

LSC Redbook

Analysis of the Executive Budget Proposal

Lake Erie Commission

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READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Lake Erie Commission (LEC), which includes the following three sections.

1. **Overview:** Provides a brief description of the Commission's existing functions and staffing, and an overview of its executive recommended budget for the FY 2016-FY 2017 biennium, and notes other important budgetary matters.
2. **Analysis of Executive Proposal:** Provides a detailed analysis of the Commission's executive recommended budget, including the funding and purposes for each appropriated line item, and the services and activities that are financed by those appropriated moneys.
3. **Attachments:** Includes LSC's Catalog of Budget Line Items (COBLI), which describes each line item's purpose, revenue, and expenditures, and the LSC budget spreadsheet, which summarizes each line item's recent expenditure and appropriations history.

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ATTACHMENTS:

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

Lake Erie Commission

- Executive recommendations expected to maintain existing operations and grant programs
- Non-GRF entity dependent on variable revenue streams
- Cash transfers totaling \$440,000 authorized to supplement funding

OVERVIEW

Agency Overview

The Lake Erie Commission's mission is the protection, conservation, and development of Lake Erie and its surrounding areas. In accordance with that mission, the Commission implements policies and programs focused on water quality, habitat, recreation, tourism, and resource management. The Lake Erie watershed covers 33 of Ohio's 88 counties.

The Commission consists of eleven members: the directors of Environmental Protection, Natural Resources, Health, Agriculture, Transportation, and Development Services, plus additional members appointed by the Governor. The Commission's office and staff of two full-time and two part-time employees are located in Sandusky. Services are also provided by member state agencies. The Ohio EPA provides fiscal management services and the Department of Natural Resources provides public information and information technology support.

Appropriations Overview

The Commission's estimated FY 2015 expenditures are compared with the executive recommendations for FYs 2016 and 2017, by fund group, in Table 1 below. For FY 2016, the executive budget recommends appropriations totaling \$659,000, a decrease of \$7,637, or 1.1%, from FY 2015 estimated expenditures of \$666,637. For FY 2017, the executive budget recommends appropriations totaling \$667,000, an increase of \$8,000, or 1.2%, from the FY 2016 recommendation. The Commission expects that it will be able to maintain current service levels with the recommended appropriation for the FY 2016-FY 2017 biennium.

Table 1. Executive Budget Recommendations by Fund Group, FY 2016-FY 2017

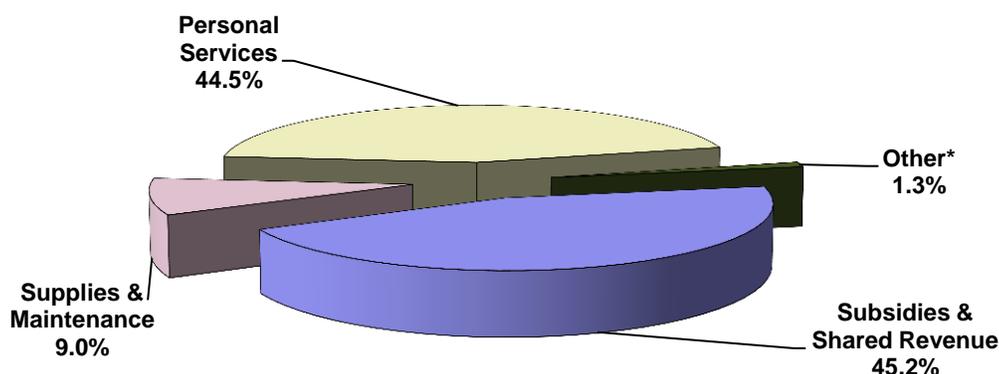
Fund Group	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
Dedicated Purpose	\$539,637	\$629,000	16.6%	\$667,000	6.0%
Federal	\$127,000	\$30,000	-76.4%	\$0	-100.0%
TOTAL	\$666,637	\$659,000	-1.2%	\$667,000	1.2%

*FY 2015 figures represent estimated expenditures.

Expense Account Category Information

Chart 1 below depicts the Commission's total biennial budget in terms of how the appropriated money will be allocated by type of expense. The largest portions will be allocated for subsidies and shared revenue (45.2%) and personal services (44.5%) categories. The former are essentially grants awarded for Lake Erie resource protection projects. The remainder (10.3%) will be allocated for supplies and maintenance, purchased personal services, and equipment.

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



*"Other" includes purchased personal services and equipment.

Current Activities

The dominant focus of the Commission over the course of the current biennium has been the presence of algal blooms in the Western Basin of Lake Erie. This has resulted in several actions.

