

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

- Nearly all of H.B. 153 budget covers debt service on bonds issued under SCIP and Clean Ohio programs
- Remainder pays for operating expenses of Clean Ohio Program.
- Development of new information technology platform will continue in FY 2012-FY 2013

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). Currently, the Commission employs a staff of 11.

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 of COCP. The Governor's funding recommendations for these programs are summarized in Table 1 below.

Fund Group	FY 2011*	FY 2012	% change FY 2011-FY 2012	FY 2013	% change FY 2012-FY 2013
General Revenue	\$155,795,600	\$128,723,600	(17.4%)	\$244,868,400	90.2%
Clean Ohio Conservation	\$311,509	\$300,000	(3.7%)	\$288,980	(3.7%)
TOTAL	\$156,107,109	\$129,023,600	(17.4%)	\$245,157,380	90.0%

*FY 2011 figures represent estimated expenditures. These figures do not reflect a February 2011 appropriation increase of \$14,983,000 for one of PWC's GRF debt service line items, bringing total GRF adjusted appropriations to \$170,778,600 for FY 2011. The adjustment was made pursuant to Section 518.10 of H.B. 1 of the 128th General Assembly, the main operating budget act for FY 2010-FY 2011, which authorizes additional appropriations for the payment of general obligation debt service if they are necessary.

The executive budget recommendations for PWC in the main operating appropriations bill, H.B. 153, total \$129.0 million in FY 2012 and \$245.2 million in FY 2013, or \$374.2 million for the biennium. Of this biennial total, nearly all comes from

the GRF for debt service payments. The large fluctuation in GRF debt service payments between FY 2011 and the executive recommendations of \$128.7 million in FY 2012 and \$244.9 million in FY 2013 are the result of the Governor's proposal to restructure certain FY 2012 debt service payments currently scheduled to be paid from the GRF into later biennia. Overall, this initiative lowers the debt service payable from the GRF in FY 2012 by approximately \$440 million in order to fund various state services and repays that debt service from FY 2015 through FY 2025. According to the Governor's *Blue Book*, no debt restructuring is necessary in FY 2013, as the executive proposal permits all currently scheduled payments of principal and interest from the GRF to be made in that year.

As noted above, the main operating budget also funds the operating expenses associated with PWC's portion of (COCP). The amounts recommended will allow PWC to maintain the the same level of services as under the current biennium.

Budget by Category of Expense

In terms of categories of expense, nearly all of PWC's main operating budget appropriations pay debt service on SCIP and COCP bonds. A small portion (less than 0.2%) of the budget pays for payroll, purchased services, supplies, and equipment associated with the administration of PWC's portion of COCP. Table 2 below summarizes PWC's budget by category of expense.

Category of Expense	FY 2011 Estimate	FY 2012 Recommended	FY 2013 Recommended	FY 2012-FY 2013 Biennium Total
Debt Service	\$155,795,600	\$128,723,600	\$244,868,400	\$373,592,000
Personal Services	\$234,000	\$247,548	\$244,938	\$492,486
Supplies and Maintenance	\$31,420	\$27,200	\$27,200	\$54,400
Purchased Services	\$43,152	\$23,210	\$14,800	\$38,010
Equipment	\$2,937	\$2,042	\$2,042	\$4,084
TOTAL	\$156,107,109	\$129,023,600	\$245,157,380	\$374,180,980

Personal services expenses increase from FY 2011 to FY 2012 and FY 2013 due to various increases in payroll-related costs. The allotment for purchased services is slated to decline because PWC expects a reduced level of expenditure in the upcoming biennium for temporary services and for consultants hired to assist with PWC's transition to a new information technology platform (see additional details concerning the development of a new platform below).

Overall, when the operating expenses for COCP, which are funded in this bill, and the operating expenses for SCIP and LTIP, which are funded in the transportation budget bill, or are combined, PWC's total budget for operating expenses would be

around \$1.5 million in each fiscal year of the upcoming biennium, amounts that are in line with the FY 2010-FY 2011 operating budget.

Summary of FY 2012-FY 2013 Budget Issues

Development of New Information Technology Platform

One of PWC's major objectives in the FY 2012-FY 2013 biennium will be to continue the design and development of a new IT platform. The Commission's existing IT infrastructure, which manages large amounts of project and financial data, dates to the early 1990s. Under the current FY 2010-FY 2011 budget, PWC contracted with a vendor to perform an assessment of its IT systems. The assessment covered PWC's business processes, analyzed PWC operations and computer systems, and suggested a technical transition plan and roadmap to a future IT platform. Spending for this project in the FY 2010-FY 2011 biennium is likely to be around \$117,000.

