

LSC Redbook

Analysis of the Executive Budget Proposal

Public Works Commission

Main Operating Budget Funding

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ATTACHMENTS:

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

Public Works Commission

- Nearly all of PWC's budget in H.B. 59 covers debt service on bonds issued under SCIP and Clean Ohio programs
- Remainder pays for the operating expenses of the Clean Ohio Conservation Program

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 and a portion of bond proceeds. 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 ten.

Appropriation Overview

PWC's programs and operations are funded by a variety of appropriations bills. The main operating budget bill, H.B. 59, which is 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 2013*	FY 2014	% change FY 2013-FY 2014	FY 2015	% change FY 2014-FY 2015
General Revenue	\$237,868,400	\$261,186,900	9.8%	\$263,396,600	0.9%
Clean Ohio Conservation	\$288,980	\$288,980	0.0%	\$288,980	0.0%
TOTAL	\$238,157,380	\$261,475,880	9.8%	\$263,685,580	0.9%

*FY 2013 figures represent estimated expenditures.

The executive budget recommendations for PWC in H.B. 59 total \$261.5 million in FY 2014 and \$263.7 million in FY 2015, or \$525.2 million for the biennium. Of this biennial total, nearly all (99.9%) comes from the GRF for debt service payments. The remainder of PWC's portion of the main operating budget funds the operating expenses associated with its administration of the Clean Ohio Conservation Program. The

amounts recommended will allow PWC to maintain approximately 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.

Table 2. Executive Budget Recommendations by Category Expense, FY 2014-FY 2015				
Category of Expense	FY 2013 Estimate	FY 2014 Recommended	FY 2015 Recommended	FY 2014-FY 2015 Biennium Total
Debt Service	\$237,868,400	\$261,186,900	\$263,396,600	\$524,583,500
Personal Services	\$244,936	\$245,484	\$248,720	\$494,204
Supplies and Maintenance	\$27,200	\$33,800	\$28,818	\$62,618
Purchased Services	\$13,800	\$7,654	\$9,400	\$17,054
Equipment	\$3,044	\$2,042	\$2,042	\$4,084
TOTAL	\$238,157,380	\$261,475,880	\$263,685,580	\$525,161,460

Personal services expenses increase from FY 2013 to FY 2014 and FY 2015 due to various increases in payroll-related costs. The allotment for purchased services is continuing to decline because of reduced levels of expenditure for temporary services. 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 H.B. 35, the transportation budget bill, are combined, PWC's total budget for operating expenses would be just under \$1.5 million in each fiscal year of the upcoming biennium, amounts that are in line with the FY 2012-FY 2013 operating budget.

Summary of PWC Funding Provided in Transportation Budget Bill

H.B. 35 of the 130th General Assembly, the FY 2014-FY 2015 transportation budget bill, appropriates approximately \$53.2 million in each fiscal year for PWC. The majority of H.B. 35 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 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. 35, 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 2014	FY 2015
General Revenue Fund				
GRF	150907	State Capital Improvements General Obligation Debt Service	\$227,810,300	\$228,948,900
GRF	150904	Conservation General Obligation Debt Service	\$33,376,600	\$34,447,700
General Revenue Fund Subtotal			\$261,186,900	\$263,396,600
Clean Ohio Conservation Fund Group				
7056	150403	Clean Ohio Operating Expenses	\$288,980	\$288,980
Clean Ohio Conservation Fund Group Subtotal			\$288,980	\$288,980
Total Funding: PWC			\$261,475,880	\$263,685,580

State Capital Improvements General Obligation Debt Service (150907) and Conservation General Obligation Debt Service (150904)

These GRF line items pay the debt service on SCIP bonds and COCP bonds, respectively. 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. Beginning with program year 25 of SCIP, corresponding to FY 2012, the amount eligible for issuance increased from \$120 million to \$150 million per year. 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 proposal appropriates GRF funding of \$227.8 million in FY 2014 and \$228.9 million in FY 2015 for debt service payments from line item 150907, State Capital Improvements General Obligation Debt Service.

Line item 150904, Conservation General Obligation Debt Service, pays the debt service on Clean Ohio Conservation bonds. The executive recommendations provide GRF funding of \$33.4 million in FY 2014 and \$34.4 million in FY 2015 for this purpose.

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 most recently 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 up to \$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, totaling \$36.0 million for the FY 2013-FY 2014 capital biennium, were included in H.B. 487 of the 129th General Assembly, the mid-biennium budget review act.

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 \$288,980 in each fiscal year for these activities, which are funded by investment income earned on the Clean Ohio Conservation Fund (Fund 7056). Overall, these amounts will enable the Commission to maintain current operations.

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Public Works Commission

General Revenue Fund

GRF 150904 Conservation General Obligation Debt Service

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$18,324,110	\$21,409,800	\$21,947,976	\$29,297,300	\$33,376,600	\$34,447,700
	16.8%	2.5%	33.5%	13.9%	3.2%

Source: General Revenue Fund

Legal Basis: ORC 151.01 and 151.09; Section 367.10 of Am. Sub. H.B. 153 of the 129th G.A. (originally established by Am. Sub. H.B. 3 of the 124th G.A.)

Purpose: This line item is used to pay all debt service and financing costs on obligations issued to support the Clean Ohio Conservation Program.

GRF 150907 State Capital Improvements General Obligation Debt Service

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$108,907,171	\$145,552,608	\$87,627,002	\$208,571,100	\$227,810,300	\$228,948,900
	33.6%	-39.8%	138.0%	9.2%	0.5%

Source: General Revenue Fund

Legal Basis: ORC 151.01 and 151.08; Section 367.10 of Am. Sub. H.B. 153 of the 129th G.A. (originally established by Am. Sub. H.B. 94 of the 124th G.A.)

Purpose: Funds in this line item are used for all debt service and financing costs on obligations issued to support the State Capital Improvement Program.

Public Works Commission

Clean Ohio Conservation Fund

7056 150403 Clean Ohio Operating Expenses

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$230,834	\$257,059	\$246,036	\$288,980	\$288,980	\$288,980
	11.4%	-4.3%	17.5%	0.0%	0.0%

Source: Clean Ohio Conservation Fund: Investment income

Legal Basis: ORC 164.27; Section 367.10 of Am. Sub. H.B. 153 of the 129th G.A.
(originally established by Am. Sub. H.B. 3 of 124th G.A.)

Purpose: This line item funds the Public Works Commission's administrative expenses for 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 2014 - FY 2015 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2012	Estimate FY 2013	Introduced FY 2014	FY 2013 to FY 2014 % Change	Introduced FY 2015	FY 2014 to FY 2015 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
PWC Public Works Commission								
GRF	150904	Conservation General Obligation Debt Service	\$ 21,947,976	\$ 29,297,300	\$ 33,376,600	13.92%	\$ 34,447,700	3.21%
GRF	150907	State Capital Improvements General Obligation Debt Service	\$ 87,627,002	\$ 208,571,100	\$ 227,810,300	9.22%	\$ 228,948,900	0.50%
General Revenue Fund Total			\$ 109,574,978	\$ 237,868,400	\$ 261,186,900	9.80%	\$ 263,396,600	0.85%
7056	150403	Clean Ohio Operating Expenses	\$ 246,036	\$ 288,980	\$ 288,980	0.00%	\$ 288,980	0.00%
Clean Ohio Conservation Fund Total			\$ 246,036	\$ 288,980	\$ 288,980	0.00%	\$ 288,980	0.00%
Public Works Commission Total			\$ 109,821,014	\$ 238,157,380	\$ 261,475,880	9.79%	\$ 263,685,580	0.85%