

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

## **Transportation Budget Bill**

**(H.B. 53 of the 131st General Assembly)**

**Public Works Commission**

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### **ATTACHMENTS:**

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

# Public Works Commission

- Total transportation bill funding of \$116.4 million
- Over 98.0% of the funding supports grants for local road and bridge projects under LTIP

## 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 (one cent per gallon) of the motor vehicle fuel tax. PWC's administrative costs are paid for using interest income. In addition to these infrastructure financing programs, the Commission administers a third grant funding initiative that provides grants to local governments and nonprofits for the conservation of green space 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 16-FY 17)	Main Operating (FY 16-FY 17)	Capital (FY 15-FY 16)
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 funding for grants under SCIP and COCP. The transportation budget provides funding to administer and award grants to local governments under LTIP, as well as funding for the administrative expenses related to SCIP. The main operating budget provides funding for the debt service on bonds issued to fund SCIP, as well as the debt service and administration of COCP.

## PWC Appropriations under the Transportation Budget

This Redbook analysis concentrates on the Governor's funding recommendations for the two functions supported by funding in the transportation budget: (1) administering and issuing grants under LTIP, and (2) administering SCIP. PWC's recommended transportation budget appropriation is \$57.2 million and \$59.2 million, respectively, in each year of the upcoming FY 2016-FY 2017 biennium. Of these amounts, approximately 98.5% in each fiscal year is for LTIP. The proposed funding for these specific purposes is summarized in Table 2 below.

<b>Program</b>	<b>FY 2015*</b>	<b>FY 2016</b>	<b>% Change FY 2015-FY 2016</b>	<b>FY 2017</b>	<b>% Change FY 2016-FY 2017</b>
LTIP – Grants and Operating Costs	\$52,296,555	\$56,289,020	7.6%	\$58,291,269	3.6%
SCIP – Operating Cost Only	\$909,665	\$899,507	-1.1%	\$905,807	0.7%
<b>TOTAL</b>	<b>\$53,206,220</b>	<b>\$57,188,527</b>	<b>0.0%</b>	<b>\$59,197,076</b>	<b>3.5%</b>

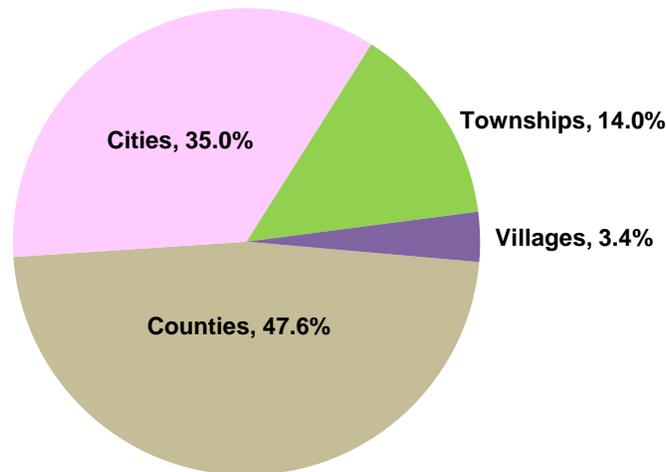
\*FY 2015 figures represent estimated expenditures.

## Infrastructure Funding

### LTIP Grant Distributions to Local Governments

As this bill primarily provides appropriations for LTIP's grant funding to local governments for road and bridge projects, an analysis of recent program funding allocations may be useful. The chart below shows LTIP grant 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 LTIP during this span was \$146.0 million. As the chart below shows, county governments received 47.6% (\$69.4 million) of the total. Meanwhile, cities received 35.0% (\$51.1 million), townships received 14.0% (\$20.4 million), and villages received 3.4% (\$5.0 million) in LTIP grants during this timeframe.

**Chart: LTIP Grant Funding by Political Subdivision, PY 26-PY 27  
(\$146.0 million)**



Broken down by project type, about \$122.2 million (83.7%) of the grant funding during these two program years went toward road projects, and approximately \$23.8 million (16.3%) funded bridge projects. Overall, 353 total projects were awarded in this period, making the average LTIP assistance approximately \$413,577 per project.

### **Administration of Infrastructure Programs**

The Governor's proposal includes approximately \$1.2 million in each fiscal year to fund the operating costs of LTIP and SCIP. At any given time, PWC maintains an active portfolio of approximately 1,400 ongoing SCIP projects and 350 ongoing LTIP projects. With the LTIP funding recommended in the transportation budget, alongside the \$300.0 million in SCIP capital appropriations and \$69.0 million in SCIP revolving loan appropriations approved in the FY 2015-FY 2016 capital bill (Am. H.B. 497 of the 130th General Assembly), PWC expects to approve approximately 1,300 SCIP projects and approximately 330 LTIP projects for PY 29 and PY 30. PWC's responsibilities under these programs include providing technical assistance to the 19 district public works integrating committees and local governments, maintaining information systems such as the statewide infrastructure needs database, and preparing financial reports for use by auditors and local government officials. Additionally, PWC is engaged in an ongoing process of developing a new information technology (IT) platform that will update and improve the Commission's ability to manage a large amount of project and financial data.

