

LSC Redbook

Analysis of the Executive Budget Proposal

Ohio Air Quality Development Authority

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TABLE OF CONTENTS

OVERVIEW.....1

 Appropriations by Fund 2

 Appropriations by Object of Expense 2

ANALYSIS OF EXECUTIVE PROPOSAL4

 Small Business Ombudsman (898602) 4

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

 Operating Expenses (898601) 5

 Energy Strategy Development (898608) 5

ATTACHMENTS:

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

Ohio Air Quality Development Authority

- Total budget of \$2.2 million over the FY 2016-FY 2017 biennium
- Expanded program to assist small businesses in buying clean air equipment (rolled out in FY 2015)
- Assistance in the financing and issuance of around \$185.0 million annually in bonds supporting pollution control projects

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. OAQDA 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. The Authority currently employs five full-time staff members.

Table 1 below shows the executive's recommended budget for OAQDA by fund over the FY 2016-FY 2017 biennium, alongside estimated FY 2015 spending. Overall, the recommended funding for the FY 2016-FY 2017 biennium is approximately \$1.1 million in each year, in line with estimated FY 2015 spending.

Fund Name (Fund Number)	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
Small Business Assistance (Fund 5A00)	\$450,000	\$450,000	0.0%	\$450,000	0.0%
Small Business Ombudsman (Fund 4Z90)	\$288,232	\$288,232	0.0%	\$288,232	0.0%
Operating Fund (Fund 5700)	\$182,000	\$186,568	2.5%	\$189,590	1.6%
Energy Strategy Development (Fund 5EG0)	\$187,801	\$193,184	2.9%	\$176,394	-8.7%
TOTAL	\$1,108,033	\$1,117,984	0.9%	\$1,104,216	-1.2%

*FY 2015 figures represent estimated expenditures.

Appropriations by Fund

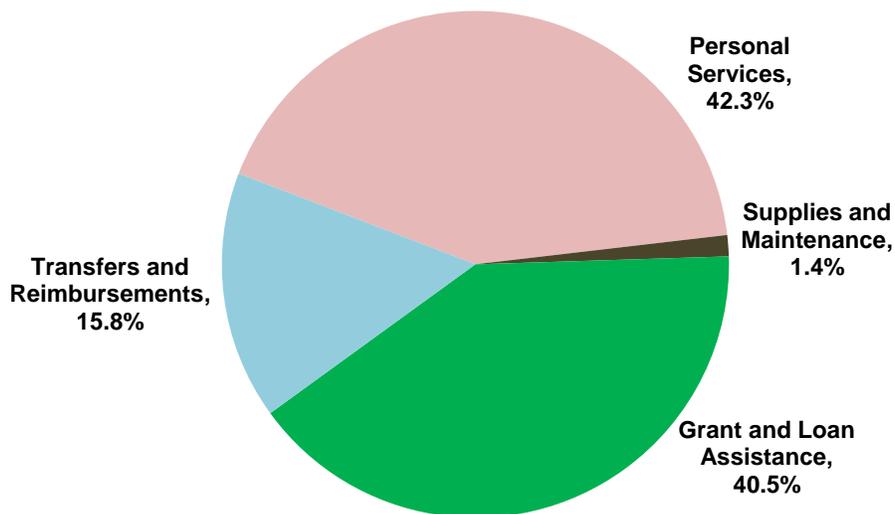
Just over \$738,000 (66.4%) of the funding in each fiscal year supports the Clean Air Resource Center, which offers technical assistance to small businesses with regard to Clean Air Act compliance and provides grants and loans for clean air equipment. The Clean Air Resource Center is funded by a portion of Title V air permit fees collected by the Ohio Environmental Protection Agency. These proceeds are divided between the Small Business Ombudsman Fund (Fund 4Z90) and the Small Business Assistance Fund (Fund 5A00). Approximately \$288,000 in each fiscal year under Fund 4Z90 is for technical and advisory services, and \$450,000 in each year under Fund 5A00 is for grants and loans to small businesses.

