

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

**Ohio Air Quality Development  
Authority**

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# TABLE OF CONTENTS

**OVERVIEW** ..... 1

Agency Overview ..... 1

Appropriation Overview ..... 2

**ANALYSIS OF EXECUTIVE PROPOSAL** ..... 3

Operating Expenses (898601) ..... 3

Small Business Ombudsman (898602) ..... 3

Small Business Assistance (898603) ..... 4

Energy Strategy Development (898608) ..... 4

**ATTACHMENTS:**

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

# Ohio Air Quality Development Authority

- Executive proposal transfers the Ohio Coal Development Office to the Department of Development
- Continues the agency's role in issuing project revenue bonds for public and private projects that contribute to better air quality

## OVERVIEW

### Agency Overview

The Ohio Air Quality Development Authority (OAQDA) is a nonregulatory state government agency that was established in 1970 in response to environmental mandates handed down by the federal government in the first Clean Air Act. A seven-member board governs the Authority. The Governor appoints five of the members and the remaining two members are the directors of the Ohio Department of Health and the Ohio Environmental Protection Agency.

Currently, the Authority has six full-time employees in addition to the five appointed members. The Authority assists Ohio businesses, government agencies, and not-for-profit agencies and individuals in complying with air quality regulations by providing technical and financial assistance. Using the tool of conduit financing, OAQDA qualifies projects for tax exemptions if the projects contribute to better air quality.

Since July 2003, the Authority has also been the home agency for the Ohio Coal Development Office (OCDO), which provides grants to support research and development of clean coal technology. The executive budget proposal transfers the OCDO to the Department of Development beginning in FY 2012. The GRF appropriations that fund OCDO are moved to that Department's budget, including most notably the line item that funds debt service on Coal Research and Development General Obligation bonds.

Recommended funding for FY 2012 is \$923,499. This is a 95.5% decrease from the estimated expenditures for FY 2011. Recommended funding for FY 2013 is \$923,980. This is a 0.1% increase compared to the recommended funding for FY 2012.

OAQDA has 10 funded positions in FY 2011, of which some are vacant. The future employment levels at the agency will be dependent, in part, on how the interagency transfer of OCDO is implemented.

### Appropriation Overview

The following table provides the executive's recommendations by fund group for the Ohio Air Quality Development Authority for the FY 2012-FY 2013 biennium.

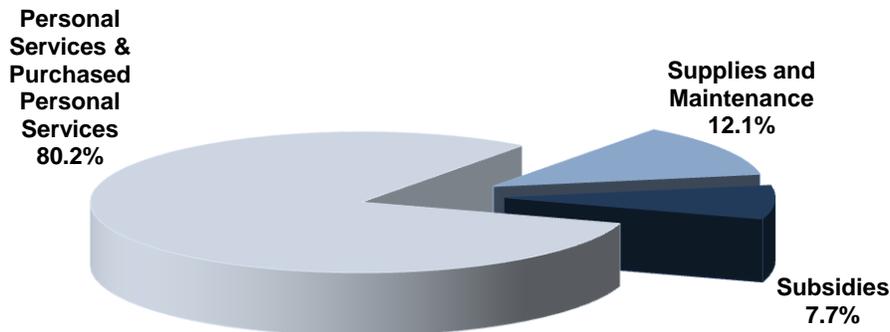
<b>Table 1. Executive Budget Recommendations by Fund Group, FY 2012-FY 2013</b>					
<b>Fund Group</b>	<b>FY 2011*</b>	<b>FY 2012</b>	<b>% change, FY 2011-FY 2012</b>	<b>FY 2013</b>	<b>% change, FY 2012-FY 2013</b>
General Revenue	\$9,678,102	\$0	-100.0%	\$0	N/A
General Services	\$307,000	\$240,382	-21.7%	\$240,681	0.1%
Agency Fund	\$629,377	\$683,117	8.5%	\$683,299	0.0%
Coal Research and Development Fund	\$10,000,000	\$0	-100.0%	\$0	N/A
<b>TOTAL</b>	<b>\$20,614,479</b>	<b>\$923,499</b>	<b>-95.5%</b>	<b>\$923,980</b>	<b>0.1%</b>

\*FY 2011 figures represent estimated expenditures.