The FY 2012-FY 2013 recommended budget would allow PWC to continue working with the consultant to develop and revise the transition plan. Specifically, the consultant will work with PWC to decide on the final project road map and software solution and finalize functional and technical requirements. PWC is also planning on submitting a request for proposals and selecting a vendor to implement the new IT platform during this time. These activities may cost up to \$50,000 per fiscal year. The current timeline proposes implementation of the new system during the FY 2014-FY 2015 biennium. According to PWC, the implementation costs would be funded with the investment income earned on the Commission's various funds.

Continuing Initiatives

In addition to the development of new IT systems, PWC will focus on (1) providing ongoing technical assistance to district integrating committees and local governments, (2) maintaining information systems such as the statewide infrastructure needs database, (3) developing forms and procedures to make the application review and approval process more efficient, and (4) preparing timely and accurate capital disbursement reports produced by the Ohio Administrative Knowledge System (OAKS) to meet the needs of auditors and local government officials.

Summary of PWC Funding Provided in Transportation Budget Bill

H.B. 114, the FY 2012-FY 2013 transportation budget of the 129th General Assembly, appropriated approximately \$57.2 million in each fiscal year for PWC. The majority of H.B. 114 funding is for LTIP, which provides direct grants to counties, cities, townships, and villages to assist in the costs associated with local road and bridge projects. Grants are allocated to each of PWC's 19 public works district integrating committees on a per capita basis. LTIP receives one cent per gallon of the motor vehicle fuel tax. The bill also provides capital funding of \$150 million for SCIP and

\$49 million for the SCIP revolving loan program. The amounts authorized for SCIP fund the program for FY 2012.

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 (DPWICs). 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. 114, 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 DPWIC. There are 19 public works districts that are responsible for recommending projects to PWC. 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 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, a 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 (COCP)

As mentioned previously, PWC also administers the COCP component of the four-pronged Clean Ohio Fund initiative. The goal of COCP is to preserve open space, stream corridors, and other land valued for its ecological importance. The funding allocation process for COCP is nearly identical to that for SCIP and LTIP, except that local governments and nonprofit organizations apply for 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 State Capital Improvements Program (SCIP) and the Clean Ohio Conservation Program (COCP). The appropriations also provide for the operating expenses associated with COCP.

Governor's Recommended Funding for PWC				
Fund	ALI and Name		FY 2012	FY 2013
General Revenue Fund				
GRF	150907	State Capital Improvements General Obligation Debt Service	\$106,770,600	\$215,571,100
GRF	150904	Conservation General Obligation Debt Service	\$21,953,000	\$29,297,300
General Revenue Fund Subtotal			\$128,723,600	\$244,868,400
Clean Ohio Conservation Fund Group				
7056	150403	Clean Ohio Operating Expenses	\$300,000	\$288,980
Clean Ohio Conservation Fund Group Subtotal			\$300,000	\$288,980
Total Funding: PWC			\$129,023,600	\$245,157,380

State Capital Improvements General Obligation Debt Service (150907)

This line item pays the debt service on 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 has been issued to provide the grants and loans. Beginning with program year 25 of SCIP, corresponding to FY 2012, the amount eligible for issuance increases to \$150 million. 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 and the Emergency Assistance Program, under which certain amounts are set aside each fiscal year for villages and townships with less than 5,000 in population and for infrastructure emergencies, respectively.

The executive recommends GRF funding of \$106.8 million in FY 2012 and \$215.6 million in FY 2013 for this line item. The large increase in GRF debt service payments between FY 2012 and FY 2013 are the result of the Governor's proposal to restructure certain FY 2012 debt service payments currently scheduled to be paid from the GRF into later biennia. Under the Governor's proposal, no restructuring is needed for debt service scheduled for payment in FY 2013.

Conservation General Obligation Debt Service (150904)

This line item pays the debt service on Clean Ohio Conservation bonds. The executive recommendations provide GRF funding of \$22.0 million in FY 2012 and \$29.3 million in FY 2013 for this purpose. As with SCIP, the large increase in GRF debt service payments between FY 2012 and FY 2013 are the result of the Governor's proposal to restructure certain FY 2012 debt service payments currently scheduled to be paid from the GRF into later biennia. Under the Governor's proposal, no restructuring is needed for debt service scheduled for payment in FY 2013.

Clean Ohio Operating Expenses (150403)

This line item funds the operating expenses of COCP, which was created by H.B. 3 of the 124th General Assembly and renewed through the approval of voters in November 2008. PWC's portion of 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.

COCP grant funding is derived from bond sales of \$50 million per year, of which 75% is used for open space acquisition, 12.5% for agricultural easements (administered by the Department of Agriculture), and 12.5% for recreational trail construction (administered by the Department of Natural Resources). The last capital appropriations for the COCP program were included in H.B. 562 of the 127th General Assembly, the capital appropriations measure for the FY 2009-FY 2010 biennium, as amended by H.B. 2 of the 128th General Assembly.

