

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

- About 99.9% of PWC's budget in H.B. 64 covers debt service on bonds issued under State Capital Improvement and Clean Ohio Conservation programs
- The remainder pays for the operating expenses of the Clean Ohio Conservation Program

OVERVIEW

The Public Works Commission (PWC) acts as a public sector bank to administer grants and loans to local governments for infrastructure projects through two programs: the State Capital Improvement Program (SCIP) and the Local Transportation Improvement Program (LTIP). SCIP receives funding from infrastructure bonds, while LTIP is funded by a portion of revenue from the state motor fuel tax (one cent per gallon). In addition to these infrastructure programs, the Commission administers a third funding initiative that provides grants to local governments and nonprofits for the conservation of greenspace under the Clean Ohio Conservation Program (COCP). As of January 2015, the Commission employs a staff of ten.

The Commission's programs and operations are funded under three appropriations bills enacted by the General Assembly. Table 1 below indicates the budget bills and time periods of funding associated with each of PWC's three programs.

Program	Use of Funding	Budget Bill		
		Transportation (FY 2016-FY 2017)	Main Operating (FY 2016-FY 2017)	Capital (FY 2015-FY 2016)
LTIP	Program/Administration	✓		
SCIP	Program			✓
	Debt Service		✓	
	Administration	✓		
COCP	Program			✓
	Debt Service/Administration		✓	

The capital budget bill for the FY 2015-FY 2016 biennium, H.B. 497 of the 130th General Assembly, was enacted in April 2014 and contained appropriations for assistance under SCIP and COCP. H.B. 53, the pending FY 2016-FY 2017 transportation budget bill provides funding to administer and award grants to local governments under LTIP, as well as the administrative expenses related to SCIP.

PWC Appropriations Under H.B. 64

This Redbook analysis concentrates on the Governor's funding recommendations for the two PWC functions supported by funding in the main operating budget: (1) paying debt service on SCIP, and (2) administering and paying debt service for the greenspace component of COCP that is overseen by PWC. The executive budget recommendations for PWC in H.B. 64 total \$264.4 million in FY 2016 and \$272.3 million in FY 2017, or \$536.7 million for the biennium. Of this biennial total, nearly all (99.9%) comes from the GRF for debt service payments, as summarized in Table 2 below.

Table 2. 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
General Revenue	\$261,396,600	\$264,112,300	1.0%	\$272,028,900	3.0%
Capital Projects	\$288,980	\$288,980	0.0%	\$288,980	0.0%
TOTAL	\$261,685,580	\$264,401,280	1.0%	\$272,317,880	3.0%

*FY 2015 figures represent estimated expenditures.

The remainder of PWC's portion of the main operating budget funds the operating expenses associated with administering COCP. Of the amounts budgeted for administering COCP under H.B. 64 in each fiscal year, approximately \$245,000 would go toward personal services, about \$31,000 is for supplies and maintenance, and \$13,000 is slated for purchased personal services and equipment.

Infrastructure Funding Overseen by PWC

SCIP and LTIP Funding Process

To apply for SCIP or LTIP funds, a political subdivision must apply to its district public works integrating committee (DPWIC). There are 19 DPWICs that are responsible for recommending projects to the state Public Works Commission. 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.

LTIP Funding in Transportation Budget Bill

H.B. 53 of the 131st General Assembly, As Introduced, appropriates approximately \$57.2 million in FY 2016 and around \$59.2 million in FY 2017 for PWC. Over 98.0% of H.B. 53 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 the 19 DPWICs on a per capita basis. The transportation budget also provides funding for the District Administration Program, to provide up to \$1,235,000 per fiscal year for DPWIC administration costs. For additional information on the funding provided in H.B. 53, and the type of projects awarded grants in recent years, see the separate LSC Redbook analyzing PWC's appropriations in the transportation budget bill.

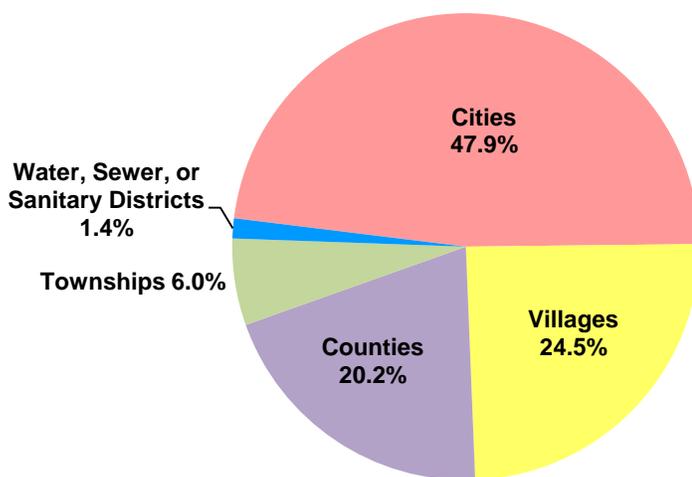
SCIP Funding in Capital Budget Bill

Enacted in April 2014, H.B. 497 of the 130th General Assembly included appropriations of \$300.0 million over the FY 2015-FY 2016 capital biennium for SCIP loans and grants. In addition, the bill provided \$69.0 million over the time frame for SCIP revolving loans, funded by reusing the principal and interest income from local government loan repayments from previously awarded SCIP loans. Finally, in the May 2014 primary election, voters authorized an additional \$1.875 billion in SCIP funding over a ten-year period. However, implementing legislation, yet to be introduced, will be required to spend this money.