The 95.5% decrease in funding from FY 2011 to FY 2012 is due almost entirely to the transfer of OCDO to the Department of Development. The appropriation lines retained in the OAQDA budget are reduced by less than \$13,000, or 1.4%, from FY 2011 to FY 2012.

The following chart provides executive recommendations for the next biennium broken down by expense category.

**Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2012-FY 2013**



## ANALYSIS OF EXECUTIVE PROPOSAL

The following table shows the recommended funding levels for the Ohio Air Quality Development Authority's office.

Recommended Amounts for Air Quality Development Authority				
Fund	ALI and Name		FY 2012	FY 2013
<b>General Services Fund Group</b>				
5EG0	898608	Energy Strategy Development	\$240,382	\$240,681
<b>General Services Fund Group Subtotal</b>			<b>\$240,382</b>	<b>\$240,681</b>
<b>Agency Fund Group</b>				
4Z90	898602	Small Business Ombudsman	\$288,050	\$288,232
5700	898601	Operating Expenses	\$323,980	\$323,980
5A00	898603	Small Business Assistance	\$71,087	\$71,087
<b>Agency Fund Group Subtotal</b>			<b>\$683,117</b>	<b>\$683,299</b>
<b>Total Funding: Air Quality Development Authority</b>			<b>\$923,499</b>	<b>\$923,980</b>

### Operating Expenses (898601)

This line item provides funding for payroll, fringe benefits, and maintenance for the Authority's employees and five (appointed by the Governor) of the seven board members. The employees' three funded activities include administering the state's primary air quality financing assistance program, overseeing the Clean Air Resource Center, which focuses on small businesses, and administering the Advanced Energy Job Stimulus Program resulting from H.B. 554 of the 127th General Assembly.

The main OAQDA activity pertains to the issuance of project revenue bonds and the administration of the state's primary air quality financing assistance program, which serves Ohio business and public sector entities. The program is completely market driven; bond issuance in a given year may total between \$300 million and \$900 million. Administering the financing assistance program entails educating the potential client base about the program, developing potential projects, reviewing applications, authorizing the issuance of bonds, issuing those bonds, and administering outstanding bonds throughout their terms (terms can be as long as 40 years).

The executive proposal provides funding to continue these three activities. The executive recommends \$323,980 for FY 2012 and same amount in FY 2013. This amount is 22.7% higher than the estimated expenditures for FY 2011.

### Small Business Ombudsman (898602)

This line item provides funding for the Office of Ombudsman for the Small Business Stationary Source Technical and Environmental Compliance Assistance Program. OAQDA operates the Office of Ombudsman under the name the "Clean Air

Resource Center." The program is part of the Ohio Environmental Protection Agency's State Implementation Plan required by the federal Clean Air Act Amendments of 1990. The Clean Air Resource Center serves not only as a repository of complaints, but also as a source of education and assistance. This program is funded, as required by federal and state statute, by revenue generated by permit fees collected pursuant to Title V of the Clean Air Amendments of 1990.

OAQDA estimates that approximately 40,000 small businesses (100 or fewer employees and not a major source of air emissions) across the state must know whether or not they are covered by the federal Clean Air requirements, and, if they are, what they must do to be in compliance. The Clean Air Resource Center, according to OAQDA, translates complex federal rules and regulations into language which is both accessible and understandable to small business owners. The program is based upon OAQDA's recognition that small businesses face considerable resource challenges as they address the environmental requirements set forth in the federal Clean Air Amendments of 1990.

The executive proposal recommends \$288,050 for FY 2012 and \$288,232 in FY 2013. The FY 2012 amount is 2.1% less than the \$294,290 estimated expenditures for FY 2011, and the FY 2013 amount is 0.1% higher than the FY 2012 amount.

### **Small Business Assistance (898603)**

This line item enables the Authority to provide financing assistance to small businesses with 100 or fewer employees and allows them to attain the benefits of the Authority's financing without incurring all the costs normally associated with bond finance. The grant program is funded by Title V fees, and supplements the financing capacity of the Clean Air Resource Center. Once small businesses understand compliance with the law, the OAQDA assists businesses in determining how to pay for any changes which must be made in their business. According to OAQDA, the Clean Air Resource Center has worked over the last several years to make its financing assistance a practical option for small businesses by utilizing the grants authorized by appropriation item 898603.