- Serving on a binational Great Lakes Water Quality Agreement working group to develop phosphorus loading targets for each of the Great Lakes, beginning with Lake Erie.
- Securing a Great Lake Restoration Initiative grant to study the causes of harmful algal blooms and low oxygen levels in the Western Basin.
- Awarding state grants to address different aspects of nutrients and algal blooms.

In addition, the Commission updated the *State of the Lake Report/Lake Erie Quality Index Report* and the *Lake Erie Protection and Restoration Plan*, and implemented a public education/awareness program.

Fiscal Challenge

An ongoing challenge for the Commission is to ensure that there is sufficient money on hand to fund staff operations and to maintain grants programs. Currently, it relies on three, arguably uncertain, revenue streams: (1) Lake Erie license plate sales, (2) interest earnings distributed from the multi-state Great Lakes Protection Fund, and (3) federal grants.

To address this uncertainty, the executive budget contains a cash transfer provision. It permits the Director of Budget and Management (OBM) to transfer specified cash amounts in FYs 2016 and 2017 from certain state funds to the Lake Erie Resources Fund (Fund 5D80). The total amount of cash authorized for transfer annually is up to \$220,000 in FYs 2016 and 2017 (see Table 2 below).

Fund	Fund Name	User	FY 2016	FY 2017
5BC0	Environmental Protection	Environmental Protection Agency	\$44,000	\$44,000
6690	Pesticide, Fertilizer and Lime	Department of Agriculture	\$44,000	\$44,000
4700	General Operations	Department of Health	\$44,000	\$44,000
1570	Central Support Indirect	Department of Natural Resources	\$44,000	\$44,000
TBD**	TBD**	Development Services Agency	\$44,000	\$44,000
TOTAL			\$220,000	\$220,000

*All of the authorized cash transfers are "up to" amounts, with the exception of Development Services Agency.

**TBD means to be determined by the Director of Development Services.

A similar provision is in place for the current FY 2015-FY 2016 biennium. That provision permits the Director of OBM to transfer cash totaling up to \$117,500 in FY 2014 and up to \$267,000 in FY 2015 from the same funds specified in Table 2 above to Fund 5D80 as well. No cash was transferred in FY 2014. To date, no cash has been transferred in FY 2015. Whether any cash will need to be transferred in FY 2015 is uncertain.

ANALYSIS OF EXECUTIVE PROPOSAL

The table below summarizes the line items that are used to finance the Commission's activities and services, as well as the executive recommended funding levels. It is then followed by a narrative describing how each appropriated amount will be used.

Executive Recommended Amounts, FY 2016 and FY 2017				
Fund	ALI and Name		FY 2016	FY 2017
Federal Fund (FED) Group				
3EP0	780603	Lake Erie Federal Grants	\$30,000	\$0
Dedicated Purpose Fund (DPF) Group				
4C00	780601	Lake Erie Protection	\$300,000	\$300,000
5D80	780602	Lake Erie Resources	\$329,000	\$367,000
Dedicated Purpose Fund Group Subtotal			\$629,000	\$667,000
Total Funding: Lake Erie Commission			\$659,000	\$667,000

Lake Erie Federal Grants (FED line item 780603)

This line item is primarily being used to disburse project grants awarded by the Great Lakes Restoration Initiative (GLRI).¹ The Commission is currently spending down a \$500,000 grant to study the causes of harmful algal blooms and low oxygen levels in the Western Basin of Lake Erie. For that purpose, the executive budget recommends an FY 2016 appropriation of \$30,000.

Approximately 90% of the GLRI grant has been contracted out to four Ohio universities and a private contractor. The awarding of any additional grants in the near future is uncertain.

Lake Erie Protection (DPF line item 780601)

This line item is used to award two types of grants: (1) up to \$15,000 for projects that provide a direct benefit to Lake Erie and its tributary watersheds in Ohio and (2) \$50,000 for projects that support the Balanced Growth Program.² For this purpose in FYs 2016 and 2017, the executive budget recommends annual appropriations of \$300,000. This amount is an increase of \$100,000, or 50%, from FY 2015 estimated expenditures of \$200,000. All of the appropriated money will be allocated for between 15 and 20 grants.

¹ The GLRI is a 2010 federal initiative aimed at restoring the Great Lakes ecosystem. The U.S. EPA is the lead federal agency for implementing GLRI.

² Balanced Growth is a voluntary, incentive-based strategy designed to link land-use planning to the health of watersheds and major water bodies.