Of the remaining budget, just under \$190,000 in each fiscal year will be used to administer various air quality financing assistance programs overseen by OAQDA. These services are supported by fees paid by firms that obtain bond financing for their air quality projects using assistance from OAQDA. These fees are deposited into the Operating Fund (Fund 5700). Finally, just over \$190,000 in FY 2016 and approximately \$176,000 in FY 2017 will be used to monitor projects funded by advanced energy loans and oversee state energy strategy in coordination with other state agencies. Funding for these activities is derived from cash transfers from specified state agencies that are deposited into the Energy Strategy Development Fund (Fund 5EG0).

Appropriations by Object of Expense

The chart below displays executive recommendations for the FY 2016-FY 2017 biennium broken down by expense category.

Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2016-FY 2017



Approximately 42.3% (\$940,400) of the proposed budget is allocated for personal services costs related to the five full-time employees and the appointed members of the Authority. About 40.5% (\$900,000) would support the small business grants and loans awarded through the Clean Air Resource Center. The Transfers and Reimbursements category makes up about 15.8% (\$351,800) of the budget, and covers reimbursements to the Air Quality Development trust account for operating expenses associated with administering the financing assistance that OAQDA provides. Finally, 1.4% (\$30,000) is for supplies and maintenance.

ANALYSIS OF EXECUTIVE PROPOSAL

Recommended Amounts for Air Quality Development Authority				
Fund	ALI and Name		FY 2016	FY 2017
4Z90	898602	Small Business Ombudsman	\$288,232	\$288,232
5700	898601	Operating Expenses	\$186,568	\$189,590
5A00	898603	Small Business Assistance	\$450,000	\$450,000
5EG0	898608	Energy Strategy Development	\$193,184	\$176,394
Total Funding: Air Quality Development Authority			\$1,117,984	\$1,104,226

Small Business Ombudsman (898602)

Appropriation item 898602, Small Business Ombudsman, supports the Authority's Office of Ombudsman, commonly referred to as the Clean Air Resource Center. The executive proposal recommends funding the Center's activities at \$288,232 for both FY 2016 and FY 2017, the same amount as estimated spending for this function in FY 2015. The Center is funded by revenue generated by pollution control permit fees as required by federal and state statute (Title V permits overseen by the Ohio EPA).

The Clean Air Resource Center provides small business assistance including: (1) onsite visits to identify air pollution problems and solutions, (2) technical assistance for meeting pollution requirements, and (3) distribution of information on financing assistance to purchase pollution control equipment. OAQDA estimates that approximately 40,000 small businesses (100 or fewer employees and not a major source of air emissions) across the state are required to 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 assists small businesses in translating complex federal rules and regulations into language which is both accessible and understandable. The Center fulfills Ohio's mandate under the Clean Air Act amendments of 1990 to offer business assistance as part of the state's efforts in attaining and maintaining national ambient air quality standards.

Small Business Assistance (898603)

The executive budget recommends funding of \$450,000 for this line item in each year of the FY 2016-FY 2017 biennium for grants and loans to assist small businesses in purchasing clean air equipment. These amounts would match the estimated FY 2015 spending of \$450,000 for this purpose in FY 2015. Over the three years prior to FY 2015, slightly less than \$12,000 was spent from the line item in aggregate. The program is funded by Title V permit fees.

With the funding increase that began in FY 2015, OAQDA is changing the type of assistance available to small businesses for purchasing clean air equipment under the Clean Air Resource Center. Through FY 2014, the Clean Air Resource Center awarded grants to cover the cost of *financing* the purchase of equipment. The program was underutilized because of changes in the tax code that decreased the tax incentives for financing with OAQDA. Beginning in FY 2015, however, OAQDA announced an expansion of the program to offer grants and loans that would directly cover a portion of the cost of *purchasing* the equipment itself.

OAQDA began accepting applications in January 2015, and awards will be made on a rolling basis. To qualify, the business must have 100 or fewer employees and comply with the federal Clean Air laws. Once a small business moves forward with a project, the grant awards may either be used to (1) cover closing costs, or (2) support principal payments on equipment after the equipment has been installed and operational for at least six months. Grants may be up to 30% of equipment costs, up to \$30,000. Loans can be used to finance the purchase pollution control or prevention equipment.