The executive budget recommends \$71,087 for FY 2012 and the same amount in FY 2013. This annual amount is the same as the estimated expenditures for FY 2011.

### **Energy Strategy Development (898608)**

This line item provides funding for the Authority to coordinate with delegated personnel from other state agencies for the purpose of developing energy initiatives, projects, and policy for the state. The Energy Strategy Development Program administers the \$150 million Advanced Energy Program created and funded through

H.B. 554 of the 127th General Assembly.<sup>1</sup> The proposed transfer of the Ohio Coal Development Office would remove the coal projects from OAQDA's budget, but the Authority would retain its duties pertaining to noncoal advanced energy projects. The agency cites job creation and deployment of advanced technologies as the key program metrics for evaluating all of the projects that receive an Advanced Energy Program loan. Additionally, OAQDA monitors the performance of each project's adherence to principal and interest repayments.

In addition to the duties pertaining to those resulting from H.B. 554, the Authority meets directly with developers, manufacturers, and consumers of advanced energy technologies to stay abreast of Ohio's position within those markets and to encourage further investment in Ohio.

The executive proposal provides funding to coordinate the efforts of the Energy Strategy Development Program. The executive recommends \$240,382 for FY 2012 and \$240,681 for FY 2013. This FY 2012 amount is 21.7% less than the estimated expenditures for FY 2011. In addition, the executive proposal allows the Director of Budget and Management to transfer cash from various funds to Fund 5EG0 to be used by the Authority for such purposes. The amounts that may be transferred each fiscal year of the biennium, and the funds from which the cash may be transferred, are:

1. \$27,405 from the Office Services Fund (Fund 1170), used by the Department of Administrative Services, in FY 2012 and \$27,439 in FY 2013;
2. \$27,405 from the Central Support Indirect Cost Fund (Fund 5GH0), used by the Department of Agriculture, in FY 2012 and \$27,439 in FY 2013;
3. \$27,405 from the Supportive Services Fund (Fund 1350), used by the Department of Development, in FY 2012 and \$27,439 in FY 2013;
4. \$27,405 from the Central Support Indirect Cost Fund (Fund 2190), used by the Environmental Protection Agency, in FY 2012 and \$27,439 in FY 2013;
5. \$27,405 from the Central Support Indirect Chargeback Fund (Fund 1570), used by the Department of Natural Resources, in FY 2012 and \$27,439 in FY 2013; and
6. \$39,150 from the Highway Operating Fund (Fund 7002), used by the Department of Transportation, in FY 2012 and \$39,199 in FY 2013.

*AIR.docx / sle*

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<sup>1</sup> According to OAQDA, the final bond issuance for noncoal projects authorized by the Advanced Energy Job Stimulus Program is currently scheduled for May 2011. All other noncoal projects, which total \$56 million, have already been initiated and are currently being monitored.

## Air Quality Development Authority

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### General Revenue Fund

#### **GRF 898401 Future Gen Assistance**

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$1,000,000	\$0	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	-100%	N/A	N/A	<b>N/A</b>	<b>N/A</b>

**Source:** General Revenue Fund

**Legal Basis:** As needed line item (originally established by H.B. 440 of the 126th G.A.)

**Purpose:** This line item was used to make grants for the drilling of a test well (Project name: The Ohio Stratigraphic Borehole) to assist the state's efforts to secure the United States Department of Energy FutureGen Initiative Program.

#### **GRF 898402 Coal Development Office**

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$216,236	\$527,447	\$380,015	\$296,902	<b>\$0</b>	<b>\$0</b>
	143.9%	-28.0%	-21.9%	<b>-100%</b>	<b>N/A</b>

**Source:** General Revenue Fund

**Legal Basis:** ORC 1551.11 through 1551.35, 1555.02 through 1555.17; Section 213.10 of Am. Sub. H.B. 1 of the 128th G.A. (originally established by Am. Sub. H.B. 291 of the 115th G.A.)

