

Redbook

LBO Analysis of Executive Budget Proposal

Ohio Lake Erie Commission

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LBO Redbook

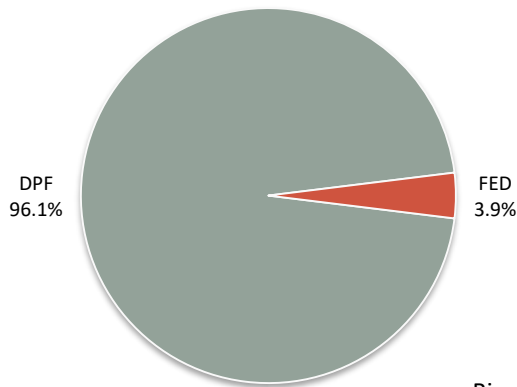
Ohio Lake Erie Commission

Quick look...

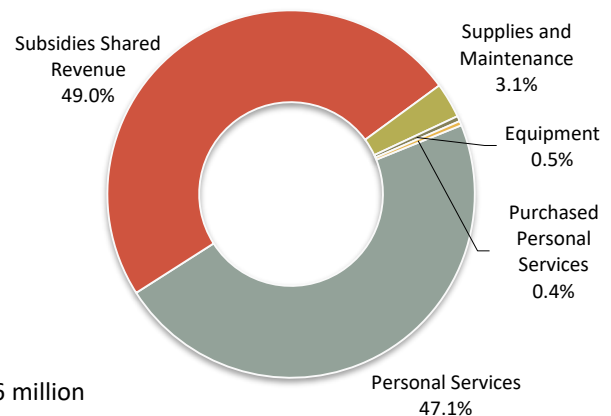
- The Ohio Lake Erie Commission’s (LEC) mission is the protection, conservation, and development of Lake Erie and its surrounding areas.
- Total budget recommendations: \$983,000 in FY 2024 and \$1.6 million in FY 2025.
 - Sources of the budget: state non-GRF (96.1%) and federal (3.9%).
 - Subsidies shared revenue, or grants, is the largest spending area (49.0%); personal services, or payroll, represents the second largest spending area (47.1%).
- The executive budget appropriates funding for 4.5 full-time employees.
- H2Ohio Initiative work continues into the next biennium.

Fund Group	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
Dedicated Purpose	\$616,781	\$1,541,102	\$933,000	\$1,548,000
Federal	\$612,814	\$50,000	\$50,000	\$50,000
Total	\$1,229,595	\$1,591,102	\$983,000	\$1,598,000
% change	--	29.4%	-38.2%	62.6%

**Chart 1: LEC Budget by Fund Group
FY 2024-FY 2025 Biennium**



**Chart 2: LEC Budget by Expense Category
FY 2024-FY 2025 Biennium**



Biennial total: \$2.6 million

Agency overview

The Lake Erie Commission’s mission is “to preserve Lake Erie’s natural resources, to protect the quality of its waters and ecosystem, and to promote economic development of the region by ensuring the coordination of policies and programs of state government pertaining to water quality, toxic substances, and coastal resource management.” 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 13 members: the directors of Environmental Protection, Natural Resources, Health, Agriculture, Transportation, and Development Services, plus an additional seven members appointed by the Governor. The Commission's staff primarily coordinate programs that address nutrient management and the beneficial use of dredged material, and promote the sales of Lake Erie license plates that help support staff operations and grants programs. Member state agencies provide additional services. The Ohio Environmental Protection Agency (Ohio EPA) provides fiscal management services and the Department of Natural Resources provides public information and information technology support.

The Commission receives no GRF funding, it relies on four, somewhat unpredictable, revenue streams: (1) Lake Erie license plate sales, (2) interest earnings distributed from the multistate Great Lakes Protection Fund, (3) federal grants, (4) transfers from other state agencies, and (5) a portion of H2Ohio funding (Fund 6H20) beginning in FY 2022.

Staffing

The Commission currently employs five employees: three full-time employees, one part-time, and one intermittent. The Commission plans to convert the current intermittent position to a full-time employee in FY 2024.