## Temporary Law Provisions

Proposed temporary law continuing from the previous biennium authorizes the Director of PWC to use investment earnings of the SCIP and LTIP funds for administrative costs incurred by the 19 individual public works district integrating committees. The provision limits the maximum amount available for disbursement to \$1,235,000 per fiscal year, and caps the amount each district may receive at \$65,000 per fiscal year.

Additionally, continuing temporary law authorizes the reappropriation of capital appropriations for local infrastructure projects in the Local Transportation Improvement Program Fund (Fund 7052) that remain unencumbered at the end of FY 2016 and FY 2017 to the following fiscal year. Finally, the bill allows the Director of PWC to request that the Director of Budget and Management temporarily transfer funds from the Local Transportation Improvement Fund (Fund 7052) to the State Capital Improvement Fund (Fund 7038) and the Clean Ohio Conservation Fund (Fund 7056). The Director of Budget and Management may approve these transfers only if they are needed for capital outlays involving bonds or notes. The bill requires any transfers to be reported to the Controlling Board.

## ANALYSIS OF EXECUTIVE PROPOSAL

### Aid to Local Governments

The transportation budget bill includes the following PWC appropriations in the table below. The Local Transportation Improvement Program (LTIP) is funded by a portion of the revenue generated by the state motor fuel tax of 28 cents per gallon. Specifically, the amount transferred to the Local Transportation Improvement Program Fund (Fund 7052) and used for LTIP represents one cent of the tax per gallon. The bill also includes funding for the operating expenses of the State Capital Improvements Program (SCIP), which are covered by interest income and a portion of SCIP bond proceeds.

Governor's Recommended Amounts for Aid to Local Governments				
Fund	ALI and Name		FY 2016	FY 2017
<b>Dedicated Purpose Fund Group</b>				
7052	150701	Local Transportation Improvement Program	\$56,000,000	\$58,000,000
7052	150402	Local Transportation Improvement Program Operating	\$289,020	\$291,269
<b>Dedicated Purpose Fund Group Subtotal</b>			<b>\$56,289,020</b>	<b>\$58,291,269</b>
<b>Capital Projects Fund Group</b>				
7038	150321	State Capital Improvements Program – Operating Expenses	\$899,507	\$905,807
<b>Capital Projects Fund Group Subtotal</b>			<b>\$899,507</b>	<b>\$905,807</b>
<b>Total Funding: Aid to Local Governments</b>			<b>\$57,188,527</b>	<b>\$59,197,076</b>

### Local Transportation Improvement Program (150701)

This line item provides the funding necessary for LTIP to distribute financial assistance to counties, cities, townships, and villages for local road and bridge projects. LTIP grants are allocated annually on a per capita basis to each of the 19 public works district integrating committees throughout the state, and may cover up to 100% of project costs.<sup>1</sup> Eligible costs include property and facility acquisition, engineering and design, and construction. Although the number of projects funded by LTIP varies from year to year, the recommended funding levels are expected to provide for approximately 334 projects over the course of the FY 2016-FY 2017 biennium, which encompasses PYs 29 and 30 of LTIP. The executive recommendation funds this line item at \$56.0 million in FY 2016 and \$58.0 million in FY 2017.

<sup>1</sup> The allocation formula to the committees is outlined in section 164.14 of the Revised Code.

**Local Transportation Improvement Program Operating (150402)**

Spending from this line item supports LTIP's administrative expenses, which are supported by investment income on revenues into Fund 7052. PWC states that the fund earns investment income of around \$300,000 per year. The executive proposal recommends \$289,020 in FY 2016 and \$291,269 in FY 2017 to cover these costs. These amounts are approximately the same as estimated expenditures for FY 2015 and will allow the Commission to maintain current service levels under LTIP. Administrative expenses include those for project monitoring, processing disbursement requests, and maintaining PWC's information systems. LTIP comprises about 20% of the Commission's total administrative costs among the three infrastructure programs under its purview (the others are SCIP and COCP).

**State Capital Improvements Program – Operating Expenses (150321)**

This line item is the source of funding for the operating expenses incurred by SCIP. Using the proceeds of state-issued bonds, SCIP provides grants and loans to local governments for improvement of their infrastructure systems. Eligible SCIP projects include improvements to (1) roads, (2) bridges, (3) culverts, (4) water supply systems, (5) wastewater systems, (6) storm water collection systems, and (7) solid waste disposal facilities.