Under SCIP, local governments can apply for grants or loans to perform for improvements to roads, bridges, water supply systems, wastewater systems, stormwater systems, and solid waste disposal facilities. Of the annual allocations, by statute, \$15.0 million is set aside for small governments, including villages and townships with populations of 5,000 or less, and \$3.0 million is set aside for use at the Director's discretion to pay for emergency infrastructure projects.

The chart below shows SCIP grant and loan distributions in program year (PY) 26 and PY 27, broken down by the type of political subdivision receiving the grant assistance. These program years correspond to the FY 2013 and FY 2014 budget periods, respectively. Overall funding under SCIP during this span was \$429.7 million. As the chart below shows, city governments received 47.6% (\$205.8 million) of the total. Meanwhile, villages were awarded 24.5% (\$105.5 million), counties were allocated 20.2% (\$86.8 million), townships were given 6.0% (\$25.8 million), and water, sewer, and sanitary districts got around 1.4% (\$5.9 million) in SCIP funding during this time frame.

Chart 1: SCIP Grant and Loan Funding by Political Subdivision, PY 26-PY 27 (\$429.7 million)



Over the FY 2013-FY 2014 period, 61.8% (\$265.7 million) was awarded in the form of grants, while the remaining 38.2% (\$164.0 million) supported loans. Broken down by project type, about \$237.9 million (55.3%) of the funding over these years went toward road projects, and approximately \$85.5 million (19.9%) funded wastewater projects. Water supply projects were allocated around \$64.7 million (15.1%), while the remaining \$41.6 million (9.7%) was almost evenly split between bridge and stormwater projects.

Clean Ohio Conservation Program

PWC also administers a component of the three-pronged Clean Ohio Conservation Program. Two other state agencies – the Department of Natural Resources (DNR) and the Department of Agriculture (AGR) – administer COCP funds for other conservation purposes. The goal of PWC's portion of COCP is to preserve open space, stream corridors, and other land valued for its ecological importance. The award process for the program 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 (NRACs) rather than DPWICs.

H.B. 497 of the 130th General Assembly included appropriations of \$75.0 million over the FY 2015-FY 2016 capital biennium for COCP grants to local governments and nonprofits for the purposes listed above. From the inception of this Clean Ohio Conservation Program in FY 2003 through FY 2014, PWC had awarded 880 projects a total of \$290.9 million in funding to preserve natural areas, watersheds, and other greenspace, an average of over \$330,500 per project.

Changes under H.B. 64

Reappropriation of Funds for Additional COCP Grants

The Governor's proposed main operating budget bill would amend Section 245.10 of H.B. 497 of the 130th General Assembly to specify that any amount in COCP grant repayments that PWC receives be reappropriated for additional PWC grants for greenspace conservation. This could allow additional grants to be awarded reusing money that was not actually spent from prior grant awards.

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 2016	FY 2017
General Revenue Fund				
GRF	150907	Infrastructure Improvement General Obligation Bond Debt Service	\$229,437,400	\$232,803,200
GRF	150904	Conservation General Obligation Debt Service	\$34,674,900	\$39,225,700
General Revenue Fund Subtotal			\$264,112,300	\$272,028,900
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			\$264,401,280	\$272,317,880

General Obligation Debt Service (150907 and 150904)

SCIP Bond Funding

These GRF line items pay the debt service on SCIP bonds and COCP bonds, respectively. Through SCIP, PWC uses bond proceeds to provide grants and loans to local governments for improvement of their infrastructure systems. Bond-issuing authority is provided in sections 2p and 2s, Article VIII of the Ohio Constitution. Beginning with program year (PY) 25 of SCIP, corresponding to FY 2012, the amount eligible for issuance increased from \$120.0 million to \$150.0 million per year. Then, from PY 30 to PY 34 (FY 2017 to FY 2021), the bond issuance cap will increase again to \$175.0 million annually. Any additional funding from bond issuances in FY 2017 and beyond would be devoted to eligible SCIP projects, such as improvements to roads, bridges, culverts, water supply systems, wastewater systems, stormwater collection systems, and solid waste disposal systems. The executive proposal appropriates GRF funding of \$229.4 million in FY 2016 and \$232.8 million in FY 2017 for debt service payments from line item 150907, Infrastructure Improvement General Obligation Bond Debt Service.

