

# **LSC Greenbook**

**Analysis of the Enacted Budget**

## **Ohio Air Quality Development Authority**

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Budget Spreadsheet By Line Item

# Ohio Air Quality Development Authority

- Total budget of \$2.2 million over the FY 2016-FY 2017 biennium
- Expanded program to assist small businesses in buying clean air equipment (rolled out in FY 2015)
- Assistance in the financing and issuance of around \$185 million annually in bonds supporting pollution control projects

## OVERVIEW

The Ohio Air Quality Development Authority (OAQDA) is a nonregulatory state government agency that was established in 1970 in response to environmental mandates handed down by the federal government in the first Clean Air Act. A seven-member board governs the Authority, of which five are appointed by the Governor. The other two members are the directors of the Ohio Department of Health and the Ohio Environmental Protection Agency. OAQDA assists businesses, government agencies, and nonprofit agencies and individuals in complying with air quality regulations by providing technical and financial assistance. Using the tool of conduit financing, OAQDA qualifies projects for tax exemptions if the projects contribute to better air quality. The Authority employs five full-time staff members.

## Appropriations by Fund

Fund Name (Fund Number)	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
Small Business Assistance (Fund 5A00)	\$0	\$450,000	N/A	\$450,000	0.0%
Small Business Ombudsman (Fund 4Z90)	\$277,545	\$288,232	3.9%	\$288,232	0.0%
Operating Fund (Fund 5700)	\$185,278	\$186,568	0.7%	\$189,590	1.6%
Energy Strategy Development (Fund 5EG0)	\$189,562	\$193,184	1.9%	\$176,394	-8.7%
<b>TOTAL</b>	<b>\$652,385</b>	<b>\$1,117,984</b>	<b>71.4%</b>	<b>\$1,104,216</b>	<b>-1.2%</b>

\*FY 2015 figures represent actual expenditures.

Table 1 above shows OAQDA's budget under H.B. 64 by fund over the FY 2016-FY 2017 biennium, alongside actual FY 2015 spending. Overall, funding is approximately \$1.1 million in each of FY 2016 and FY 2017, over \$465,000 higher than actual FY 2015 spending. The difference is essentially made up of the \$450,000 in

appropriations through Fund 5A00 each fiscal year for grants and loans to assist small businesses in purchasing clean air equipment. The same amount was appropriated in FY 2015 for the grant and loan program; however, no funds were actually spent by the end of the year.

Just over \$738,000 (66.4%) of the funding in each fiscal year supports the Clean Air Resource Center, which offers technical assistance to small businesses to help them comply with Clean Air Act requirements and provides grants and loans for clean air equipment. The center is funded by a portion of Title V air permit fees collected by the Ohio Environmental Protection Agency. These proceeds are divided between the Small Business Ombudsman Fund (Fund 4Z90) and the Small Business Assistance Fund (Fund 5A00). Approximately \$288,000 in each fiscal year under Fund 4Z90 is for technical and advisory services, and \$450,000 in each year under Fund 5A00 is for grants and loans to small businesses. The latter accounts for 40% of the agency's budget.

Of the remaining budget, nearly \$190,000 in each fiscal year will be used to administer various air quality financing assistance programs overseen by OAQDA. These services are supported by fees paid by firms that obtain bond financing for their air quality projects using assistance from OAQDA. These fees are deposited into the Operating Fund (Fund 5700). Finally, approximately \$190,000 in FY 2016 and \$176,000 in FY 2017 will be used to monitor projects funded by advanced energy loans and oversee state energy strategy in coordination with other state agencies. Funding for these activities is derived from cash transfers from specified state agencies that are deposited into the Energy Strategy Development Fund (Fund 5EG0).

