

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

## **Southern Ohio Agricultural and Community Development Foundation**

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# Southern Ohio Agricultural and Community Development Foundation

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- Approximately \$2.9 million in awards issued in FY 2012
- SOA issues grant awards through its endowment fund
- Proposed funding of \$853,600 in the state budget covers the Foundation's payroll for the biennium

## OVERVIEW

The Southern Ohio Agricultural and Community Development Foundation 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 legislative appropriation, 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 \$426,800 in both FY 2014 and FY 2015, matching estimated FY 2013 spending for this purpose.

### Grant Programs Supported by the Endowment Fund

As noted above, only the funding covering payroll for the employees of the Foundation are appropriated under H.B. 59. Funding for the grant award programs supported by the endowment are not subject to appropriation by the General Assembly. Nevertheless, to offer an overview of the Foundation's activities, the table and accompanying narrative below summarize the types of awards issued by the Foundation. In FY 2012, the last full fiscal year for which data are available, the Foundation made approximately \$2.9 million in grant awards across the three programs. The beginning FY 2013 cash balance of the Southern Ohio Agricultural and Community Development Foundation Endowment Fund was approximately \$17.7 million.

Southern Ohio Agricultural and Community Development Foundation Awards Issued in FY 2012		
Program	Awards Issued	Total
Educational Assistance	329	\$915,700
Economic Development	12	\$338,500
Agricultural Development – Tier 1	34	\$225,000
Agricultural Development – Tier 2	68	\$1,463,000
<b>Total</b>	<b>443</b>	<b>\$2,942,200</b>

### Educational Assistance

Educational Assistance grants accounted for \$915,700 million, or 31.1% of the sum awarded by the Foundation in FY 2012. 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, as well as reimbursements for nondegree programs.

### **Economic Development**

There were 12 awards worth \$338,500, or approximately 11.5% of the total, awarded under the Economic Development Grant Program in FY 2012. 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.

### **Agricultural Development**

Of the three grant programs, awards made under both parts of the Agricultural Development Program account for \$1.68 million, or 57.4% of the total awarded in FY 2012. 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.

## ANALYSIS OF EXECUTIVE PROPOSAL

Governor's Recommended Amounts for the Southern Ohio Agricultural and Community Development Foundation				
Fund	ALI and Name		FY 2014	FY 2015
<b>Southern Ohio Agricultural and Community Development Operating Expenses Fund</b>				
5M90	945601	Operating Expenses	\$426,800	\$426,800

### Operating Expenses (945601)

This line item is used to cover payroll expenses for the five employees (three full-time and two part-time) of the Southern Ohio Agricultural and Community Development Foundation headquartered in Hillsboro. The amount recommended for payroll expenses in both FY 2014 and FY 2015 is \$426,800, equaling FY 2013 estimated spending for this purpose. 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 itself is not subject to the appropriation process.

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# Southern Ohio Agricultural and Community Development Foundation

## Tobacco Master Settlement Agreement Fund Group

### 5M90 945601 Operating Expenses

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$399,989	\$425,054	\$439,985	\$426,800	<b>\$426,800</b>	<b>\$426,800</b>
	6.3%	3.5%	-3.0%	<b>0.0%</b>	<b>0.0%</b>

**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 397.10 of Am. Sub. H.B. 153 of the 129th G.A.

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

# 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
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Introduced</b>					
<b>SOA Southern Ohio Agricultural and Community Development Foundation</b>								
5M90	945601	Operating Expenses	\$ 439,985	\$ 426,800	\$ 426,800	0.00%	\$ 426,800	0.00%
<b>Tobacco Master Settlement Agreement Fund Group Total</b>			<b>\$ 439,985</b>	<b>\$ 426,800</b>	<b>\$ 426,800</b>	<b>0.00%</b>	<b>\$ 426,800</b>	<b>0.00%</b>
<b>Southern Ohio Agricultural and Community Development Foundation Tot</b>			<b>\$ 439,985</b>	<b>\$ 426,800</b>	<b>\$ 426,800</b>	<b>0.00%</b>	<b>\$ 426,800</b>	<b>0.00%</b>