PWC aligns its budget to reflect the administrative effort necessary to manage its programs. COCP 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 applications, executing funding agreements, disbursing funds, and providing technical assistance, such as attendance at natural resource council meetings and project monitoring. The executive recommends \$300,000 in FY 2012 and \$288,980 in FY 2013 for these activities, which are funded by investment income earned on the Clean Ohio Conservation Fund (Fund 7056). Overall, though the amounts recommended are slightly lower than those for FY 2011, they will enable the Commission to maintain current operations.

The amounts recommended for FY 2012 and FY 2013 reflect increased personal services expenses due to budgeted merit pay raises, the resumption of step increases, as well as projected increases in other payroll-related costs, such as the 32-hour pay supplement scheduled for FY 2012. Offsetting this increase is a reduction in the amount allotted for purchased services. PWC expects a reduced level of expenditure in the

upcoming biennium for temporary services assisting with various project management functions (i.e., producing project agreements, processing disbursement requests, processing requests to proceed with projects, and so on) and for consultants hired to assist with PWC's transition to a new IT platform. In the FY 2010-FY 2011 budget, PWC included some contingency funding in case temporary help was needed during a staff vacancy or to assist with the increased project administration workload brought about by H.B. 554, the Jobs Stimulus Bill of the 127th General Assembly. The bill boosted funding for SCIP and LTIP, allowing a substantially larger number of SCIP and LTIP projects to be funded in the current biennium. PWC has used this contingency to bring on two temporary workers at various times throughout the FY 2010-FY 2011 biennium.

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Public Works Commission

General Revenue Fund

GRF 150904 Conservation General Obligation Debt Service

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$15,715,668	\$18,475,510	\$18,324,110	\$25,225,900	\$21,953,000	\$29,297,300
	17.6%	-0.8%	37.7%	-13.0%	33.5%

Source: General Revenue Fund

Legal Basis: ORC 151.01 and 151.09; Section 365.10 of Am. Sub. H.B. 1 of the 128th 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 to support the Clean Ohio Conservation Program. The Governor's proposal for FY 2012-FY 2013 restructures certain FY 2012 debt service payments currently scheduled to be paid from the GRF into later biennia.

GRF 150907 State Capital Improvements General Obligation Debt Service

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$172,150,271	\$185,940,729	\$108,907,171	\$130,569,700	\$106,770,600	\$215,571,100
	8.0%	-41.4%	19.9%	-18.2%	101.9%

Source: General Revenue Fund

Legal Basis: ORC 151.01 and 151.08; Section 365.10 of Am. Sub. H.B. 1 of the 128th G.A.

Purpose: This line item is used to pay all debt service and financing costs on obligations issued to support the State Capital Improvement Program. The Governor's proposal for FY 2012-FY 2013 restructures certain FY 2012 debt service payments currently scheduled to be paid from the GRF into later biennia.

Public Works Commission

Clean Ohio Conservation Fund

7056 150403 Clean Ohio Operating Expenses

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$242,948	\$241,714	\$230,834	\$311,509	\$300,000	\$288,980
	-0.5%	-4.5%	34.9%	-3.7%	-3.7%

Source: Clean Ohio Conservation Fund: Investment income

Legal Basis: ORC 164.27; Section 365.10 of Am. Sub. H.B. 1 of the 128th G.A. (originally established by Am. Sub. H.B. 3 of 124th G.A.)

Purpose: This line item funds the administrative expenses of the Public Works Commission's portion of the Clean Ohio Conservation Program. The Commission's administrative activities involve reviewing and approving project applications, executing funding agreements, disbursing funds, project monitoring, and attendance at natural resource council meetings. The Clean Ohio Conservation Program provides grants to local political subdivisions and nonprofit organizations to acquire and provide access improvements to open space and enhance riparian corridors. Grant funding, which is derived from bond sales and appropriated in capital appropriations acts, is allocated on a modified per capita basis.

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
Report For Main Operating Appropriations Bill			Version: As Introduced					
PWC Public Works Commission								
GRF	150904	Conservation General Obligation Debt Service	\$ 18,324,110	\$ 25,225,900	\$ 21,953,000	-12.97%	\$ 29,297,300	33.45%
GRF	150907	State Capital Improvements General Obligation Debt Service	\$ 108,907,171	\$ 130,569,700	\$ 106,770,600	-18.23%	\$ 215,571,100	101.90%
General Revenue Fund Total			\$ 127,231,281	\$ 155,795,600	\$ 128,723,600	-17.38%	\$ 244,868,400	90.23%
7056	150403	Clean Ohio Operating Expenses	\$ 230,834	\$ 311,509	\$ 300,000	-3.69%	\$ 288,980	-3.67%
Clean Ohio Conservation Fund Total			\$ 230,834	\$ 311,509	\$ 300,000	-3.69%	\$ 288,980	-3.67%
Public Works Commission Total			\$ 127,462,115	\$ 156,107,109	\$ 129,023,600	-17.35%	\$ 245,157,380	90.01%