Fiscal challenge

Necessary cash transfers

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. To address this uncertainty, the executive budget contains a cash transfer provision. It permits the Director of the Office of Budget and Management (OBM) to transfer specified cash amounts in FY 2024 and FY 2025 from certain state funds to the Lake Erie Protection Fund (Fund 4C00). The total amount of cash authorized for transfer annually is up to \$150,000 in FY 2024 and FY 2025 (see the table below).

Authorized Cash Transfers to Fund 4C00*				
Fund	Fund Name	User	FY 2024	FY 2025
5BC0	Environmental Protection Fund	Environmental Protection Agency	\$25,000	\$25,000
6690	Pesticide, Fertilizer and Lime Fund	Department of Agriculture	\$25,000	\$25,000
4700	General Operations Fund	Department of Health	\$25,000	\$25,000
1570	Central Support Indirect Chargeback	Department of Natural Resources	\$25,000	\$25,000
7002	Highway Operating	Department of Transportation	\$25,000	\$25,000
1350	Supportive Services	Department of Development	\$25,000	\$25,000
Total			\$150,000	\$150,000

*All of the authorized cash transfers are "up to" amounts.

License plate sales – decreasing demand

The Lake Erie Protection Fund (Fund 4C00), consists primarily of Lake Erie license plate sales, and effective FY 2018, Ohio’s share of the interest earned from the multistate Great Lakes Protection Fund (GLPF).

For each license plate sold, \$15 is donated to the fund to be used for projects that support the protection and restoration of Lake Erie. Currently, Ohio drivers may choose from three designs: (1) Marblehead Lighthouse, (2) Toledo Harbor Lighthouse, or (3) Lake Erie Life Preserver. There are currently 8,558 Lake Erie license plates in circulation. Of the three plate designs, the Marblehead Lighthouse is the most popular with over 8,100 active license plates, or about 95% of total active Lake Erie license plates.

In calendar year 2021, there were 8,558 Lake Erie license plates sold which resulted in over \$140,000 generated for Fund 4C00. Because the Lake Erie license plate sales have been dropping by approximately 10% each year, the Commission can expect to continue to see a decrease in revenue which will impact the amount of Lake Erie Protection Fund grants that the Commission awards each year.

Lake Erie Protection Fund grants are competitive grants awarded to address any of the Lake Erie priorities established by the six state agencies that are a part of the Commission as part of the Lake Erie Protection & Restoration Plan 2020. There are currently nine priorities including: Nutrient Pollution Reduction; Habitat & Species; Dredge Material Management and Maritime Infrastructure; Invasive Species; Areas of Concern; Toxic Pollutants; Beach and Recreational Use; Travel, Tourism, Jobs and Economy; and Water Withdrawals.

Analysis of FY 2024-FY 2025 budget proposal

The Lake Erie Commission’s budget consists of three appropriation line items (ALIs), two of which are supported by money appropriated from the Dedicated Purpose Fund (DPF) Group, and the other is supported by federal grants or awards. The executive budget provides a total appropriation of \$983,000 in FY 2024 and \$1.6 million in FY 2025: 96.1% DPF Group, 3.9% federal funding. Each of these line items is described further below.

Lake Erie Protection (ALI 780601)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
DPF Fund 4C00 ALI 780601, Lake Erie Protection					
\$514,317	\$634,201	\$491,781	\$1,416,102	\$801,000	\$1,416,000
% change	23.3%	-22.5%	188.0%	-43.4%	76.8%

This line item is used to pay for the Commission’s ongoing annual operating expenses and to award research and demonstration grants related to the protection and restoration of Lake Erie resources of up to \$50,000 and other grants. It is supported by the Lake Erie Protection Fund (Fund 4C00), which as stated earlier, consists of Lake Erie license plate sales, Ohio’s share of the interest earned from the multistate Great Lakes Protection Fund (GLPF), cash transfers from member agencies, and federal grants awarded to Ohio EPA and passed through to the

