

Redbook

LBO Analysis of Executive Budget Proposal

Ohio Public Works Commission

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TABLE OF CONTENTS

Quick look.....	1
Funding overview of PWC programs	1
PWC programs are funded through the capital, transportation, and main operating budgets	2
Analysis of FY 2022-FY 2023 budget proposal.....	2
State Capital Improvement Program	2
SCIP debt service (ALI 150907).....	3
SCIP awards.....	3
SCIP operating costs (ALI 150321)	4
DPWIC administration.....	5
Clean Ohio Conservation Program.....	5
COCP debt service (ALI 150904).....	6
COCP operating costs (ALI 150403).....	6
NRAC administration.....	7

LBO Redbook

Ohio Public Works Commission

Quick look...

- The Public Works Commission (PWC) administers three programs that provide grants and loans to local governments for infrastructure projects, as well as grants for conservation purposes.
 - PWC’s largest program is the State Capital Improvement Program (SCIP), funded by general obligation (GO) bond proceeds, which provides grants and loans for infrastructure projects, including road, bridge, wastewater, water supply, and stormwater projects.
 - The Clean Ohio Conservation Program (COCP) under PWC preserves greenspace throughout the state, and is also funded by GO bond proceeds.
 - The Local Transportation Improvement Program (LTIP) provides grants for local government road and bridge projects, and is funded by a portion of revenue from the Ohio motor fuel tax. LTIP receives appropriations in the transportation budget act, H.B. 74 of the 134th General Assembly.
- Of total appropriations of almost \$590.0 million over the FY 2022-FY 2023 biennium, 99.6% is GRF funding to cover debt service on the GO bonds issued to pay for SCIP and COCP. The remaining 0.4% is non-GRF appropriations to pay operating costs. PWC employs a staff of nine at their headquarters in Columbus.

Fund Group	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
General Revenue	\$270,369,498	\$175,801,109	\$297,000,000	\$290,500,000
Capital Project	\$1,168,722	\$1,164,386	\$1,242,066	\$1,253,958
Total	\$271,538,220	\$176,965,495	\$298,242,066	\$291,753,958
% change	--	-34.8%	68.5%	-2.2%
GRF % change	--	-35.0%	68.9%	-2.2%

Funding overview of PWC programs

As noted in the “**Quick look**” section above, 99.6% (\$587.5 million) of the executive recommended budget for the Public Works Commission (PWC) for the FY 2022-FY 2023 biennium is slated for debt service on bonds issued to support the State Capital Improvement Program (SCIP) and Clean Ohio Conservation Program (COCP). More specifically, 82.0% (\$483.5 million) is for SCIP-related debt service while 17.6% (\$104.0 million) is for COCP-related debt service. The remaining 0.4% (nearly \$2.5 million) of appropriations is budgeted as follows: \$1.8 million for personal services; \$463,200 for supplies, maintenance, and equipment; and \$191,700 for purchased personal services.

PWC programs are funded through the capital, transportation, and main operating budgets

PWC programs (State Capital Improvement Program, Clean Ohio Conservation Program, and Local Transportation Improvement Program) and operating costs are funded differently from each other. The table below shows the three programs and relevant budget bills and biennial budget periods that apply to the three programs PWC operates.

PWC Programs and the Budget Bills that Fund Them				
PWC Program	Use of Funding	Budget Bill		
		Main Operating (FY 2022-FY 2023)	Transportation (FY 2022-FY 2023)	Capital (FY 2021-FY 2022)
		H.B. 110 of the 134 th General Assembly (pending)	H.B. 74 of the 134 th General Assembly (pending)	S.B. 310 and S.B. 4 of the 133 rd General Assembly (enacted)
State Capital Improvement Program (SCIP)	Award Funding			✓
	Debt Service/ Operating Costs	✓		
Clean Ohio Conservation Program (COCP)	Award Funding			✓
	Debt Service/ Operating Costs	✓		
Local Transportation Improvement Program (LTIP)	Award Funding/ Operating Costs		✓	

Two bills provided capital appropriations for the FY 2021-FY 2022 capital biennium, S.B. 310, the capital appropriations bill, was enacted in December 2020, and contained appropriations for program assistance under SCIP and COCP, and S.B. 4, was enacted in July 2020, and provided some capital appropriations for select agencies, one of which was PWC. H.B. 74, the pending transportation budget for the FY 2022-FY 2023 biennium, provides funding to administer and award grants to local governments under LTIP. Finally, as mentioned above, H.B. 110, the main operating budget bill for FY 2022-FY 2023, contains the funding for the debt service and operating costs of SCIP and COCP.

Analysis of FY 2022-FY 2023 budget proposal

State Capital Improvement Program

Of the total \$590.0 million provided to PWC over the biennium, \$485.4 million (82.3%) is slated to fund SCIP debt service and operating costs. Details on SCIP are discussed in this section.

SCIP debt service (ALI 150907)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
GRF ALI 150907, Infrastructure Improvement General Obligation Bond Debt Service					
\$216,031,148	\$220,719,157	\$226,688,024	\$132,224,435	\$246,500,000	\$237,000,000
% change	2.2%	2.7%	-41.7%	68.9%	-2.2%

SCIP is financed using the proceeds of general obligation (GO) bonds. Consequently, funding for grants under the program are appropriated in the capital budget. Enacted in December 2020, S.B. 310 of the 133rd General Assembly included appropriations of \$200 million for SCIP loans and grants during the FY 2021-FY 2022 capital biennium. This was coupled with \$217.5 million in appropriations for the same purpose contained in S.B. 4 of the 133rd General Assembly, passed in June 2020, bringing the total SCIP loans and grants funding to \$417.5 million. In addition, those two bills also provided \$85.0 million for SCIP revolving loans, funded by the principal and interest income from local government loan repayments.

