

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

**Public Works Commission**

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## **ATTACHMENTS:**

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

# Public Works Commission

- H.B. 1 appropriations pay for operating expenses of Clean Ohio and Local Infrastructure Development programs
- GRF debt service of \$358.2 million over biennium
- Clean Ohio Program renewed in November 2008

## OVERVIEW

### Agency Overview

The Public Works Commission (PWC) administers the State Capital Improvement Program (SCIP) and the Local Transportation Improvement Program (LTIP). These two programs provide grants and loans to local governments for infrastructure projects. SCIP receives funding from infrastructure bonds and LTIP receives funding from one cent per gallon of the motor vehicle fuel tax. PWC's administrative costs are funded by interest income. In addition to these infrastructure financing programs, PWC also administers a portion of the Clean Ohio Conservation Program (COCP). As of February 17, 2009, PWC employed 11 staff persons. It plans to fill a vacancy in FY 2010, which will bring the total headcount to 12.

### Appropriation Overview

PWC's programs and operations are funded by a variety of appropriations bills. The main operating budget bill, the focus of this analysis, contains the appropriations for the GRF debt service payments for COCP and SCIP bonds and for the operating expenses for COCP and the Local Infrastructure Development Program. The Governor's funding recommendations for these programs are summarized in Table 1 below.

Table 1. Executive Budget Recommendations by Fund Group, FY 2010-FY 2011					
Fund Group	FY 2009*	FY 2010	% change FY 2009-FY 2010	FY 2011	% change FY 2010-FY 2011
General Revenue	\$208,475,500	\$169,043,000	(18.9%)	\$189,128,400	11.9%
Clean Ohio Conservation	\$311,509	\$304,332	(2.3%)	\$311,509	2.4%
Local Infrastructure Improvements	\$0	\$261,027	N/A	\$269,555	3.3%
<b>TOTAL</b>	<b>\$208,787,009</b>	<b>\$169,608,359</b>	<b>(18.8%)</b>	<b>\$189,709,464</b>	<b>11.9%</b>

\*Adjusted appropriations.

The executive budget recommendations for PWC in the main operating appropriations bill, H.B. 1, total \$169.6 million in FY 2010 and \$189.7 million in FY 2011, for a total of \$359.3 million for the biennium. Of this biennial total, 99.7% comes from the General Revenue Fund (GRF). The executive budget recommendations fully fund PWC's request, thus allowing PWC to maintain current service levels.

### Budget by Category of Expense

In terms of categories of expense, nearly all of PWC's main operating budget appropriations pay debt service on State Capital Improvements Program and Clean Ohio Conservation Program bonds. A small portion (0.3%) of the budget pays for payroll, purchased services, supplies, and equipment. Table 2 below summarizes PWC's budget by account category.

<b>Table 2. Executive Budget Recommendations by Category Expense, FY 2010-FY 2011</b>					
<b>Fund Group</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>% Change FY 2009-FY 2010</b>	<b>FY 2011</b>	<b>% Change FY 2010-FY 2011</b>
Personal Services	\$243,438	\$506,054	107.9%	\$533,110	5.3%
Purchased Services	\$15,271	\$27,000	76.8%	\$15,000	(44.4%)
Supplies and Maintenance	\$46,000	\$30,406	(33.9%)	\$31,420	3.3%
Equipment	\$6,800	\$1,899	(72.1%)	\$1,534	(19.2%)
Debt Service	\$208,475,500	\$169,043,000	(18.9%)	\$189,128,400	11.9%
<b>TOTAL</b>	<b>\$208,787,009</b>	<b>\$169,608,359</b>	<b>(18.8%)</b>	<b>\$189,709,464</b>	<b>11.9%</b>

Personal services expenses increase from FY 2009 to FY 2010 because of the addition of a proposed new line item to pay the operating expenses of the Local Infrastructure Development Program that was created in H.B. 554 of the 127th General Assembly, the Jobs Stimulus Bill. However, those funds are currently not available due to pending litigation (see below).

