

Lake Erie Commission

Senate Finance and Financial Institutions Committee

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Legislative Service Commission*

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LSC Redbook
for the
Lake Erie Commission

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ATTACHMENTS:

- Catalog of Budget Line Items
- LSC Budget Spreadsheet By Line Item: Executive to House Passed
- Comparison Document: Permanent and Temporary Law

May 24, 2007

Lake Erie Commission

- Management and continued implementation of the Balanced Growth Program will be a major focus in the upcoming biennium
- No GRF funding

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 the ecological quality of its watershed, 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, together with the Commission, focuses on activities to accomplish the mission of: (1) awarding research and implementation grants through the Lake Erie Protection Fund, (2) providing public education programs, (3) representing the state of Ohio on many regional and international Great Lakes management organizations, and (4) implementing the Lake Erie Balanced Growth Program as called for in the Lake Erie Protection and Restoration Plan.

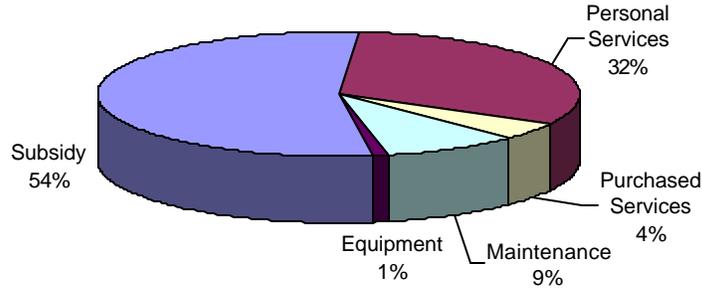
Executive Recommendation for FYs 2008-2009

Recommended funding for FY 2008 is \$837,000, or 27% above estimated FY 2007 expenditures of \$658,549. Recommended funding for FY 2009 is \$838,000. A word about FY 2007 spending is necessary due to understated estimates for FY 2007. According to LEC, this figure will actually be approximately \$330,000 higher once FY 2007 is completed. This is explained primarily by a high number of grant completions that will increase expenditures in FY 2007 in the 780-601 line item, Lake Erie Protection Fund. Working from this level of about \$988,549, the recommended FY 2008 funding is actually a decrease. LEC expects that expenditures will drop off in the upcoming biennium, as it will only issue new grants as revenue permits.

Funding Overview

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. This fund is used solely to award research grants and contracts through a competitive proposal process. As the pie chart shows, a majority (54%) 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's water quality, invasive species, coastal health, areas of concern, toxic pollutants, pollution sources, habitat, biology, coastal recreation, boating, fishing, beaches, tourism, and shipping.

Total Recommended Budget by Object of Expenditure



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 46% of the Commission's budget, although the funding provided by the Great Lakes Protection Fund varies from year to year. The Commission and the Lake Erie Office receive no General Revenue Fund (GRF) funding.

FYs 2008-2009 Budget Focus

Lake Erie Grants

Commission staff selects grant recipients through a competitive process. The Commission is currently operating only small grant programs of \$10,000 per grant with no large grant program due to declining revenues. 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. Grant projects have focused on an array of issues critical to the effective future management of Lake Erie. These include: fisheries management, watershed planning, nonpoint pollution abatement (particularly agricultural), wetlands restoration ecology, exotic species, Lake Erie ecological shifts, ecotourism, and environmental measurements.

The FY 2007 allocation was \$200,000 for small grants and \$100,000 for Balanced Growth Projects. The FY 2008 allocation is slated to be \$200,000 for the Small Grants program and \$50,000 for Balanced Growth. Additionally, in FYs 2006-2007 and, as planned for FY 2008, \$200,000 comes from the OWDA, in line item 780-601, Lake Erie Protection Fund, to support Pilot Watershed Balanced Growth Plans for local organizations. Since 1993, over \$8.4 million has been distributed for more than 260 projects. In the upcoming biennium, support for approximately 24 projects is expected.

Lake Erie Protection and Restoration Plan

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 accepted these recommendations in spring 2004 and committed their efforts to move forward with managing the implementation of Lake Erie's Balanced Growth Initiative. In 2006, the Commission adopted Ohio's *Lake Erie Action List* to complement the Plan.

