of water quality management; (4) support research to devise new and innovative cleanup techniques for toxic contaminants; (5) supplement state commitments to policies and programs pertaining to Lake Erie water quality and resource protection; (6) encourage cooperation among leaders from state legislatures, agencies, political subdivisions, business and industry, labor, educational institutions, environmental organizations, and conservation groups within the Lake Erie basin; (7) and award grants for the development and implementation of projects and programs that are designed to protect Lake Erie. Projects involving research and implementation in the priority areas of pollution prevention, habitat restoration, and exotic species prevention typically receive grant awards from the Lake Erie Protection Fund.

5D8 780-602 Lake Erie Resources

| 2002 | 2003 | 2004 | 2005 Estimate | 2006 House Passed | 2007 House Passed |
|-----------|-----------|-----------|------------------|----------------------|----------------------|
| \$452,039 | \$371,312 | \$426,692 | \$448,000 | \$486,072 | \$492,794 |
| | -17.9% | 14.9% | 5.0% | 8.5% | 1.4% |

Source: SSR: Ohio's share of the earnings from the Great Lake Protection Fund (an interstate trust fund) and other donations, gifts, and bequests

Legal Basis: ORC 1506.24

Purpose: The Great Lakes Protection Fund (this fund's main revenue source) is a regional trust fund established by the Great Lakes states to advance the principles, goals, and objectives of the Great Lakes Toxic Substances Control Agreement and the Great Lakes Water Quality Agreement. Ohio receives a portion of the earnings from this fund, which is deposited in the Lake Erie Resources Fund and used to support the operating expenses of the Lake Erie Commission and the Lake Erie Office.

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

| <i>Fund</i> | <i>ALI</i> | <i>ALI Title</i> | <i>Estimated 2005</i> | <i>As Introduced 2006</i> | <i>House Passed 2006</i> | <i>% Change Est. 2005 to House 2006</i> | <i>As Introduced 2007</i> | <i>House Passed 2007</i> | <i>% Change House 2006 to House 2007</i> |
|---|------------|----------------------|---------------------------|-----------------------------------|------------------------------|---|-----------------------------------|------------------------------|--|
| LEC Lake Erie Commission | | | | | | | | | |
| 4C0 | 780-601 | Lake Erie Protection | \$1,070,975 | \$ 875,000 | \$ 875,000 | -18.3% | \$ 875,000 | \$ 875,000 | 0.0% |
| 5D8 | 780-602 | Lake Erie Resources | \$448,000 | \$ 486,072 | \$ 486,072 | 8.5% | \$ 492,794 | \$ 492,794 | 1.4% |
| State Special Revenue Fund Group Total | | | \$ 1,518,975 | \$ 1,361,072 | \$ 1,361,072 | -10.4% | \$ 1,367,794 | \$ 1,367,794 | 0.5% |
| Total All Budget Fund Groups | | | \$ 1,518,975 | \$ 1,361,072 | \$ 1,361,072 | -10.4% | \$ 1,367,794 | \$ 1,367,794 | 0.5% |

As Introduced (Executive)

(CD-257-LEC) Cash Transfer

Section: 206.78

Permits excess funds in the Lake Erie Resources Fund (Fund 5D8) to be transferred to the Lake Erie Protection Fund (Fund 4C0).

Fiscal effect: Potential increase in the Lake Erie Protection Fund (Fund 4C0), intended to bolster funds available for research and program grants.

As Passed by the House

Section: 206.78

Same as the Executive.