### Summary of FY 2010-FY 2011 Budget Issues

#### Implementation of H.B. 554, the Jobs Stimulus Bill

H.B. 554, the Jobs Stimulus Bill, enacted in the summer of 2008, provided an additional \$400 million in funding for PWC's programs over FY 2009 and FY 2010. Specifically, the bill (1) contained an additional \$200 million for LTIP, (2) accelerated SCIP funding by \$120 million, and (3) appropriated \$80 million from the proceeds of the liquidation of the Tobacco Use Prevention and Control Endowment Fund transferred to the newly created Jobs Fund for local infrastructure development capital improvement and broadband projects. The availability of the \$80 million in funding, however, has been contingent on the outcome of the ongoing litigation concerning the liquidation of

the Endowment Fund. The executive budget assumes the funding will be available in the FY 2010-FY 2011 biennium.

Corresponding to the increase in program funding, there will also be an increase in PWC staff workload to review and approve capital projects and process disbursement requests. For example, the acceleration of SCIP funding is expected to result in an additional 490 capital projects and nearly 2,200 more disbursement requests. Furthermore, once the \$80 million provided through the Jobs Fund becomes available, the Local Infrastructure Development Program supported by this funding will operate similarly to SCIP. PWC expects to review and approve over 190 additional applications for the funding, though the actual number may vary depending on the projects that receive funding. While PWC does not foresee the need for additional permanent employees to manage the Jobs Stimulus Bill workload, the executive recommendation allows for one full-time temporary position in FY 2010 and FY 2011 if necessary. This is in addition to the one vacancy PWC plans to fill in FY 2010.

### **Summary of PWC Funding Provided in Transportation Budget Bill**

The transportation budget bill of the 128th General Assembly, H.B. 2, funds PWC at approximately \$69 million in each fiscal year. The majority of this funding is for LTIP, which provides direct grants to assist in the costs associated with local road and bridge projects. Grants are distributed on a per capita basis and are used to make payments to consultants and contractors for work performed on behalf of local government. The majority of grants are distributed to cities and counties as well as villages and townships. LTIP receives one cent of the motor fuel tax, which produces roughly \$68 million annually for the program.

The transportation budget also provides funding for the District Administration Program, which authorizes the Director of PWC to use investment earnings from SCIP and LTIP funds for administrative costs incurred by the 19 individual District Public Works Integrating Committees (DPWIC). The bill provides that no more than \$1,235,000 per fiscal year will be available for reimbursement and individual districts may not receive more than \$65,000 per fiscal year. For additional information on the funding provided in H.B. 2, see the PWC portion of the LSC Redbook for the transportation budget bill.

## Funding Process

### SCIP and LTIP Funding

To apply for SCIP or LTIP funds, a political subdivision must apply to its District Public Works Integrating Committee (DPWIC). There are 19 public works districts that are responsible for recommending projects to PWC. The DPWICs consist of local officials representing all levels of government. Each DPWIC evaluates and scores applications using a locally developed methodology based on criteria listed in Chapter 164. of the Ohio Revised Code. These evaluation criteria focus on the financial need of the subdivision, the project's strategic importance to the district and subdivision, and emphasize the repair and replacement of infrastructure rather than new and expansionary infrastructure.

After evaluating and scoring the projects, the DPWIC creates a list of high-priority projects and submits them to PWC. PWC reviews the project selection and evaluation methodology used by the DPWIC to ensure fair and objective decision making. Then, each application is reviewed for completeness and project eligibility. After all requirements are met on the district level and the application is approved, a formal agreement is issued by PWC to the individual political subdivision. PWC's staff maintains ongoing contact with local communities, providing technical assistance through the project's completion.

### Clean Ohio Conservation Program

The funding allocation process of the Clean Ohio Conservation Program is nearly identical to the SCIP and LTIP funding process. The only difference is that funding is available through the Clean Ohio Program. Local governments and nonprofit organizations apply for the Clean Ohio Conservation Program funding through their natural resource assistance councils rather than DPWICs.

## ANALYSIS OF EXECUTIVE PROPOSAL

The following appropriations provide GRF debt service on the bonds issued under the Clean Ohio Conservation and State Capital Improvements programs. They also provide for the operating expenses associated with the Clean Ohio Conservation and Local Infrastructure Development programs.