Conservation Bond Funding

Under sections 2o and 2q, Article VIII of the Ohio Constitution, up to \$400.0 million in General Obligation (G.O.) bonds may be outstanding at any one time to support the Clean Ohio Conservation Program. The Constitution also requires that only \$50.0 million in bonds may be issued each year, plus the amount that could have been issued, but was not, in prior years. Thus far, the Ohio General Assembly has authorized a total of \$500.0 million in bonds, and of that amount, \$350.0 million has actually been issued.

The Governor's recommended funding of \$34.7 million in FY 2016 and \$39.2 million in FY 2017 will pay debt service on the bonds already issued to support PWC's COCP projects, as well as the recreational trails program overseen by the Ohio Department of Natural Resources (DNR) and the agricultural easement purchase program overseen by the Department of Agriculture (AGR). Of total G.O. bond funding, 75.0% is used for PWC's component, 12.5% is for the Clean Ohio trails program overseen by DNR, and a final 12.5% is for the Clean Ohio agricultural easement purchase program overseen by AGR.

Clean Ohio Operating Expenses (150403)

As noted above, PWC's greenspace program under COCP provides payments to various property owners to acquire and provide access improvements to open space and enhance riparian corridors. PWC's component of COCP primarily serves local governments and nonprofit organizations, as well as consultants and contractors hired to perform work on approved projects.

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 140 projects being managed at any one time. The Commission'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 bond proceeds and investment income earned on the Clean Ohio Conservation Fund (Fund 7056).

Public Works Commission

General Revenue Fund

GRF 150904 Conservation General Obligation Bond Debt Service

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$21,947,976	\$24,278,102	\$26,601,435	\$34,447,700	\$34,674,900	\$39,225,700
	10.6%	9.6%	29.5%	0.7%	13.1%

Source: General Revenue Fund

Legal Basis: ORC 151.01 and 151.09; Section 359.10 of Am. Sub. H.B. 59 of the 130th 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 (COCP). The proceeds of these G.O. bonds are allocated to three state agencies for different conservation purposes: (1) PWC awards grants for green space conservation, (2) the Department of Natural Resources administers a recreational trails program, and (3) the Department of Agriculture oversees an agricultural easement purchase program. Of the total G.O. bond funding, 75% is used for PWC's component of COCP, while the remaining 25% is split equally among the other two conservation components.

GRF 150907 Infrastructure Improvement General Obligation Bond Debt Service

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$87,627,002	\$192,968,448	\$210,643,669	\$226,948,900	\$229,437,400	\$232,803,200
	120.2%	9.2%	7.7%	1.1%	1.5%

Source: General Revenue Fund

Legal Basis: ORC 151.01 and 151.08; Section 359.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: Funds in this line item are used for all debt service and financing costs on obligations issued to support PWC's State Capital Improvement Program, which provides grants and loans to local governments for improvement of their infrastructure systems, including roads, bridges, culverts, water supply systems, wastewater systems, storm water collection systems, and solid waste disposal systems.

Public Works Commission

Capital Projects Fund Group

7056 150403 Clean Ohio Conservation Operating

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$246,036	\$246,670	\$245,720	\$288,980	\$288,980	\$288,980
	0.3%	-0.4%	17.6%	0.0%	0.0%

Source: Capital Projects Fund Group: Bond proceeds and investment income

Legal Basis: ORC 164.27; Section 359.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item funds PWC's administrative expenses for the Clean Ohio Conservation Program (COCP). Grants under PWC's component of COCP go to local political subdivisions and nonprofit organizations to acquire and improve access to open space and enhance riparian corridors. 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. COCP grant awards under PWC are funded through capital line item C15060.

FY 2016 - FY 2017 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2014	Estimate FY 2015	Introduced FY 2016	FY 2015 to FY 2016 % Change	Introduced FY 2017	FY 2016 to FY 2017 % Change
Report For Main Operating Appropriations Bill								
				Version: As Introduced				
PWC Public Works Commission								
GRF	150904	Conservation General Obligation Bond Debt Service	\$ 26,601,435	\$ 34,447,700	\$ 34,674,900	0.66%	\$ 39,225,700	13.12%
GRF	150907	Infrastructure Improvement General Obligation Bond Debt Service	\$ 210,643,669	\$ 226,948,900	\$ 229,437,400	1.10%	\$ 232,803,200	1.47%
General Revenue Fund Total			\$ 237,245,104	\$ 261,396,600	\$ 264,112,300	1.04%	\$ 272,028,900	3.00%
7056	150403	Clean Ohio Conservation Operating	\$ 245,720	\$ 288,980	\$ 288,980	0.00%	\$ 288,980	0.00%
Capital Projects Fund Group Total			\$ 245,720	\$ 288,980	\$ 288,980	0.00%	\$ 288,980	0.00%
Public Works Commission Total			\$ 237,490,824	\$ 261,685,580	\$ 264,401,280	1.04%	\$ 272,317,880	2.99%