PWC's costs to administer SCIP have historically been paid by investment income from the bond proceeds, however some administrative costs are sometimes covered directly from bond proceeds. The executive recommendation for the transportation budget provides \$899,507 in FY 2016 and \$905,807 in FY 2017 to administer SCIP, comparable to the \$909,665 in estimated spending for this purpose in FY 2015. The majority of this funding is used for personnel and supplies and maintenance. Overall, SCIP administration comprises about 60% of the Commission's total operating costs. As with LTIP, administrative functions supported by this line item include reviewing and approving disbursement requests, providing ongoing technical assistance to district public works integrating committees, project monitoring, and maintaining PWC's statewide infrastructure needs database.

The recommendation will allow PWC to administer PYs 29 and 30 of SCIP, authorized by sections 2p and 2s within Article VIII of the Ohio Constitution, respectively. Under these provisions, the state may issue up to \$150.0 million per year in bonds for SCIP between PY 25 and PY 29, then \$175.0 million annually from PY 30 to PY 34. H.B. 497 of the 130th General Assembly, the capital budget act for FY 2015 and FY 2016, appropriated \$300.0 million for SCIP, or \$150.0 million in each fiscal year. Given the increased bonding authority effective in PY 30, SCIP would be eligible for additional funding in the next capital budget bill, which would authorize appropriations for the FY 2017-FY 2018 capital biennium.

## Public Works Commission

### Dedicated Purpose Fund Group

#### 7052 150402 Local Transportation Improvement Program - Operating

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$244,895	\$246,223	\$243,873	\$296,555	<b>\$289,020</b>	<b>\$291,269</b>
	0.5%	-1.0%	21.6%	<b>-2.5%</b>	<b>0.8%</b>

**Source:** Dedicated Purpose Fund Group: Investment income

**Legal Basis:** ORC 164.14 and 5735.23; Section 209.10 of H.B. 51 of the 130th G.A.

**Purpose:** This line item funds the operating expenses of the Local Transportation Improvement Program (LTIP). Administrative activities include project monitoring, processing disbursement requests, and maintaining PWC's information systems.

#### 7052 150701 Local Transportation Improvement Program

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$113,978,423	\$79,769,126	\$61,778,883	\$52,000,000	<b>\$56,000,000</b>	<b>\$58,000,000</b>
	-30.0%	-22.6%	-15.8%	<b>7.7%</b>	<b>3.6%</b>

**Source:** Dedicated Purpose Fund Group: One cent per gallon of state motor fuel tax

**Legal Basis:** ORC 164.14 and 5735.23; Section 209.10 of H.B. 51 of the 130th G.A.

**Purpose:** This line item provides the funding to issue grants to political subdivisions to finance local road and bridge projects under LTIP. Grant funds are allocated on a per capita basis to each of the Public Works Commission's 19 district public works integrating committees. Typically around 300 to 400 LTIP grants are awarded annually.

### Capital Projects Fund Group

#### 7038 150321 State Capital Improvements Program - Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$735,489	\$755,945	\$779,826	\$909,665	<b>\$899,507</b>	<b>\$905,807</b>
	2.8%	3.2%	16.6%	<b>-1.1%</b>	<b>0.7%</b>

**Source:** Capital Projects Fund Group: Investment income

**Legal Basis:** ORC 164.08; Section 209.10 of H.B. 51 of the 130th G.A.

**Purpose:** This line item funds the administrative costs of the State Capital Improvement Program (SCIP), which provides grants and loans to local governments to improve infrastructure systems. Administrative functions include project monitoring, maintaining a statewide infrastructure needs database, and assisting district public works integrating committees. SCIP awards are funded through capital line items C15000 and C15030.

## 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
<b>Report For Transportation Budget</b>			<b>Version: As Introduced</b>					
<b>PWC Public Works Commission</b>								
7052	150402	Local Transportation Improvement Program - Operating	\$ 243,873	\$ 296,555	\$ 289,020	-2.54%	\$ 291,269	0.78%
7052	150701	Local Transportation Improvement Program	\$ 61,778,883	\$ 52,000,000	\$ 56,000,000	7.69%	\$ 58,000,000	3.57%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 62,022,756</b>	<b>\$ 52,296,555</b>	<b>\$ 56,289,020</b>	<b>7.63%</b>	<b>\$ 58,291,269</b>	<b>3.56%</b>
7038	150321	State Capital Improvements Program - Operating Expenses	\$ 779,826	\$ 909,665	\$ 899,507	-1.12%	\$ 905,807	0.70%
<b>Capital Projects Fund Group Total</b>			<b>\$ 779,826</b>	<b>\$ 909,665</b>	<b>\$ 899,507</b>	<b>-1.12%</b>	<b>\$ 905,807</b>	<b>0.70%</b>
<b>Public Works Commission Total</b>			<b>\$ 62,802,582</b>	<b>\$ 53,206,220</b>	<b>\$ 57,188,527</b>	<b>7.48%</b>	<b>\$ 59,197,076</b>	<b>3.51%</b>