**Purpose:** These funds will pay for the administrative costs of evaluating and processing research proposals and grant administration, which contribute to the development of clean coal technology as a major energy resource.

#### **GRF 898901 Coal Research and Development General Obligation Debt Service**

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$6,956,136	\$8,132,872	\$8,693,317	\$9,381,200	<b>\$0</b>	<b>\$0</b>
	16.9%	6.9%	7.9%	<b>-100%</b>	<b>N/A</b>

**Source:** General Revenue Fund

**Legal Basis:** ORC 1555.08; Section 213.10 of Am. Sub. H.B. 1 of the 128th G.A. (originally established in ORC 151.07 and Section 15 of Article VIII of the Ohio Constitution, approved by voters on November 5, 1985)

**Purpose:** This line item will pay for debt service on bonds issued to provide funds for financial assistance for research and development of clean coal technology that will encourage the use of Ohio coal. Not more than \$100 million in bonds may be outstanding in any single calendar year. Prior to FY 2002, this item was paid from the budget of the Commissioners of the Sinking Fund.

## Air Quality Development Authority

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### General Services Fund Group

#### **5EG0 898608 Energy Strategy Development**

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$120,734	\$270,948	\$298,300	\$307,000	<b>\$240,382</b>	<b>\$240,681</b>
	124.4%	10.1%	2.9%	<b>-21.7%</b>	<b>0.1%</b>

**Source:** General Services Fund Group: Federal grants, private grants and loans, and fund transfers from GSF Funds (Fund 1170 used by the Department of Administrative Services; Fund 5GH0 used by the Department of Agriculture; Fund 1350 used by the Department of Development; Fund 2190 used by the Environmental Protection Agency; and Fund 1570 used by the Department of Natural Resources), and HOF Fund 7002 used by the Department of Transportation

**Legal Basis:** Section 213.20 of Am. Sub. H.B. 1 of the 128th G.A. (originally created in Am. Sub. H.B. 119 of the 127th G.A.)

**Purpose:** This line item provides funds which are used to coordinate with other state agencies on energy issues, and to develop energy initiatives, projects, and policy for the state.

### Federal Special Revenue Fund Group

#### **3BM0 898607 Air Quality Development Federal/Oxygen Fuel**

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$417,458	\$8,650	\$4,622	\$0	<b>\$0</b>	<b>\$0</b>
	-97.9%	-46.6%	-100%	<b>N/A</b>	<b>N/A</b>

**Source:** Federal Special Revenue Fund Group: Federal grants from the United States Environmental Protection Agency (USEPA)

**Legal Basis:** As needed line item (originally established by the Controlling Board on June 12, 2006)

**Purpose:** This line item was used to assist the development and testing of oxy-fuel combustion technology.

## Air Quality Development Authority

### Agency Fund Group

#### 4Z90 898602 Small Business Ombudsman

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$196,042	\$243,721	\$297,453	\$294,290	<b>\$288,050</b>	<b>\$288,232</b>
	24.3%	22.0%	-1.1%	<b>-2.1%</b>	<b>0.1%</b>

**Source:** Agency Fund Group: Title V permit fees administered by the Ohio Environmental Protection Agency

**Legal Basis:** ORC 3706.19 (mandated by Federal Clean Air Act Amendments of 1990)

**Purpose:** The Clean Air Ombudsman for Small Business educates small businesses about requirements of Clean Air regulations at the state and federal levels; provides access to expert technical advice on rules, regulations, and compliance options; and provides financing advice and assistance to small businesses.

#### 5700 898601 Operating Expenses

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$252,874	\$256,330	\$204,838	\$264,000	<b>\$323,980</b>	<b>\$323,980</b>
	1.4%	-20.1%	28.9%	<b>22.7%</b>	<b>0.0%</b>

**Source:** Agency Fund Group: Fees and charges paid by firms for which the OAQDA issues tax-exempt or taxable bonds

**Legal Basis:** ORC 3706.01 through 3706.30

**Purpose:** This line item contains funds for personal services for the OAQDA. These funds are used to compensate the authority's board members and employees. Funds are transferred from the authority's general trust fund to this line item solely to cover payroll costs through the state personnel system.