Commission. The enactment of S.B. 2 of the 132nd General Assembly, effective October 6, 2017, revised the permissible uses of the money in Fund 4C00. As a result, it is currently used to: (1) fund cooperative research, data gathering, or demonstration projects related to the priorities outlined in the Lake Erie Protection and Restoration Strategy (LEPRS),¹ (2) encourage cooperation with and among public and private sector leaders in the Lake Erie basin, (3) award grants for projects and programs that are designed to address priorities outlined in the LEPRS, and (4) pay expenses authorized by the members of the Commission necessary to implement the Coastal Management Law (R.C. Chapter 1506).²

This line item helps to support the Lake Erie Protection Fund grant program. Direct recipients of grant funds, technical support, and training programs include universities, local governments, and nongovernmental organizations such as watershed groups and land conservancies. During the last two years, the Commission has awarded three grants of approximately \$50,000 each in FY 2022, and two grants of approximately \$50,000 in FY 2021 to five research teams.

The reduction in appropriation in FY 2024 compared to the FY 2023 estimate and FY 2025 appropriation is a result of grant award timing. In addition to the Lake Erie Protection Fund grant program, Ohio EPA has awarded additional funding to the Commission to be used primarily for a new grant, Coastal Resiliency in Lake Erie Communities. Under the rules of the original federal grant any unspent funds will need to be returned to U.S. EPA at the end of FY 2024. The Commission has made the decision to award all of the money in FY 2023 to allow recipients more time to implement the grants.

H2Ohio (ALI 780604)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
DPF Fund 6H20 ALI 780604, H2Ohio					
\$0	\$0	\$125,000	\$125,000	\$132,000	\$132,000
% change	--	--	0.0%	5.6%	0.0%

H.B. 166 of the 133rd General Assembly created the H2Ohio Fund (Fund 6H20) in the state treasury, and directed a portion of FY 2019 GRF surplus revenue (up to \$172 million) to the fund. At that time, funding was used by the Department of Agriculture, Department of Natural Resources, and the Ohio Environmental Protection Agency. In order to continue activities associated with the H2Ohio Program, H.B. 110 of the 134th General Assembly provides for an additional \$132 million cash transfer from the FY 2021 GRF ending balance to Fund 6H20. The fund continues to be used for water quality purposes, including awarding grants, issuing loans, funding cooperative research, and encouraging cooperation with governmental and private

¹ LEPRS outlines actions the Commission and its member agencies will take toward achieving prioritized environmental, recreational, and economic goals.

² The Coastal Management Law establishes programs administered by the Ohio Department of Natural Resources with other state agencies that protect Lake Erie’s shoreline and water, including erosion prevention and the development of recreational facilities.

entities. The Commission’s role in the H2Ohio Initiative is to provide coordination and ensure transparency and accountability.

In FY 2022, the Commission, working with researchers from the Ohio State University, the University of Toledo, and other partners began to develop an H2Ohio Response Model to evaluate the impact of the H2Ohio practices on nutrient loading. Over time, an H2Ohio Response Model will be a tool to evaluate work being done to mitigate harmful algal blooms. The Commission expects this project to be completed in August 2023.

In FY 2024 and FY 2025, the Commission anticipates funding a research group to refine Ohio’s current method for evaluating the expected nutrient reduction in the state’s water as a result of H2Ohio projects.

LEC Federal Grants (ALI 780603)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
FED Fund 3EPO ALI 780603, LEC Federal Grants					
\$848,721	\$627,659	\$612,814	\$50,000	\$50,000	\$50,000
% change	--	-2.4%	-91.8%	0.0%	0.0%

This line item is primarily used to disburse project grants awarded by the Great Lakes Restoration Initiative (GLRI).³ In FY 2022 and FY 2023, the Commission was awarded two GLRI grants: \$75,000 for the Cuyahoga Area of Concern Brandywine Enhancement and Restoration Project and \$75,000 for the Black River Area of Concern BUI Evaluation Monitoring Project.

Prior to these awards, the most recent grant awarded to Ohio was issued in 2019 for the Mayfield – Euclid Creek restoration project. Funds were passed directly to the county soil and water conservation district managing the project. Future federal grants or awards are unpredictable.

LEC/zg

³ The GLRI is a 2010 federal initiative aimed at restoring the Great Lakes ecosystem. U.S. EPA is the lead federal agency for implementing the GLRI.