

## ANALYSIS OF EXECUTIVE PROPOSAL

### State Capital Improvement Program

Program Series 1

**Role** To preserve and expand the public infrastructure of local subdivisions so as to ensure the public health, safety, and welfare and to create and preserve jobs.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
038	150-321	Operating Expenses	\$958,456	\$1,016,207
<b>Total funding: State Capital Improvement</b>			<b>\$958,456</b>	<b>\$1,016,207</b>

Specific program issues within the State Capital Improvement program series that this analysis will focus on include:

#### ■ State Capital Improvement Program

##### **State Capital Improvement Program**

**Program Description:** SCIP provides low-interest loans and grants to local governments. Funding for SCIP comes from bonds originally authorized by a constitutional amendment approved by voters in November 1987, and then re-authorized by voter approval in November 1995. SCIP moneys can be used to fund the following infrastructure facilities for local governments:

- Roadways and bridges
- Fresh water supply treatment and distribution systems
- Waste water collection and treatment facilities
- Storm sewer systems and solid waste disposal facilities

SCIP bond revenues of \$120 million annually plus interest earnings are first set aside for the SCIP’s subprograms. The subprograms of SCIP are:

**Small Government Program (SGP):** Funds for this program are set aside for villages and townships with populations of less than 5,000. SGP gives smaller subdivisions, which have projects that may not be as highly prioritized as other district projects, a second opportunity for assistance. A \$12 million maximum is available each fiscal year for the SGP.

**Emergency Assistance Program:** Emergency assistance moneys, amounting to \$2.5 million each fiscal year, are for the immediate preservation of health, safety, and welfare. Moneys for emergency assistance are awarded at the discretion of PWC’s director.

**Small Counties Capital Improvement Program:** Am. Sub. S.B. 257 of the 121<sup>st</sup> G.A. created this SCIP subprogram, which is modeled after the SGP, targets districts that include a county with a population of less than 85,000. Each integrating committee must appoint a subcommittee to select and submit projects to PWC for this program. Funding of \$2 million was allocated from the capital budget in FY1999 and another \$2 million is allocated for FY 2001 (Program years 12 and 14 respectively) for this program. This program is not scheduled to continue beyond FY 2001.

*Funding for public works districts*

After moneys are allocated to the above subprograms, PWC allocates remaining moneys to the 19 District Public Works Integrating Committees on a per-capita basis. Therefore, allocations are made to the districts and not to the counties. Although the per capita share is by district, the per capita share by county must still be computed. If a county's per capita share would be less than \$300,000, PWC must allocate to the district in which that county is located an amount equal to the difference between \$300,000 and the county's per capita share.

The 19 District Committees evaluate the projects using ten criteria established in the Ohio Revised Code. How those criteria are weighted and applied is up to the each committee's discretion. The district committees use the criteria to rank the programs in the district. This list is then submitted to PWC. The ten criteria that must be considered by the District Committees are:

1. The infrastructure repair and replacement needs of the district
2. The age and condition of the system to be repaired or replaced
3. Whether the project would generate revenue in the form of user fees or assessments
4. The importance of the project to the health and safety of the citizens of the district
5. The cost of the project and whether it is consistent with division (G) of section 164.05 of the Revised Code and the district's allocation for grants, loans, and local debt support and credit enhancements for that year
6. The effort and ability of the benefited local subdivisions to assist in financing the project
7. The availability of federal or other funds for the project
8. The overall economic health of the particular local subdivision
9. The adequacy of the planning for the project and the readiness of the applicant to proceed should the project be approved
10. Any other factors relevant to a particular project

**Revolving Loan Program**

In FY 2001, the commission released about \$14.5 million from the Revolving Loan Fund for the Revolving Loan Program (RLP); this amount should increase to about \$18 million in FY 2002 and \$20 million in FY 2003. These allocations will pay for 50 to 80 loans each fiscal year. SCIP requires each District to allocate a percentage of their budgets for loans. All repayments of loans made under SCIP are deposited into the RLP fund. These moneys are disbursed back to the integrating committees to be used for loans. Appropriations for RLP were made in the last capital reappropriations budget, Am. Sub. S.B. 230.

To date, PWC has approved over 900 loans under SCIP. Repayment moneys have gone into the Revolving Loan Fund to capitalize RLP. Each district public works integrating committee is allocated an amount equal to the sum of all loan repayments made to the state capital improvements revolving loan fund by local subdivisions that are part of the district. The repayments received are on loans made under the SCIP's initial authorization. Money not used in a program year can be carried over to the next year for the same purpose.

