

LSC Redbook

Analysis of the Executive Budget Proposal

Southern Ohio Agricultural and Community Development Foundation

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

Southern Ohio Agricultural and Community Development Foundation

- Approximately \$4.1 million in awards issued in FY 2010
- SOA issues grant awards through its endowment fund
- Proposed funding of \$863,300 in the state budget covers the Foundation's payroll for the biennium

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, while day-to-day operations are overseen by an executive director and four staff.

The Foundation advances its mission through three key programs. The Educational Assistance Program provides education and training assistance to tobacco farmers to help them make the transition from tobacco production to other crops. The Agricultural Development 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. Finally, 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.

Since FY 2010, all three of the Foundation's grant programs and operating expenses have been entirely supported by an endowment fund and the investment and interest earnings associated with that fund. The endowment fund is not subject to the General Assembly's appropriation process. Previously, the Foundation was appropriated funding based on the stream of revenue derived from the 1998 Tobacco Master Settlement Agreement between the states and major tobacco manufacturers. Ohio's share of these proceeds has been securitized and set aside for public school and higher education facilities construction.

Appropriation Overview

While grant awards are disbursed from the Southern Ohio Agricultural and Community Development Foundation Endowment Fund and are not subject to the appropriation process, the General Assembly is responsible for appropriating the funding to cover the Foundation's payroll. These payroll costs are supported by periodic transfers from the Endowment Fund to the Southern Ohio Agricultural and Community Development Operating Expenses Fund (Fund 5M90). The executive proposes to fund the payroll expenses associated with the five employees of the Foundation with \$436,500 in FY 2012, a 3.0% decrease when compared to estimated FY 2011 spending of \$449,835 for this purpose. The amount proposed for FY 2013 is \$426,800, a further 2.2% reduction from the FY 2012 amount.

ANALYSIS OF EXECUTIVE PROPOSAL

Governor's Recommended Amounts for the Southern Ohio Agricultural and Community Development Foundation				
Fund	ALI and Name		FY 2012	FY 2013
Southern Ohio Agricultural and Community Development Operating Expenses Fund				
5M90	945601	Operating Expenses	\$436,500	\$426,800

Operating Expenses (945601)

Fund 5M90, line item 945601, Operating Expenses, is used to cover payroll expenses for the five employees of the Southern Ohio Agricultural and Community Development Foundation. The Foundation's offices are located in Hillsboro. The amount recommended for payroll expenses in FY 2012 is \$436,500, approximately 3.0% less than estimated FY 2011 payroll expenses. For FY 2013, the amount recommended for payroll is \$426,800, a 2.2% decrease compared to the FY 2012 amount.

The source of revenue for Fund 5M90 is periodic transfers of cash that the Treasurer of State is required to make from the Southern Ohio Agricultural and Community Development Foundation Endowment Fund. The Endowment Fund, it should be noted, is not subject to the appropriation process. Information about the grant programs that SOA administers and that are funded by the Endowment Fund is provided below.

Grant Programs Supported by the Endowment Fund

According to the Treasurer of State's annual report for FY 2010, the beginning FY 2011 balance of the Southern Ohio Agricultural and Community Development Foundation Endowment Fund was approximately \$20.8 million. SOA made approximately \$4.1 million in grant awards in FY 2010. The number and amount of grants awarded in FY 2010 are shown in the table below. Below the table is a description of the three types of grant awards issued by the Foundation.

SOA Awards Issued in FY 2010		
Program	Awards Issued	Total
Educational Assistance	419	\$1,250,000
Economic Development	13	\$600,000
Agricultural Development – Tier 1	81	\$350,000
Agricultural Development – Tier 2	90	\$1,900,000
Total	603	\$4,100,000

Agricultural Development

Of the three grant programs, awards made under both parts of the Agricultural Development Program account for \$2.25 million, or 54.9% of the total awarded in FY 2010. This program offers competitive grants to tobacco farmers who undertake projects that expand or diversify their businesses into nontobacco-related agricultural markets. To qualify for funding, farmers must submit business plans and demonstrate their own financial commitment to the projects. The grants can be used to reimburse recipients for the costs of goods or equipment directly related to business transition plans, labor costs, and acquisition costs of certain types of livestock. Growers within the 22 burley tobacco producing counties in southern Ohio are eligible. The grants are issued in two tiers. Under Tier 1 grants, farmers may seek reimbursement for 50% of eligible expenses, with a cap of \$5,000. Tier 2 allows for reimbursement of 50% of eligible costs but with a cap of \$25,000. Because of the higher award levels, applicants for Tier 2 must meet stricter qualifying criteria. Their applications must also include current and future year cash flow projections.