Other specific *Lake Erie Protection and Restoration Plan* strategic actions assigned to the Commission that will continue to be pursued in this upcoming biennium include: update of the *Lake Erie Quality Index*, which is scheduled for update every five years to track trends in the Lake; update of the *Lake Erie Protection and Restoration Plan*; better integration of the *Ohio Lake Erie Action List*, which is Ohio's response to the recommendations contained in the Great Lakes Regional Collaboration; continuation of public outreach/education; continuation of the Lake Erie Protection Fund grants program; and continued implementation of the Balanced Growth program in support of the Turnaround Ohio initiatives.

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, from \$919,210 in FY 1997 to \$385,130 in FY 2006. The estimated revenue for FY 2007 is \$350,000. 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 changes in the upcoming biennium.

As a number of the state's specialty license plates fail to meet the Bureau of Motor Vehicles (BMV) minimum of 1,000 plates sold per year, these plates will be dropped and this will reduce competition for the Commission's Marblehead Lighthouse plate, the original specialty plate in Ohio. LEC attempted to boost sales by issuing a second license plate, the Toledo Harbor Lighthouse plate, which did not achieve BMV's minimum 1,000 sales and has been terminated. Comparatively, the Marblehead plate had CY 2006 sales of 24,000 plates. Another initiative is to explore with the BMV the opportunities for increasing the share of the revenues from the sale of Lake Erie plates by reducing the amount being provided to the BMV to compensate them for issuing the plates.

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

Operating funds for the Commission have varied over the years, as the Great Lakes Protection Fund is dependent upon earnings from its endowment and the fund depends heavily on contributions from other participating states, which fluctuate from year to year. Additionally, the other sources of funding,

such as contributions from member agencies, have varied across the budget periods. The FY 2006-2007 biennial budget was significantly decreased to adjust to these revenue reductions and remains at a lower level for this upcoming biennium. Operating costs have been trimmed and these costs will again be managed very carefully in the next biennium. The Commission's recommended appropriation for this fund in FY 2008, \$387,000, is approximately 8% above the estimated FY 2007 estimate of \$358,549.

Staffing Levels

The Lake Erie Office staff consists of four full-time employees (1) an executive director, (2) an executive secretary, (3) an environmental specialist, (4) a part-time secretary/webmaster. The director and secretary/webmaster position are currently part-time, but at the recommended funding level, these two positions will be full-time in FYs 2008-2009.

The following table represents the Lake Erie Commission's staffing levels from FYs 2004 through 2007, with proposed staffing levels for FYs 2008-2009.

Lake Erie Commission Staffing Levels, by Fiscal Year							
Employees						Estimated	
	2004	2005	2006	2007	2008	2009	
Executive Director	1	0.5	0.5	0.5	1	1	
Executive Secretary	1	1	1	1	1	1	
Environmental Specialist	1	1	1	1	1	1	
College Intern	0	0	0	0	0	0	
Fiscal Specialist	1	1	1	0	0	0	
Public Information Specialist	0	0	0	0	0	0	
Secretary/Webmaster	0.5	.75	.75	.75	1	1	
Totals	4.5	4.25	4.25	3.25	4	4	

In FY 2007, the Fiscal Specialist and Environmental Specialist were combined into an Environmental Specialist 2 position. Services are also provided to the Commission by member state agencies to reduce expenditures. The Ohio Environmental Protection Agency (EPA) supplies fiscal management services. The Department of Natural Resources (DNR) provides public information and publication assistance.

ANALYSIS OF EXECUTIVE PROPOSAL

Single Program Series

Lake Erie Resources and Protection

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 in the Great Lake region through policy direction and awarding of moneys for environmental projects concerning Lake Erie and its watershed.

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

Fund	ALI	Title	FY 2008	FY 2009
State Special Revenue Fund				
4C0	780-601	Lake Erie Protection Fund	\$450,000	\$450,000
5D8	780-602	Lake Erie Resources Fund	\$387,000	\$388,000
Total Funding: Lake Erie Commission			\$837,000	\$838,000

Lake Erie Resources Protection

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), contributions from Commission member agencies, and grants received for specific work performed by LEC staff

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

Implication of Executive Recommendation: The executive recommends funding of \$837,000 in FY 2008 and \$838,000 in FY 2009.