## ANALYSIS OF ENACTED BUDGET

Appropriations for Ohio Air Quality Development Authority under H.B. 64				
Fund	ALI and Name		FY 2016	FY 2017
4Z90	898602	Small Business Ombudsman	\$288,232	\$288,232
5700	898601	Operating Expenses	\$186,568	\$189,590
5A00	898603	Small Business Assistance	\$450,000	\$450,000
5EG0	898608	Energy Strategy Development	\$193,184	\$176,394
<b>Total Funding: Ohio Air Quality Development Authority</b>			<b>\$1,117,984</b>	<b>\$1,104,226</b>

### Small Business Assistance (898603)

The main operating budget bill includes funding of \$450,000 for this line item in each year of the FY 2016-FY 2017 biennium for grants and loans to assist small businesses in purchasing clean air equipment. While this amount matches FY 2015 appropriations, there were no funds actually spent through the line item in FY 2015. This is attributable to the rollout of the new program midway through FY 2015 and the delayed release of funding on account of program requirements, as explained in more detail below. The program is funded by Title V permit fees.

With the funding increase that began in FY 2015, OAQDA altered the type of assistance available to small businesses for purchasing clean air equipment. Through FY 2014, the Clean Air Resource Center awarded grants to cover the cost of *financing* the purchase of equipment. The program was underutilized because of changes in the tax code that decreased the tax incentives for financing with OAQDA. Beginning in FY 2015, however, OAQDA announced an expansion of the program to offer grants and loans that would directly cover a portion of the cost of *purchasing* the equipment itself.

OAQDA began accepting applications in January 2015, with awards to be made on a rolling basis. To qualify, the business must have 100 or fewer employees and comply with federal Clean Air laws. Once a small business moves forward with a project, the grants may either be used to (1) cover closing costs, or (2) support principal payments on equipment after the equipment has been installed and operational for at least six months. Grants may be up to 30% of equipment costs, up to \$30,000. Loans can be used to finance the purchase pollution control or prevention equipment.

Through FY 2015, one business has been awarded assistance under the expanded program. In February 2015, Ridge Cleaners of Lorain County received an award of grant assistance to purchase a new dry cleaning unit. Altogether, the OAQDA financing assistance includes an OAQDA revenue bond of \$70,000, plus two grants: one amounting to 4% of the business's closing costs of the project, and the other covering a portion of the principal itself, not to exceed 30% of the total project costs.

## OAQDA's Operating Costs

The operating costs of the Authority are divided up among three line items to align with the discrete duties of the agency: (1) line item 898601, Operating Expenses, is used to administer the state's air quality financing assistance programs in encouraging investment in clean air technology, (2) line item 898602, Small Business Ombudsman, pays for OAQDA's Clean Air Resource Center to advise businesses on Clean Air Act regulations, and (3) line item 898608, Energy Strategy Development, is used to track loan projects awarded in prior years and coordinate with other state agencies to develop energy initiatives.

### Operating Expenses (898601)

Funding for this line item is approximately \$186,500 in FY 2016 and \$189,500 in FY 2017, just slightly higher than FY 2015 spending of \$185,300. OAQDA uses this funding to oversee the state's air quality financing assistance programs, serving Ohio businesses, utilities, and public sector entities. The financing structures come in five typical forms: (1) Qualified Energy Conservation Bonds (QECCB) for local governments, (2) Small Business Project Loans, (3) Utility Loans, (4) State Agency Lease and Loan Agreements, and (5) Advanced Energy Loans to businesses. These activities are completely market driven. The average annual amount in pollution control bonds issued between 2011 and 2013 was around \$185 million, but fluctuated between those years in response to market conditions. OAQDA's duties related to these programs include educating the potential client base about available assistance, developing potential projects, reviewing applications, authorizing and issuing the bonds, and administering outstanding bonds throughout their terms, which last as long as 40 years.

### Small Business Ombudsman (898602)

This line item supports OAQDA's Clean Air Resource Center. H.B. 64 appropriates \$288,232 for both FY 2016 and FY 2017 to support this function, a 3.9% increase compared to spending of \$277,545 for this purpose in FY 2015. The center provides small business assistance via (1) onsite visits to identify air pollution problems and solutions, (2) technical assistance to meet pollution requirements, and (3) distribution of information on financing assistance to purchase pollution control equipment.