#### 5A00 898603 Small Business Assistance

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$2,240	\$0	\$5,942	\$71,087	<b>\$71,087</b>	<b>\$71,087</b>
	-100%	N/A	1096.3%	<b>0.0%</b>	<b>0.0%</b>

**Source:** Agency Fund Group: Title V permit fees administered by the Ohio Environmental Protection Agency

**Legal Basis:** ORC 3706.19

**Purpose:** This line item provides funds which are used to enable small businesses to attain the benefits of OAQDA financing without incurring all the costs normally associated with bond finance.

## Air Quality Development Authority

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### Coal Research/Development Fund

**7046 898604 Coal Research and Development Fund**

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$5,700,184	\$3,499,889	\$35,049,340	\$10,000,000	<b>\$0</b>	<b>\$0</b>
	-38.6%	901.4%	-71.5%	<b>-100%</b>	<b>N/A</b>

**Source:** Coal Research/Development Fund: Coal bond proceeds

**Legal Basis:** ORC 1555.15; Section 213.10 of Am. Sub. H.B. 1 of the 128th G.A. (originally established in ORC 151.07 and Section 15 of Article VIII of the Ohio Constitution, approved by voters on November 5, 1985, and by Am. Sub. H.B. 750 of the 116th G.A.)

**Purpose:** The funds will be directed toward programs that seek to find ways to burn clean Ohio coal with fewer emissions in a manner that meets federal clean air standards.

# FY 2012 - FY 2013 Introduced Appropriation Amounts

# All Fund Groups

Line Item Detail by Agency			FY 2010	Estimate FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Introduced</b>					
<b>AIR Air Quality Development Authority</b>								
GRF	898402	Coal Development Office	\$ 380,015	\$ 296,902	\$ 0	-100.00%	\$ 0	N/A
GRF	898901	Coal Research and Development General Obligation Debt Service	\$ 8,693,317	\$ 9,381,200	\$ 0	-100.00%	\$ 0	N/A
<b>General Revenue Fund Total</b>			<b>\$ 9,073,332</b>	<b>\$ 9,678,102</b>	<b>\$ 0</b>	<b>-100.00%</b>	<b>\$ 0</b>	<b>N/A</b>
5EG0	898608	Energy Strategy Development	\$ 298,300	\$ 307,000	\$ 240,382	-21.70%	\$ 240,681	0.12%
<b>General Services Fund Group Total</b>			<b>\$ 298,300</b>	<b>\$ 307,000</b>	<b>\$ 240,382</b>	<b>-21.70%</b>	<b>\$ 240,681</b>	<b>0.12%</b>
3BM0	898607	Air Quality Development Federal/Oxygen Fuel	\$ 4,622	\$ 0	\$ 0	N/A	\$ 0	N/A
<b>Federal Special Revenue Fund Group Total</b>			<b>\$ 4,622</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>N/A</b>	<b>\$ 0</b>	<b>N/A</b>
4Z90	898602	Small Business Ombudsman	\$ 297,453	\$ 294,290	\$ 288,050	-2.12%	\$ 288,232	0.06%
5700	898601	Operating Expenses	\$ 204,838	\$ 264,000	\$ 323,980	22.72%	\$ 323,980	0.00%
5A00	898603	Small Business Assistance	\$ 5,942	\$ 71,087	\$ 71,087	0.00%	\$ 71,087	0.00%
<b>Agency Fund Group Total</b>			<b>\$ 508,234</b>	<b>\$ 629,377</b>	<b>\$ 683,117</b>	<b>8.54%</b>	<b>\$ 683,299</b>	<b>0.03%</b>
7046	898604	Coal Research and Development Fund	\$ 35,049,340	\$ 10,000,000	\$ 0	-100.00%	\$ 0	N/A
<b>Coal Research/Development Fund Total</b>			<b>\$ 35,049,340</b>	<b>\$ 10,000,000</b>	<b>\$ 0</b>	<b>-100.00%</b>	<b>\$ 0</b>	<b>N/A</b>
<b>Air Quality Development Authority Total</b>			<b>\$ 44,933,827</b>	<b>\$ 20,614,479</b>	<b>\$ 923,499</b>	<b>-95.52%</b>	<b>\$ 923,980</b>	<b>0.05%</b>