Loans approved under RLP are not subject to the 20 percent new and expansion limitations required in the SCIP, and may fund up to 100 percent of the total project costs. Investment earnings credited to the fund that exceed the amount required for estimated federal arbitrage rebate requirements are to be used to administer the RLP. Any investment earning balance is to be allocated to the districts on a per capita basis. Loan repayments for loans from the Small Government Program and those for loans from the Emergency Assistance Program are to be used for each program respectively.

**SCIP Bond Schedule**

<b>Program Year</b>	<b>Fiscal Year</b>	<b>Issuance Date</b>	<b>Issuance Amount</b>	<b>Date Applications Received</b>	<b>Date Projects Released</b>
1	89	12/88	\$120,000,000	06/89-11/89	06/89-11/89
2	90	12/89	\$120,000,000	12/89-02/90	01/90-04/90
3	91	--	--	12/90-01/91	01/91-04/91
4	92	12/91	\$120,000,000	09/91-01/92	01/92-04/92
5	93	12/92	\$120,000,000	03/92-08/92	07/92-09/92
6 <sup>1</sup>	93	12/93	\$120,000,000	10/92-01/93	12/92-03/93
7	94	02/94	\$120,000,000	10/92-05/93	03/93-07/93
8	95	02/95	\$120,000,000	01/94-03/94	07/94
9	96	01/96	\$120,000,000	01/95-03/95	07/95
10	97	01/97	\$120,000,000	01/96-03/96	07/96
11	98	01/98	\$120,000,000	01/97-03/97	07/97
12 <sup>2</sup>	99	07/98	\$120,000,000	01/98-03/98	07/98
13	00	07/99	\$120,000,000	01/99-03/99	07/99
14	01	07/00	\$120,000,000	01/00-03/00	07/00
15	02	07/01	\$120,000,000	01/01-03/01	07/01
16	03	07/02	\$120,000,000	01/02-03/02	07/02
17	04	07/03	\$120,000,000	01/03-03/03	07/03
18	05	07/04	\$120,000,000	01/04-03/04	07/04
19	06	07/05	\$120,000,000	01/05-03/05	07/05
20	07	07/06	\$120,000,000	01/06-03/06	07/06
Total			\$2,400,000,000		

**Funding Source:** Investment earnings

**Line Items:** 150-321

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<sup>1</sup> Three bond issuances of \$120 million each were authorized for the FY 1993-1994 biennium in order to accelerate the program (supported program years 5, 6, and 7).

<sup>2</sup> This is the first year in which bonds were sold under the new authorization.

***Implication of Recommendation:*** Funding at the requested level will permit PWC to:

- Maintain existing staff levels and current information systems capabilities
  - Implement years 15 and 16 of SCIP resulting in approval of more than 1,500 local government projects costing more than \$415 million
  - Continue the Revolving Loan Program by approving 50 to 80 loans worth more than \$38 million over the biennium
  - Effectively monitor projects funded by PWC and provide on-going technical assistance to local governments and the district integrating committees
  - Continue development of PWC's state-wide infrastructure needs database
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**Local Transportation Improvement Program**

*Program Series 2*

**Role** To preserve and expand the public transportation infrastructure of local subdivisions so as to ensure the public health, safety, and welfare and to create and preserve jobs.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
052	150-402	Operating Expenses	\$401,481	\$426,089
052	150-701	Local Transportation Improvement Program	\$74,000,000	\$76,000,000
<b>Total funding: Local Transportation Improvement</b>			\$74,401,481	\$76,426,089

Specific program issues within the Local Transportation Improvement program series that this analysis will focus on include:

■ **Local Transportation Improvement Program**

**Local Transportation Improvement Program**

**Program Description:** Local Transportation Improvement Program (LTIP) was created in the transportation budget act (Am. Sub. H.B. 381) of the 118<sup>th</sup> G.A. This act increased the motor vehicle fuel tax by 3.2 cents, and set aside one cent of the increase for LTIP. This one-cent share, with interest, approximates \$65 million annually. This amount has been growing by 2% per year in recent years, but it fell by 1% during the first half of FY 2001, as compared with the comparable period in FY 2000.

Moneys are distributed on a per capita basis for local road and bridge projects with useful lives of at least seven years. Assistance is in the form of grants that may pay for all or part of a project’s cost. This program is implemented in a manner similar to that of the SCIP and is, in fact, used to complement that program.

**Funding Source:** One cent of the motor vehicle fuel tax

**Line Items:** 150-321

**Implication of Recommendation:** Funding at the requested level will permit PWC to:

- Maintain existing staff levels and current information systems capabilities
- Implement years 15 and 16 of LTIP resulting in approval of local government projects costing \$140 million (the state’s \$70 million will leverage matches of approximately equal value from the local governments)
- Effectively monitor projects funded by PWC and provide on-going technical assistance to local governments and the district integrating committees
- Continue development of PWC’s state-wide infrastructure needs database