

# **Southern Ohio Agricultural and Community Development Foundation**

**House Agriculture and Development Subcommittee**

*Jason Phillips, Budget Analyst  
Legislative Service Commission*

*April 4, 2007*

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**LSC Redbook**  
**for the**  
**Southern Ohio Agricultural and Community  
Development Foundation**

**House Agriculture and Development Subcommittee**

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*April 4, 2007*

# Southern Ohio Agricultural and Community Development Foundation

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- Executive recommendation of \$7,988,471 in FY 2009
- Moneys previously appropriated from Tobacco Master Settlement Agreement; to be funded by the GRF in FY 2009

## 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. The Foundation previously received revenue from the Tobacco Master Settlement Agreement (MSA). Sub. S.B. 321 of the 126th General Assembly appropriated funding for FYs 2007 and 2008.

SOA is required to prepare, implement, and continuously update a plan to develop means for tobacco growers to grow other agricultural products voluntarily and may do so by: increasing the variety, quantity, and value of agricultural products other than tobacco that are produced in the major tobacco producing counties in the state, preserving agricultural land and soils in those parts of the state where tobacco has traditionally been grown, making strategic investments in communities that will be affected by the reduced demand for tobacco, and providing education and training assistance for tobacco growers to help them make the transition out of tobacco production.

SOA has four existing programs that advance the mission of the Foundation. The educational assistance program provides education and training assistance to tobacco farmers to help them make the transition away from tobacco production (funded currently at \$2.5 million per year through the Endowment Fund). The agricultural diversity 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 (\$5.0 million per year). 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 (\$17.0 million per year). Finally, the agricultural projects program funds projects including grain handling, livestock systems, genetics, feeding systems, and forage improvements (\$3.0 million per year). These projects are designed to help tobacco farmers who have production livestock by providing them with fencing, corrals, chutes, and grain handling equipment.

## Executive Recommendation for FYs 2008-2009

### FY 2009 GRF Appropriation

The executive recommends no funding through the main operating budget in FY 2008 (as SOA has already received funding in the tobacco budget act for FY 2007 and FY 2008) and \$7,988,471 for FY 2009. The following pie chart illustrates SOA's executive recommendation for FY 2009 by object code. All funding for SOA in FY 2009 is from the GRF. The amount represented as subsidy accounts for the grants SOA issues in carrying out the four programs mentioned above.



### Line Item Restructuring

The executive recommendation restructured the Southern Ohio Agricultural and Community Development Foundation's line items to accommodate the change in funding from Tobacco Master Settlement funds to the GRF in the main operating budget in FY 2009. The table below compares FY 2007 and FY 2008 appropriations from Sub. S.B. 321 of the 126th General Assembly (appropriation items 945-601, Operating Expenses and 945-602, Southern Ohio Agricultural and Community Development Foundation) with the GRF appropriation items for FY 2009, which are 945-321, Operating Expenses and 945-501, Southern Ohio Agricultural and Community Development Foundation. As the table below illustrates, the Governor's recommendations in the main operating budget for FY 2009 hold funding for SOA at the same levels appropriated in FY 2008 in the most recent tobacco budget act.

<b>SOA Line Item Funding, FYs 2007-2009</b>			
<b>Line Item</b>	<b>Sub. S.B. 321/126th General Assembly (MSA)</b>		<b>H.B. 119/127th General Assembly (GRF)</b>
	<b>FY 2007 (appropriation)</b>	<b>FY 2008 (appropriation)</b>	<b>FY 2009 (recommended)</b>
GRF 945-321 Operating Expenses	\$456,942	\$475,220	\$475,220
GRF 945-501 S OH Agr Comm Dev Fndtn	\$13,150,375	\$7,513,251	\$7,513,251

### Current SOA Financial Arrangements

Under Tobacco Master Settlement Agreement legislation, the financial arrangements for the Foundation are different from those of other agencies. SOA's budget is not subject to legislative approval. Appropriations are made from the Foundation's Trust Fund (Fund K87) and transferred to the Foundation's Endowment Fund. The Endowment Fund is a custodial fund, which is held in the custody of the Treasurer of State, but is not part of the state treasury. The Foundation's board determines its annual budget and does not require legislative approval. The exception is the Foundation's appropriation for payroll expenses. SOA transfers personnel expenses of state employees from the Endowment Fund back to the state treasury (Fund 5M9). This appropriation is subject to legislative approval.

## Impact of Securitization of MSA Payments

The Governor's proposal replaces Tobacco Master Settlement Agreement funding with GRF funding in FY 2009. Additional accounting and statutory changes may be necessary to assure that the Foundation's Endowment funding can be used after state support ends at the close of FY 2009. The Governor's *Blue Book* explains that the programs not related to school facilities will have two fiscal years to secure new funding sources or continue their phase-down of activities.

## Staffing Levels

SOA is governed by a 12-member Board of Trustees and currently has 5 staff members, comprised of one executive director and 4 other administrative staff members.

Southern Ohio Agricultural and Community Development Foundation Staffing Levels						
	2004	2005	2006	2007	Estimated	
					2008	2009
Board of Trustees	12	12	12	12	12	12
Administrative Staff	5	5	5	5	5	5
<b>Totals</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>

## ANALYSIS OF EXECUTIVE PROPOSAL

### Single Program Series

### Program Expenses

**Purpose:** The Southern Ohio Agricultural and Community Development Foundation (SOA) prepares, implements, and continuously updates a plan to develop means for tobacco growers to grow other agricultural products voluntarily.

