

LSC Redbook

Analysis of the Executive Budget Proposal

Southern Ohio Agricultural and Community Development Foundation

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ATTACHMENTS:

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

Southern Ohio Agricultural and Community Development Foundation

- Approximately \$2.2 million in awards issued in FY 2014
- SOA issues grant awards through four programs supported by the 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 three staff.

The Foundation advances its mission through four key programs. 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. 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. The Educational Assistance Program provides education and training assistance to tobacco farmers to help them make the transition from tobacco production to other crops. Finally, the Young Farmer Program supports young farmers incorporating technology and conservation practices into their farming activities.

Since FY 2010, the Foundation's grant programs and operating expenses have been 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. H.B. 59 of the 130th General Assembly, did, however, provide for a final appropriation of \$129,578 in FY 2014 from the Southern Ohio Agricultural and Community Development Trust Fund (Fund K087). 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 for five employees of the Foundation with \$426,800 in both FY 2016 and FY 2017, 31.3% higher than estimated FY 2015 spending for this purpose. Currently, the has four employees. The proposed funding would allow for the Southern Ohio Community Development Foundation to hire one full-time employee for a position that became vacant in FY 2014.

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 2014, the last full fiscal year for which data are available, the Foundation made approximately \$2.2 million in grant awards across the four programs. The beginning FY 2015 cash balance of the Southern Ohio Agricultural and Community Development Foundation Endowment Fund was approximately \$14.2 million.

Program	Awards Issued	Total
Agricultural Development	46	\$827,639
Economic Development	15	\$286,316
Educational Assistance	257	\$835,066
Young Farmer	11	\$257,768
TOTAL	329	\$2,206,789

Agricultural Development

Of the four grant programs, the Agricultural Development Program accounted for \$827,639, or 37.5% of the total awarded in FY 2014. 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 allow for reimbursement of 50% of eligible costs but with a cap of \$25,000. Applications must include current and future year cash flow projections.

Economic Development

There were 15 awards worth \$286,316, or approximately 13.0% of the total distributed by the Foundation, awarded under the Economic Development Grant Program in FY 2014. 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.

Educational Assistance

Educational Assistance grants accounted for \$835,066, or 37.8% of the sum awarded by the Foundation in FY 2014. 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.

Young Farmer

Eleven grants totaling \$257,768 were awarded under the Young Farmer Program in FY 2014, or 11.7% of the total awarded. This program is similar to the Agricultural Development Program; however, it does not base eligibility on a history of tobacco production. The competitive grants awarded under this program support farmers ages 20 to 38 with business plans that incorporate the use of technology and conservation practices in farming. Eligible applicants can receive a one-time award of up to \$25,000.

ANALYSIS OF EXECUTIVE PROPOSAL

Governor's Recommended Amounts for the Southern Ohio Agricultural and Community Development Foundation			
Fund	ALI and Name	FY 2016	FY 2017
Dedicated Purpose Fund Group			
5M90	945601 Operating Expenses	\$426,800	\$426,800

Operating Expenses (945601)

This line item is used to cover payroll expenses for 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 2016 and FY 2017 is \$426,800, approximately 31.3% higher than FY 2015 estimated spending for this purpose. As mentioned previously, a position became vacant during FY 2014. The amount recommended would allow the Southern Ohio Agricultural and Community Foundation to fill the full-time vacant position. 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

Dedicated Purpose Fund Group

5M90 945601 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$439,985	\$362,536	\$308,781	\$325,000	\$426,800	\$426,800
	-17.6%	-14.8%	5.3%	31.3%	0.0%

Source: Dedicated Purpose Fund Group: Quarterly payments from the Southern Ohio Agricultural and Community Development Foundation Endowment Fund

Legal Basis: ORC 183.14; Section 389.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item is used to cover the payroll expenses for the state employees of the Southern Ohio Agricultural and Community Development Foundation.

K087 945602 Southern Ohio Agricultural and Community Development Foundation

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$0	\$129,578	\$0	\$0	\$0
	N/A	N/A	-100%	N/A	N/A

Source: Dedicated Purpose Fund Group: Amounts previously transferred from the Tobacco Master Settlement Agreement

Legal Basis: Discontinued line item (Section 389.10 of Am. Sub. H.B. 59 of the 130th G.A.)

Purpose: This line item provided a final appropriation from the Southern Ohio Agricultural and Community Development Trust Fund (Fund K087) to supplement funding for the Foundation's payroll expenses during FY 2014. The amount spent in FY 2014 was the remaining balance in Fund K087. Payroll expenses are now covered entirely from Fund 5M90 appropriation item 945601, Operating Expenses.

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					
SOA Southern Ohio Agricultural and Community Development Foundation								
5M90	945601	Operating Expenses	\$ 308,781	\$ 325,000	\$ 426,800	31.32%	\$ 426,800	0.00%
K087	945602	Southern Ohio Agricultural and Community Development Foundation	\$ 129,578	\$ 0	\$ 0	N/A	\$ 0	N/A
Dedicated Purpose Fund Group Total			\$ 438,359	\$ 325,000	\$ 426,800	31.32%	\$ 426,800	0.00%
Southern Ohio Agricultural and Community Development Foundation Tot			\$ 438,359	\$ 325,000	\$ 426,800	31.32%	\$ 426,800	0.00%