

Redbook

LBO Analysis of Executive Budget Proposal

Ohio Air Quality Development Authority

Tom Middleton, Senior Budget Analyst
March 2019

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LBO Redbook

Ohio Air Quality Development Authority

Quick look...

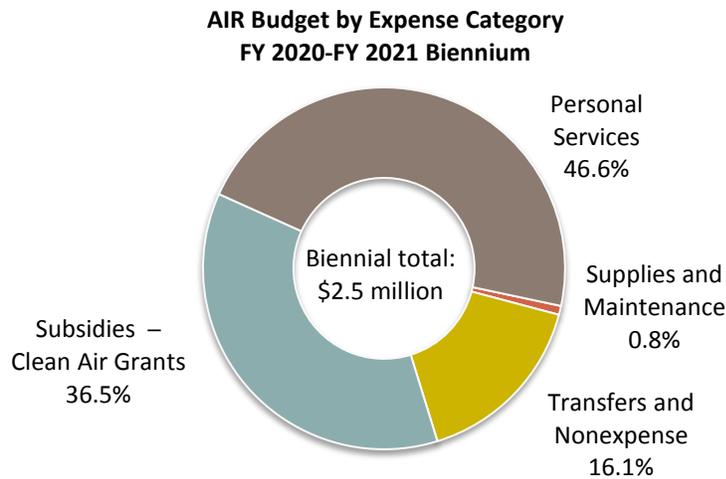
- The Ohio Air Quality Development Authority (OAQDA) assists businesses, political subdivisions, and not-for-profit entities in complying with the federal Clean Air Act by (1) issuing revenue bonds to install clean air facilities and helping them qualify for tax exemptions on the project and (2) issuing grants to eligible small businesses to buy clean air equipment.
- A seven-member board governs the Authority, of whom five are paid and two serve ex-officio. The Authority does not have regulatory power.
- H.B. 166 provides the OAQDA with continuation funding for operations and small business grants totaling approximately \$1.2 million in funding each fiscal year of the FY 2020-FY 2021 biennium.
- This will allow the Authority to hire one new permanent full-time employee to handle customer service and administrative duties. There are currently four permanent staff members.
 - OAQDA does not receive GRF funding. Operating revenue consists of bond financing and a portion of air permit fees collected by the Ohio Environmental Protection Agency.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 4Z90 ALI 898602, Small Business Ombudsman					
\$259,475	\$256,964	\$491,652	\$450,020	\$208,813	\$208,813
% change	-1.0%	91.3%	-8.5%	-53.6%	0.0%
Fund 5700 ALI 898601, Operating Expenses					
\$172,790	\$169,976	\$166,133	\$181,399	\$565,364	\$583,395
% change	-1.6%	-2.3%	9.2%	211.7%	3.2%
Fund 5A00 ALI 898603, Small Business Assistance					
\$170,229	\$365,194	\$375,734	\$437,371	\$450,000	\$450,000
% change	114.5%	2.9%	16.4%	2.9%	0.0%
Total funding					
\$602,494	\$792,134	\$1,033,519	\$1,068,790	\$1,224,177	\$1,242,208
% change	31.5%	30.5%	3.4%	14.5%	1.5%

Analysis of FY 2020-FY 2021 budget proposal

Executive recommendations by expense category

Of the total executive recommended budget of approximately \$2.5 million over the FY 2020-FY 2021 biennium, approximately 46.6% (\$1.2 million) of the amount is allocated for personal services costs related to the four full-time permanent employees and five appointed members of the Authority, plus an additional full-time employee to be hired. About 36.5% (\$900,000) would support the small business grants awarded through the Clean Air Resource Center. Transfers and nonexpense make up approximately 16.1% (\$397,600) of the budget, and covers reimbursements to the Air Quality Development trust account for operating expenses associated with administering the financing assistance that OAQDA provides. Finally, 0.8% (\$20,000) is for supplies and maintenance.



OAQDA operating costs

Operating Expenses (ALIs 898601 and 898602)

	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 5700 ALI 898601, Operating Expenses						
	\$172,790	\$169,976	\$166,133	\$181,399	\$565,364	\$583,395
% change		-1.6%	-2.3%	9.2%	211.7%	3.2%
Fund 4Z90 ALI 898602, Small Business Ombudsman						
	\$259,475	\$256,964	\$491,652	\$450,000	\$208,813	\$208,813
% change		-1.0%	91.3%	-8.5%	-53.6%	0.0%
Total Operating						
	\$432,265	\$426,940	\$657,785	\$631,399	\$774,177	\$792,208
% change		-1.2%	54.1%	-4.1%	22.6%	2.3%

These two line items pay for the operating costs of the OAQDA. Together they provide approximately \$774,000 in FY 2020 and \$792,000 in FY 2021 to cover payroll and administrative expenses. This compares to estimated combined spending of \$631,399 between the two line items in FY 2019. Most of the combined increase of \$143,000 proposed for FY 2020 will be used to hire a full-time employee to support customer service and handle administrative duties. In that regard, the executive recommended budget shifts payroll costs that were previously paid under line item 898602 to 898601, more accurately aligning the actual costs of administrative duties with the type of operating support provided by staff. This change is reflected in the line item funding shown in the table above.

More specifically, line item 898601 provides funding for the administrative costs of the Authority's air quality financing assistance programs. The funding is supported by fees associated with project revenue bonds issued under the authority of OAQDA on behalf of firms, government entities, or not-for-profit entities wanting to finance large-scale pollution control measures. The financing assistance comes in two typical forms of bond support. Primarily, the Authority assists large scale manufacturing and public utility companies by offering low-cost financing alternatives for investment in pollution control and prevention measures. The other form of assistance is Qualified Energy Conservation Bonds, which help public entities, such as local governments or universities, to install heating and lighting systems to conserve energy. OAQDA estimates that the average annual amount in bonds issued from FY 2016 to FY 2018 was around \$293 million. The amounts fluctuate widely depending on market conditions. The duties involved with these project financing 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.

Line item 898602 supports the Office of Ombudsman, commonly referred to as the Clean Air Resource Center. The Center is funded by transfers of a portion of the pollution control permit fees collected by the Ohio Environmental Protection Agency (EPA) and deposited into the Small Business Ombudsman Fund (Fund 4Z90). The Clean Air Resource 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 provides small business assistance including: (1) onsite visits to identify air pollution problems and solutions, (2) technical assistance for meeting 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.

Grant assistance for eligible small businesses

Small Business Assistance (ALI 898603)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 5A00 ALI 898603, Small Business Assistance					
\$170,229	\$365,194	\$375,734	\$437,371	\$450,000	\$450,000
% change	114.5%	2.9%	16.4%	2.9%	0.0%

These appropriations support the Small Business Assistance Grant Program to assist small businesses in purchasing clean air equipment. Under the program, OAQDA offers grants of up to 30% for small businesses to purchase clean air equipment, or up to \$30,000 maximum per grant. To qualify, the business must have 100 or fewer employees, emit less than 75 tons per year of all regulated air pollutants, and 50 tons or less per year of any regulated pollutant, and comply with federal Clean Air Act requirements. Once a small business moves forward with a project, the grant awards 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. The program is funded by a portion of Title V permit fees collected by Ohio EPA and deposited into the Small Business Assistance Fund (Fund 5A00).