The following table shows the line items that are used to fund the Southern Ohio Agricultural and Community Development Foundation as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2008	FY 2009
<b>General Revenue Fund</b>				
GRF	945-321	Operating Expenses	\$0	\$475,220
GRF	945-501	Southern Ohio Agricultural and Community Development Foundation	\$0	\$7,513,251
<b>Total Funding: Southern Ohio Agricultural and Community Development Foundation</b>			<b>\$0</b>	<b>\$7,988,471</b>

**Program Description:** This program increases the variety, quantity, and value of agricultural products other than tobacco that are produced in the major tobacco producing counties in the state, preserving agricultural land and soils in those parts of the state where tobacco has traditionally been grown, making strategic investments in communities that will be affected by the reduced demand for tobacco, and providing education and training assistance for tobacco growers to help them make the transition out of tobacco production.

**Funding Source:** GRF

**Line Items:** 945-321, Operating Expenses; 945-501, Southern Ohio Agricultural and Community Development Foundation

**Implication of Executive Recommendation:** The executive recommendation provides no funding for the Foundation in FY 2008 (as SOA has already received funding in the Tobacco budget act for FY 2007 and FY 2008) and \$7,988,471 in FY 2009. The Governor's proposal funds SOA in the main operating budget in FY 2009 at the level appropriated in FY 2008 in the most recent tobacco budget act. SOA did not submit a budget request for the main operating budget.

After FY 2009, additional accounting and statutory changes may be necessary to assure that the Foundation's Endowment funding can be used after state support ends at the close of FY 2009. The Governor's *Blue Book* explains that MSA-funded programs not related to school facilities will have two fiscal years to secure new funding sources or phase-down their activities.

### Temporary and Permanent Law Provisions

**Tobacco Master Settlement Agreement Fund Repealed (R.C. 183.01, 183.02, 183.021, 183.17, 183.27, 183.32, 183.33, 183.34, and 183.35).** Provisions in permanent law repeal (1) the Tobacco Master Settlement Agreement Fund and the schedule for transferring moneys in the fund to various other trust funds, (2) the Education Facilities Endowment Fund, and (3) the section that creates a legislative committee to periodically reexamine the use of Tobacco Master Settlement Agreement money. Also, the provision removes a prohibition on the appropriation or transfer of GRF money for use by the Southern

Ohio Agricultural and Community Development Foundation. Fiscal effect: None. The Governor's budget replaces moneys that would have been received under the Tobacco Master Settlement Agreement with GRF funding for FY 2009.

## **REQUESTS NOT FUNDED**

The executive recommendation provides no funding for the Southern Ohio Agricultural and Community Development Foundation in FY 2008 (as SOA has already received funding in the tobacco budget act for FY 2007 and FY 2008) and \$7,988,471 in FY 2009. The Governor's proposal funds SOA in the main operating budget via GRF in FY 2009 at the level appropriated in FY 2008 in the most recent tobacco budget act. SOA did not submit a budget request for the main operating budget.

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## General Revenue Fund

### GRF 945-321 Operating Expenses

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$0	\$0	\$0	\$0	\$0	\$475,220

**Source:** GRF

**Legal Basis:** As proposed in H.B. 119 of the 127th G.A.

**Purpose:** Moneys are used for payroll expenses relating to the administration of the Southern Ohio Agriculture and Community Development Foundation. Operating expenditures prior to FY 2009 are funded through tobacco settlement funds (Fund 5M9) in appropriation item 945-601, Operating Expenses.

### GRF 945-501 Southern Ohio Agricultural and Community Development Foundation

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$0	\$0	\$0	\$0	\$0	\$7,513,251

**Source:** GRF

**Legal Basis:** As proposed in H.B. 119 of the 127th G.A.

**Purpose:** Moneys are to be used by the Southern Ohio Agriculture and Community Development Foundation to carry out its duties relating to administration of the foundation and for grants for things such as educational assistance for Ohio's tobacco farm families. Expenditures for this purpose prior to FY 2009 are funded through tobacco settlement funds (Fund K87) in appropriation item 945-602, Southern Ohio Agriculture and Community Development Foundation.

## LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2006</i>	<i>Estimated 2007</i>	<i>Executive 2008</i>	<i>% Change 2007 to 2008</i>	<i>Executive 2009</i>	<i>% Change 2008 to 2009</i>
<b><i>SOA Southern Ohio Agricultural and Community Development Foundation</i></b>								
GRF	945-321	Operating Expenses	---		\$ 0	N/A	\$ 475,220	N/A
GRF	945-501	Southern Ohio Agricultural and Community Develop	---		\$ 0	N/A	\$ 7,513,251	N/A
<b>General Revenue Fund Total</b>			---	---	<b>\$ 0</b>	<b>N/A</b>	<b>\$ 7,988,471</b>	<b>N/A</b>
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<b>Total All Budget Fund Groups</b>			---	---	<b>\$ 0</b>	<b>N/A</b>	<b>\$ 7,988,471</b>	<b>N/A</b>