Operating Expenses (898601)

Appropriation item 898601, Operating Expenses, provides funding for payroll, fringe benefits, and maintenance for some of the Authority's employees and the board members appointed by the Governor. The employees' duties fall into two categories: (1) administering the state's air quality financing assistance programs in encouraging investment in clean air technology, and (2) overseeing the Clean Air Resource Center. This line item pays for the former category, while the operations of the Clean Air Resource Center are funded under line item 898602.

OAQDA oversees the administration of the state's air quality financing assistance programs, serving Ohio businesses, utilities, and public sector entities. The financing structures come in five typical forms: (1) Qualified Energy Conservation Bonds (QECCB) for local governments, (2) Small Business Project Loans, (3) Utility Loans, (4) State Agency Lease and Loan Agreements, and (5) Advanced Energy Loans to businesses. These activities are completely market driven. OAQDA estimates that the average annual amount in pollution control bonds issued between 2011 and 2013 was around \$185.0 million, but fluctuated with market conditions. These administrative duties include educating the potential client base about available assistance, developing potential projects, reviewing applications, authorizing and issuing the bonds, and administering outstanding bonds throughout their terms, which last as long as 40 years.

Energy Strategy Development (898608)

The executive recommends funding of \$193,184 in FY 2016 and \$177,394 in FY 2017 for Fund 5EG0, appropriation item 898608, Energy Strategy Development.

Estimated FY 2015 spending under this line item is \$187,801. Specifically, this appropriation funds OAQDA efforts to track program metrics, primarily job creation targets, and repayment activities related to various loans previously awarded by the state.

OAQDA uses a portion of this funding to monitor ten noncoal project loans awarded under the Advanced Energy Stimulus Program. For a longer term perspective, initially, between 2009 and 2011, the state allocated \$150.0 million under the Advanced Energy Stimulus Program in grant and loan funding to technology companies to aid in the development, production, and use of advanced energy technologies in the state. The money under OAQDA was split between coal and noncoal projects. When the Ohio Coal Development Office was moved to the Development Services Agency in FY 2012, oversight of the coal projects under the program moved as well. The loans that were issued for the noncoal projects totaled approximately \$61.5 million. While some of the loans are still in repayment status, thus far, one noncoal loan has been fully repaid. Due to fluctuations in the advanced energy market, some of the companies that received loans have been certified for collections with the Attorney General's Office. As such, this line item also pays for legal costs associated with the Authority's collection efforts in conjunction with the Attorney General.

The Authority also uses these funds to coordinate with delegated personnel from other state agencies to develop energy initiatives, projects, and policy for the state. Uncodified law in H.B. 64 allows the Director of Budget and Management to transfer cash from various funds used by six state agencies to Fund 5EG0 to be used by OAQDA for such purposes. These agencies, funds, and cash transfers are listed in Table 2.

State Agency	Fund	FY 2016 Amount	FY 2017 Amount
Facilities Construction Commission	State Agency Construction Project Service (Fund 1310)	\$27,405	\$27,439
Department of Agriculture	Central Support Indirect Cost (Fund 5GH0)	\$27,405	\$27,439
Development Services Agency	Supportive Services (Fund 1350)	\$27,405	\$27,439
Environmental Protection Agency	Central Support Indirect Cost (Fund 2190)	\$27,405	\$27,439
Department of Natural Resources	Central Support Indirect (Fund 1570)	\$27,405	\$27,439
Department of Transportation	Highway Operating (Fund 7002)	\$39,150	\$39,199
Total Cash Transfers – FY 2016-FY 2017 Biennium		\$176,175	\$176,394

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Air Quality Development Authority

General Revenue Fund

GRF 898402 Coal Development Office

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$47,491	\$0	\$0	\$0	\$0	\$0
	-100%	N/A	N/A	N/A	N/A

Source: General Revenue Fund

Legal Basis: Discontinued line item

Purpose: This line item funded the operating expenses of the Ohio Coal Development Office, which was transferred from the Ohio Air Quality Development Authority (OAQDA) to the Development Services Agency (DSA) in FY 2012. Operating expenses of the Office are now paid for by GRF appropriation item 195402, Coal Research Operating, in the DSA budget.