The line item draws its money from the Lake Erie Protection Fund (Fund 4C00), which consists primarily of Lake Erie license plate sales, and secondarily, grants, gifts, and donations. The required use of Fund 4C00 is to provide grants and financial resources to entities that perform research and develop strategies on the conservation and responsible development of Lake Erie watersheds and Ohio's Lake Erie region. Activities include: research on contamination of the lake and its tributaries, measurement and collection of water quality data, research and development of clean-up techniques, cooperative efforts between public and private entities within the Lake Erie basin, and other efforts to develop and implement Lake Erie protection programs.

Lake Erie Resources Fund (DPF line item 780602)

This line item is used to pay for the Commission's ongoing annual operating expenses. For that purpose, the executive budget recommends an appropriation of \$329,000 for FY 2016, a decrease of \$10,637, or 3.1%, from FY 2015 estimated expenditures of \$339,637. The FY 2017 recommendation is \$367,000, an increase of \$38,000, or 11.6%, from the FY 2016 recommendation. Approximately 80% will be allocated annually for payroll-related expenses; the remainder will largely be allocated for supplies and maintenance.

This line item draws its money from the Lake Erie Resources Fund (Fund 5D80), which primarily relies on Ohio's share of the interest earned from the multi-state Great Lakes Protection Fund (GLPF), and secondarily, contributions from member state agencies, and other special grants and donations. The GLPF is an interstate trust fund established in 1989 to protect and restore the Great Lakes. Ohio's share of those interest earnings varied from \$0 in FY 2009 to \$228,000 in FY 2014. Ohio's share in the future is uncertain.

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Lake Erie Commission

Dedicated Purpose Fund Group

4C00 780601 Lake Erie Protection

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$378,034	\$229,607	\$169,815	\$200,000	\$300,000	\$300,000
	-39.3%	-26.0%	17.8%	50.0%	0.0%

Source: Dedicated Purpose Fund Group: (1) \$15 contribution paid by Ohio motorists for the issuance of Lake Erie license plates, and (2) private donations, grants, and gifts

Legal Basis: ORC 1506.23(A); Section 309.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Am. Sub. H.B. 215 of the 122nd G.A.)

Purpose: This line item is used to provide grants and financial resources to entities that perform research and develop strategies on the conservation and responsible development of Lake Erie watersheds and Ohio's Lake Erie region.

5D80 780602 Lake Erie Resources

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$253,953	\$230,703	\$280,647	\$339,637	\$329,000	\$367,000
	-9.2%	21.6%	21.0%	-3.1%	11.6%

Source: Dedicated Purpose Fund Group: (1) Annual earnings from the regional endowment of the Great Lakes Protection Fund, a private not-for-profit corporation created in 1989 by one-time contributions of the seven Great Lakes states, and (2) cash transfers from state agencies that are participating members of the Commission

Legal Basis: ORC 1506.24(A); Section 309.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Am. Sub. H.B. 215 of the 122nd G.A.)

Purpose: This line item is being used to pay for the Commission's operating expenses, primarily payroll-related costs.

Lake Erie Commission

Federal Fund Group

3EP0 780603 Lake Erie Federal Grants

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$150,701	\$264,455	\$44,466	\$127,000	\$30,000	\$0
	75.5%	-83.2%	185.6%	-76.4%	-100%

Source: Federal Fund Group: CFDA 66.469, Great Lakes Program

Legal Basis: Section 309.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Controlling Board on December 13, 2010)

Purpose: This line item is used to disburse federal grants awarded for the purpose of undertaking Great Lakes Restoration Initiative (GLRI) projects. The most recent grant, totaling \$500,000, was awarded in November 2013 and is being used to study the causes of harmful algal blooms and low oxygen levels in the Western Basin of Lake Erie. The grant is expected to be fully expended by the close of FY 2016. The timing and magnitude of any future federal grants is uncertain.

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					
LEC Lake Erie Commission								
4C00	780601	Lake Erie Protection	\$ 169,815	\$ 200,000	\$ 300,000	50.00%	\$ 300,000	0.00%
5D80	780602	Lake Erie Resources	\$ 280,647	\$ 339,637	\$ 329,000	-3.13%	\$ 367,000	11.55%
Dedicated Purpose Fund Group Total			\$ 450,462	\$ 539,637	\$ 629,000	16.56%	\$ 667,000	6.04%
3EP0	780603	Lake Erie Federal Grants	\$ 44,466	\$ 127,000	\$ 30,000	-76.38%	\$ 0	-100.00%
Federal Fund Group Total			\$ 44,466	\$ 127,000	\$ 30,000	-76.38%	\$ 0	-100.00%
Lake Erie Commission Total			\$ 494,927	\$ 666,637	\$ 659,000	-1.15%	\$ 667,000	1.21%