Funding at this level will permit the Lake Erie Commission to continue to focus on the Balanced Growth Program. 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 Transfers (Section 315.10). Requires that not later than the thirtieth day of November of each fiscal year, the Executive Director of the Lake Erie Office, with the approval of the Lake Erie Commission, shall certify the cash balance in the Lake Erie Resources Fund (Fund 5D8) in excess of amounts needed to meet operating expenses of the Lake Erie Office. The Lake Erie Office may transfer up to the certified amount from the Lake Erie Resources Fund (Fund 5D8) to the Lake Erie Protection Fund (Fund 4C0). Cash transferred shall be used for purposes described in division (A) of section 1506.23 of the Revised Code (Lake Erie license plates revenue, donations, gifts, bequests, and other moneys received). The amount transferred will go to appropriation item 780-601, Lake Erie Protection Fund.

REQUESTS NOT FUNDED

The Lake Erie Commission runs the operations of its office from the Lake Erie Resources Fund (Fund 5D8). At the level recommended by the executive, \$387,000 in FY 2008 and \$388,000 in FY 2009, the Commission will continue with a full-time staff of four. The expected revenues will be able to support this level of service for the upcoming biennium.

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State Special Revenue Fund Group

4C0 780-601 Lake Erie Protection Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$692,968	\$600,704	\$576,263	\$300,000	\$450,000	\$450,000
	-13.3%	-4.1%	-47.9%	50.0%	0.0%

Source: SSR: Revenues generated from the sale of Lake Erie license plates and other donations, gifts, and bequests; and a Ohio Water Development Authority grant pass-through for Pilot Watershed Balanced Growth Plans, approximately \$200,000 per fiscal year

Legal Basis: ORC 1506.23; Section 206.78 of Am. Sub. H.B. 66 of the 126th G.A.

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.

5D8 780-602 Lake Erie Resources Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$426,692	\$349,894	\$266,362	\$358,549	\$387,000	\$388,000
	-18.0%	-23.9%	34.6%	7.9%	0.3%

Source: SSR: Ohio's share of the annual earnings from the Great Lake Protection Fund (an interstate trust fund), contributions from Commission member agencies, and grants for specific work projects conducted by the LEC staff

Legal Basis: ORC 1506.24; Section 206.78 of Am. Sub. H.B. 66 of the 126th G.A.

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 2008 - FY 2009

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	Estimated 2007	<i>As Introduced 2008</i>	<i>House Passed 2008</i>	<i>% Change Est. 2007 to House 2008</i>	<i>As Introduced 2009</i>	<i>House Passed 2009</i>	<i>% Change House 2008 to House 2009</i>
<i>LEC Lake Erie Commission</i>									
4C0	780-601	Lake Erie Protection Fund	\$300,000	\$ 450,000	\$ 450,000	50.0%	\$ 450,000	\$ 450,000	0.0%
5D8	780-602	Lake Erie Resources Fund	\$358,549	\$ 387,000	\$ 387,000	7.9%	\$ 388,000	\$ 388,000	0.3%
State Special Revenue Fund Group Total			\$ 658,549	\$ 837,000	\$ 837,000	27.1%	\$ 838,000	\$ 838,000	0.1%
Total All Budget Fund Groups			\$ 658,549	\$ 837,000	\$ 837,000	27.1%	\$ 838,000	\$ 838,000	0.1%

As Introduced (Executive)

As Passed by the House

1 (CD-630-LEC) Cash Transfer**Section: 315.10**

Requires that not later than the thirtieth day of November of each fiscal year, the Executive Director of the Lake Erie Office, with the approval of the Lake Erie Commission, shall certify the cash balance in the Lake Erie Resources Fund (Fund 5D8) in excess of amounts needed to meet operating expenses of the Lake Erie Office. Authorizes the Director of Budget and Management to transfer amounts up to the certified amount from the Lake Erie Resources Fund (Fund 5D8) to the Lake Erie Protection Fund (Fund 4C0). Requires that transferred cash be appropriated for various aspects of Lake Erie research specified in section 1506.23 of the Revised Code.

Section: 315.10

Same as the Executive.