OAQDA estimates that approximately 40,000 small businesses (100 or fewer employees and not a major source of air emissions) across the state are required to know whether or not they are covered by the federal Clean Air requirements, and, if they are, what they must do to be in compliance. The center fulfills Ohio's mandate under the Clean Air Act amendments of 1990 to offer business assistance as part of the state's efforts in attaining and maintaining national ambient air quality standards. The center is funded by revenue generated by pollution control permit fees as required by federal and state statute (Title V permits overseen by the Ohio EPA).

### Energy Strategy Development (898608)

H.B. 64 includes appropriations of \$193,184 in FY 2016 and \$177,394 in FY 2017 for Fund 5EG0, appropriation item 898608, Energy Strategy Development, in line with FY 2015 spending of \$189,562 to track program metrics (primarily job creation targets) and repayment activities related to various loans previously awarded by the state.

OAQDA uses a majority of this funding to monitor ten noncoal project loans awarded under the Advanced Energy Stimulus Program. For a longer term perspective, initially, between 2009 and 2011, the state allocated \$150 million under the Advanced Energy Stimulus Program in grant and loan funding to technology companies to aid in the development, production, and use of advanced energy technologies in the state. The money under OAQDA was split between coal and noncoal projects. When the Ohio Coal Development Office was moved to the Development Services Agency in FY 2012, oversight of the coal projects under the program moved as well. The loans that were issued for the noncoal projects totaled approximately \$61.5 million. Some of the loans are still in repayment status, while one noncoal loan has been fully repaid. Due to fluctuations in the advanced energy market, some of the companies that received loans have been certified for collections with the Attorney General's Office. As such, this line item also pays for legal costs associated with the OAQDA's collection efforts in conjunction with the Attorney General.

The Authority also uses these funds to coordinate with delegated personnel from other state agencies to develop energy initiatives, projects, and policy for the state. Uncodified law in H.B. 64 allows the Director of Budget and Management to transfer cash from various funds used by six state agencies to Fund 5EG0 to be used by OAQDA for such purposes. These agencies, funds, and cash transfers are listed in Table 2.

State Agency	Fund	FY 2016 Amount	FY 2017 Amount
Facilities Construction Commission	State Agency Construction Project Service (Fund 1310)	\$27,405	\$27,439
Department of Agriculture	Central Support Indirect Cost (Fund 5GH0)	\$27,405	\$27,439
Development Services Agency	Supportive Services (Fund 1350)	\$27,405	\$27,439
Environmental Protection Agency	Central Support Indirect Cost (Fund 2190)	\$27,405	\$27,439
Department of Natural Resources	Central Support Indirect Chargeback (Fund 1570)	\$27,405	\$27,439
Department of Transportation	Highway Operating (Fund 7002)	\$39,150	\$39,199
<b>Total Cash Transfers – FY 2016-FY 2017 Biennium</b>		<b>\$176,175</b>	<b>\$176,394</b>

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# FY 2016 - FY 2017 Final Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

			FY 2014	FY 2015	Appropriation FY 2016	FY 2015 to FY 2016 % Change	Appropriation FY 2017	FY 2016 to FY 2017 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Enacted</b>					
<b>AIR Air Quality Development Authority</b>								
4Z90	898602	Small Business Ombudsman	\$ 273,030	\$ 277,545	\$ 288,232	3.85%	\$ 288,232	0.00%
5700	898601	Operating Expenses	\$ 178,195	\$ 185,278	\$ 186,568	0.70%	\$ 189,590	1.62%
5A00	898603	Small Business Assistance	\$0	\$0	\$ 450,000	N/A	\$ 450,000	0.00%
5EG0	898608	Energy Strategy Development	\$ 264,549	\$ 189,562	\$ 193,184	1.91%	\$ 176,394	-8.69%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 715,773</b>	<b>\$ 652,385</b>	<b>\$ 1,117,984</b>	<b>71.37%</b>	<b>\$ 1,104,216</b>	<b>-1.23%</b>
<b>Air Quality Development Authority Total</b>			<b>\$ 715,773</b>	<b>\$ 652,385</b>	<b>\$ 1,117,984</b>	<b>71.37%</b>	<b>\$ 1,104,216</b>	<b>-1.23%</b>