Educational Assistance

Educational Assistance grants accounted for a further \$1.25 million, or 30.5% of the sums awarded in FY 2010. The Educational Assistance Grant Program offers tobacco growers and their dependents tuition assistance if they are enrolled in undergraduate or graduate programs in fields other than tobacco farming, and reimbursements for non-degree programs.

Economic Development

Finally, there were 13 awards worth \$600,000, or approximately 14.6% of the total, awarded under the Economic Development Grant Program in FY 2010. The Economic Development Grant Program is targeted toward communities affected by the reduction in demand for tobacco and provides financial assistance to projects that create, retain, or expand job opportunities for residents in these areas. Eligible recipients include political subdivisions and businesses.

Southern Ohio Agricultural and Community Development Foundation

General Revenue Fund

GRF 945321 Operating Expenses

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$0	\$406,881	\$0	\$0	\$0	\$0
	N/A	-100%	N/A	N/A	N/A

Source: General Revenue Fund

Legal Basis: Discontinued line item

Purpose: This line item was used for payroll expenses related to the administration of the Southern Ohio Agricultural and Community Development Foundation in FY 2009. Operating expenses prior to FY 2009 were funded through Fund 5M90 appropriation item 945601, Operating Expenses, as they are for the FY 2010-FY 2011 biennium.

GRF 945501 Southern Ohio Agricultural and Community Development Foundation

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$0	\$5,979,130	\$0	\$0	\$0	\$0
	N/A	-100%	N/A	N/A	N/A

Source: General Revenue Fund

Legal Basis: Discontinued line item

Purpose: This line item was used by the Southern Ohio Agricultural and Community Development Foundation to develop and carry 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. This line item funded educational and training assistance grants for Ohio's tobacco farmers. Expenditures for this purpose prior to FY 2009 were funded through Fund K087 appropriation item 945602, Southern Ohio Agricultural and Community Development Foundation. For FY 2010-FY 2011, there is no funding appropriated for educational and training assistance grants. This will require the Southern Ohio Agricultural and Community Development Foundation to use endowment moneys, which are not appropriated by the General Assembly, for these purposes. The endowment holds approximately \$20.0 million.

Southern Ohio Agricultural and Community Development Foundation

Tobacco Master Settlement Agreement Fund Group

5M90 945601 Operating Expenses

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$404,666	\$0	\$399,989	\$449,835	\$436,500	\$426,800
	-100%	N/A	12.5%	-3.0%	-2.2%

Source: Tobacco Master Settlement Agreement Fund Group: Periodic payments from the Southern Ohio Agricultural and Community Development Foundation Endowment Fund

Legal Basis: ORC 183.14; Section 393.10 of Am. Sub. H.B. 1 of the 128th G.A.

Purpose: This line item is used for payroll expenses for five staff who administer the Southern Ohio Agricultural and Community Development Foundation.

K087 945602 Southern Ohio Agricultural and Community Development Foundation

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$7,513,251	\$0	\$0	\$0	\$0	\$0
	-100%	N/A	N/A	N/A	N/A

Source: Tobacco Master Settlement Agreement Fund Group: Amounts transferred under ORC 183.02 (C)(1) from the Tobacco Master Settlement Agreement

Legal Basis: Discontinued line item

Purpose: This line item was used to administer the Foundation and to provide grants for educational assistance to Ohio's tobacco farm families.

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					
SOA Southern Ohio Agricultural and Community Development Foundation								
5M90	945601	Operating Expenses	\$ 399,989	\$ 449,835	\$ 436,500	-2.96%	\$ 426,800	-2.22%
----- Tobacco Master Settlement Agreement Fund Group Total			\$ 399,989	\$ 449,835	\$ 436,500	-2.96%	\$ 426,800	-2.22%
Southern Ohio Agricultural and Community Development Foundation Tot			\$ 399,989	\$ 449,835	\$ 436,500	-2.96%	\$ 426,800	-2.22%