<b>Governor's Recommended Amounts for Aid to Local Governments</b>				
<b>Fund</b>	<b>ALI and Name</b>		<b>FY 2010</b>	<b>FY 2011</b>
<b>General Revenue Fund</b>				
GRF	150907	State Capital Improvements General Obligation Debt Service	\$148,311,900	\$163,443,500
GRF	150904	Conservation General Obligation Debt Service	\$20,711,100	\$25,684,900
<b>General Revenue Fund Subtotal</b>			<b>\$169,043,000</b>	<b>\$189,128,400</b>
<b>Local Infrastructure Improvements Fund Group</b>				
7039	150909	Local Infrastructure Development	\$261,027	\$269,555
<b>Local Infrastructure Improvements Fund Group Subtotal</b>			<b>\$261,027</b>	<b>\$269,555</b>
<b>Clean Ohio Conservation Fund Group</b>				
7056	150403	Clean Ohio Operating Expenses	\$304,332	\$311,509
<b>Clean Ohio Conservation Fund Group Subtotal</b>			<b>\$304,332</b>	<b>\$311,509</b>
<b>Total Funding: Aid to Local Governments</b>			<b>\$169,608,359</b>	<b>\$189,709,464</b>

### State Capital Improvements General Obligation Debt Service (150907)

This line item pays the debt service on State Capital Improvement Program (SCIP) bonds. Through SCIP, PWC 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 2p, Article VIII of the Ohio Constitution. Each year approximately \$120 million to \$150 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. SCIP has two subprograms, the Small Government Program, which sets aside \$12 million each fiscal year for villages and townships with less than 5,000 in population, and the Emergency Assistance Program, which provides \$2.5 million each fiscal year for infrastructure emergencies.

The executive recommends \$148.3 million in FY 2010 and \$163.4 million in FY 2011 out of the GRF for this line item. These amounts will allow all debt service payments to continue as scheduled.

**Conservation General Obligation Debt Service (150904)**

This line item pays the debt service on Clean Ohio Conservation bonds. Details concerning the Clean Ohio Conservation Program are discussed below. The executive recommendations provide \$20.7 million in FY 2010 and \$25.7 million in FY 2011. These amounts will allow all debt service payments to continue as scheduled.

**Clean Ohio Operating Expenses (150403)**

This line item funds the operating expenses of the Clean Ohio Conservation Program (COCP), which was created by H.B. 3 of the 124th General Assembly and renewed through the approval of voters in November 2008. This program provides grants for brownfield revitalization projects and open space acquisition. 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. COCP bonds are usually issued once in a calendar year and the funds are disbursed over a two-year period. The program provides payments to various property owners to acquire and provide access improvements to open space and enhance riparian corridors. COCP primarily serves local governments and nonprofit organizations, as well as consultants and contractors hired to perform work on approved projects.

PWC aligns its budget to reflect the administrative effort necessary to manage its programs. The Clean Ohio Conservation Program comprises about 20% of all administrative costs incurred by PWC with over 150 projects being managed at any one time. PWC's administrative activities involve reviewing and approving project application, executing funding agreements, disbursing funds, and providing technical assistance, such as attendance at natural resource council meetings and project monitoring. The executive recommends \$304,332 in FY 2010 and \$311,509 in FY 2011 for these activities, which are funded by investment income earned on the Clean Ohio Conservation Fund (Fund 7056). The amounts recommended are similar to those for the current biennium and will enable the Commission to maintain current operations.

H.B. 1 requires PWC, on or before June 15, 2011, to certify to the Director of Budget and Management any excess investment earnings credited to the Clean Ohio Conservation Fund (Fund 7056) and then requires the Director to transfer the excess investment earnings to the GRF as a reimbursement for expenditures out of appropriation item 770409, Farmland Preservation, within the Department of Agriculture budget. During FY 2007, PWC transferred \$483,143 to the GRF while about \$490,000 is expected to be transferred pursuant to H.B. 119, the main operating budget bill for the FY 2008-FY 2009 biennium.

**Local Infrastructure Development (150909)**

This line item will fund the operating expenses necessary to carry out the Local Infrastructure Development Program, which was created in H.B. 554 of the 127th General Assembly, otherwise known as the Jobs Stimulus Bill. That bill provided \$80 million in one-time funds from the liquidated assets of the Tobacco Use Prevention and Control Trust Fund, though this transfer has not yet taken place due to litigation. Once PWC gains access to the funds, it will use a model similar to SCIP to distribute the grant funds. Under H.B. 554, broadband projects are an eligible use of the funds. PWC expects to review and approve over 190 additional applications for this funding, though the actual number may vary depending on the projects that receive funding.