Dedicated Purpose Fund Group

4Z90 898602 Small Business Ombudsman

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$130,998	\$206,668	\$273,030	\$288,232	\$288,232	\$288,232
	57.8%	32.1%	5.6%	0.0%	0.0%

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

Legal Basis: ORC 3706.19(D); Section 213.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item supports the operating costs of the Office of Ombudsman, commonly referred to as the Clean Air Resource Center. The Center aims to educate small businesses about requirements of Clean Air Act regulations at the state and federal levels, provide technical advice on rules, regulations, and compliance, and offer financing guidance and assistance to small businesses.

Air Quality Development Authority

5700 898601 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$217,981	\$135,269	\$178,195	\$182,000	\$186,568	\$189,590
	-37.9%	31.7%	2.1%	2.5%	1.6%

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

Legal Basis: ORC Chapter 3706; Section 213.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item funds a portion of the operating costs of OAQDA. Particularly, these funds are used by the Authority to oversee the administration of the state's air quality financing assistance programs, serving Ohio businesses, utilities, and public sector entities. These administrative duties include educating the potential client base about available assistance, developing potential projects, reviewing applications, authorizing and issuing the bonds, and administering outstanding bonds throughout their terms, which last as long as 40 years.

5A00 898603 Small Business Assistance

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$11,792	\$0	\$450,000	\$450,000	\$450,000
	N/A	-100%	N/A	0.0%	0.0%

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

Legal Basis: ORC 3706.19(E); Section 213.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item provides grants and loans to small businesses to purchase clean air equipment. To qualify, the business must have 100 or fewer employees and comply with the federal Clean Air Act requirements. Once a small business moves forward with a project, the grant awards can either be used to (1) cover closing costs, or (2) support principal payments on equipment after the equipment has been installed and operational for at least six months. Grants may support up to 30% of the total project cost, and are capped at \$30,000.

Air Quality Development Authority

5EG0 898608 Energy Strategy Development

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$90,766	\$272,739	\$264,549	\$187,801	\$193,184	\$176,394
	200.5%	-3.0%	-29.0%	2.9%	-8.7%

Source: Dedicated Purpose Fund Group: Fund transfers from various sources (Fund 1310 used by the Ohio Facilities Construction Commission; Fund 5GH0 used by the Department of Agriculture; Fund 1350 used by the Development Services Agency; Fund 2190 used by the Environmental Protection Agency; Fund 1570 used by the Department of Natural Resources; and Fund 7002 used by the Department of Transportation); federal grants; private grants and loans

Legal Basis: Section 213.20 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item is used to monitor non-coal project loans awarded between 2009 and 2011 through the Advanced Energy Program. Loan monitoring activities include tracking program metrics and assessing repayment terms. The coal projects funded under the program are overseen by the Ohio Coal Development Office under DSA, and paid for through DSA line item 195402. This line item also pays for OAQDA's coordination efforts with other state agencies on energy issues, in developing energy initiatives, projects, and policy for the state.

FY 2016 - FY 2017 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			Estimate	Introduced	FY 2015 to FY 2016	Introduced	FY 2016 to FY 2017	
			FY 2014	FY 2015	FY 2016	% Change	FY 2017	% Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
AIR Air Quality Development Authority								
4Z90	898602	Small Business Ombudsman	\$ 273,030	\$ 288,232	\$ 288,232	0.00%	\$ 288,232	0.00%
5700	898601	Operating Expenses	\$ 178,195	\$ 182,000	\$ 186,568	2.51%	\$ 189,590	1.62%
5A00	898603	Small Business Assistance	\$0	\$ 450,000	\$ 450,000	0.00%	\$ 450,000	0.00%
5EG0	898608	Energy Strategy Development	\$ 264,549	\$ 187,801	\$ 193,184	2.87%	\$ 176,394	-8.69%
Dedicated Purpose Fund Group Total			\$ 715,773	\$ 1,108,033	\$ 1,117,984	0.90%	\$ 1,104,216	-1.23%
Air Quality Development Authority Total			\$ 715,773	\$ 1,108,033	\$ 1,117,984	0.90%	\$ 1,104,216	-1.23%