The executive recommends \$261,027 in FY 2010 and \$269,555 in FY 2011 to fund the payroll and other administrative costs necessary to administer the program, amounts that fully fund PWC's budget request. PWC's administrative activities would be funded by investment income of the Local Infrastructure Development Fund (Fund 7039).

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## General Revenue Fund

### GRF 150904 Conservation General Obligation Debt Service

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$7,897,420	\$14,087,478	\$15,715,668	\$19,779,200	\$20,711,100	\$25,684,900
	78.4%	11.6%	25.9%	4.7%	24.0%

**Source:** GRF

**Legal Basis:** ORC 151.01 and 151.09; Section 371.10 of Am. Sub. H.B. 119 of the 127th 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 150907 State Capital Improvements General Obligation Debt Service

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$152,595,038	\$170,652,297	\$172,150,271	\$188,696,300	\$148,331,900	\$163,443,500
	11.8%	0.9%	9.6%	-21.4%	10.2%

**Source:** GRF

**Legal Basis:** ORC 151.01 and 151.08; Section 371.10 of Am. Sub. H.B. 119 of the 127th G.A.

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

## Clean Ohio Conservation Fund

### 7056 150403 Clean Ohio Operating Expenses

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$233,576	\$215,276	\$242,948	\$311,509	\$304,332	\$311,509
	-7.8%	12.9%	28.2%	-2.3%	2.4%

**Source:** CLF: Investment income

**Legal Basis:** ORC 164.27; Section 371.10 of Am. Sub. H.B. 119 of the 127th G.A. (originally established by Am. Sub. H.B. 3 of 124th G.A.)

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

*Local Infrastructure Improvement Fund Group*

**7039 150909 Local Infrastructure Development**

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$0	\$0	\$0	\$261,027	\$269,555
					3.3%

**Source:** LIF: Investment income on cash transferred from the Jobs Fund (Fund 5Z30) pursuant to Section 4 of Sub. H.B. 544 of the 127th G.A. To date, this transfer has not taken place due to pending litigation.

**Legal Basis:** As proposed by the executive budget.

**Purpose:** This line item funds the operating expenses, including technical assistance to local governments and the public works district integrating committees, of the Local Infrastructure Development program, which provides grants for local infrastructure and broadband projects. The capital line item used to disburse funds for this program is provided in Am. Sub. H.B. 554 of the 127th G.A.

## LSC Budget Spreadsheet by Line Item, FY 2010 - FY 2011

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2008</i>	<i>2009</i>	<i>As Introduced 2010</i>	<i>% Change 2009 to 2010</i>	<i>As Introduced 2011</i>	<i>% Change 2010 to 2011</i>
<b><i>PWC Public Works Commission</i></b>								
GRF	150904	Conservation General Obligation Debt Service	\$ 15,715,668	\$ 19,779,200	\$ 20,711,100	4.7%	\$ 25,684,900	24.0%
GRF	150907	State Capital Improvements General Obligation Debt Service	\$ 172,150,271	\$ 188,696,300	\$ 148,331,900	-21.4%	\$ 163,443,500	10.2%
<b>General Revenue Fund Total</b>			<b>\$ 187,865,939</b>	<b>\$ 208,475,500</b>	<b>\$ 169,043,000</b>	<b>-18.9%</b>	<b>\$ 189,128,400</b>	<b>11.9%</b>
7056	150403	Clean Ohio Operating Expenses	\$ 242,948	\$ 311,509	\$ 304,332	-2.3%	\$ 311,509	2.4%
<b>Clean Ohio Conservation Fund Total</b>			<b>\$ 242,948</b>	<b>\$ 311,509</b>	<b>\$ 304,332</b>	<b>-2.3%</b>	<b>\$ 311,509</b>	<b>2.4%</b>
7039	150909	Local Infrastructure Development	\$0	\$ 0	\$ 261,027	N/A	\$ 269,555	3.3%
<b>Local Infrastructure Improvement Fund Group Total</b>			<b>\$0</b>	<b>\$ 0</b>	<b>\$ 261,027</b>	<b>N/A</b>	<b>\$ 269,555</b>	<b>3.3%</b>
<b><i>Total All Budget Fund Groups</i></b>			<b>\$ 188,108,886</b>	<b>\$ 208,787,009</b>	<b>\$ 169,608,359</b>	<b>-18.8%</b>	<b>\$ 189,709,464</b>	<b>11.9%</b>