GRF line item 150907, Infrastructure Improvement General Obligation Bond Debt Service, is used to cover the debt service costs related to the SCIP bonds. The authority to issue SCIP bonds is provided in sections 2p and 2s, Article VIII of the Ohio Constitution. The current cap on the amount of bonds that may be issued is \$175.0 million annually, and will increase to \$200.0 million annually beginning in FY 2022 through FY 2026. As of the March 1, 2021 payment, there will be just below \$1.9 billion in SCIP debt outstanding.

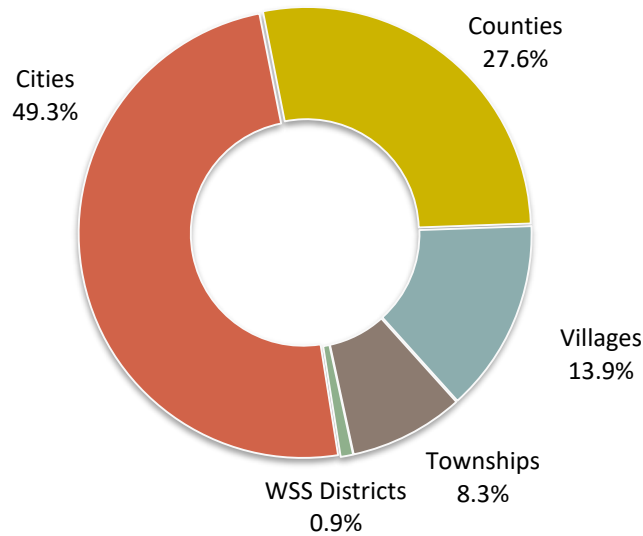
SCIP awards

Local governments may apply for grants or loans for many types of infrastructure projects, including (1) roads, (2) bridges, (3) culverts, (4) wastewater systems, (5) water supply systems, and (6) stormwater systems. Eligible applicants are counties, cities, villages, townships, and water, sewer, or sanitary (WSS) districts. Of the annual allocations, by statute, 10% (\$17.5 million) is set aside for small governments, including villages and townships with populations of 5,000 or less, and another 2% (\$3.5 million) is set aside to pay for emergency infrastructure projects. The remaining 88% (\$154 million) is available under the application process as described below.

SCIP funding is allocated annually on a per-capita basis to each of the 19 district public works integrating committees (DPWICs) across the state, as set in R.C. 164.08. DPWICs consist of local officials representing all levels of government. The SCIP award may cover up to 100% of project costs. Eligible costs for grants include property and facility acquisition, engineering and design, and construction.

Each DPWIC evaluates and scores applications using a locally developed methodology based on criteria listed in Chapter 164 of the Revised Code. These evaluation criteria focus on the financial need of the subdivision, the project's strategic importance to the district and subdivision, and emphasize the repair and replacement of infrastructure rather than new and expansionary infrastructure.

**SCIP Awards by Political Subdivision,
PY 33-PY 34 (\$435.2 million)**



The chart above shows how SCIP grants and loans were distributed in program year (PY) 33 and PY 34 by type of political subdivision. The total distributed over this period was \$435.2 million. Cities received 49.3% (\$214.9 million) of the total. Meanwhile, counties were allocated 27.6% (\$119.9 million), villages were awarded 13.9% (\$60.5 million), townships were given 8.3% (\$36.0 million), and WSS districts got around 0.9% (\$3.9 million) in SCIP funding during this time frame.

Road projects comprised the majority of awards, totaling \$260.4 million (59.8%). With bridge projects receiving awards of nearly \$32.3 million (7.4%), the total road and bridge funding was \$292.7 million. (Note that these amounts were complemented by grant funding under the Local Transportation Improvement Program totaling \$139.5 million over the same period.) The water related infrastructure funding amounted to approximately \$142.5 million in projects, or 32.8% of all SCIP funding over the two years. Over the FY 2020-FY 2021 period, 65.2% (\$284.0 million) was awarded in grants, while 34.8% (\$151.2 million) supported loans.

SCIP operating costs (ALI 150321)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
Fund 7038 ALI 150321, State Capital Improvements Program – Operating Expenses					
\$713,418	\$738,492	\$873,875	\$872,864	\$937,244	\$946,036
% change	3.5%	18.3%	-0.1%	7.4%	0.9%

Spending from line item 150321 supports SCIP’s administrative expenses, which are funded by bond proceeds and investment income deposited into the State Capital Improvements Fund (Fund 7038). Administrative expenses include costs for project monitoring, processing disbursement requests, maintaining PWC’s information systems, and preparing financial reports.

SCIP comprises about 60% of the Commission's total administrative costs among the three infrastructure programs under PWC's purview. At any given time, PWC maintains an active portfolio of approximately 1,400 ongoing SCIP projects.

The increase in appropriations to the line item from estimated FY 2021 spending is attributable to PWC's intention to complete and begin testing the agency's new information technology (IT) platform (Salesforce) to process applications and track PWC projects from award to completion. Since this project will benefit all three PWC infrastructure programs (SCIP, LTIP, and COCP), the costs of the project will be split among the operating line items of each program. SCIP's share of these costs is allocated in the same proportion as PWC estimates its administrative resources are necessary to run the program, or roughly 60% of the agency's administrative efforts.

DPWIC administration

H.B. 110 includes a provision allowing the State Capital Improvements Fund (Fund 7038) to be used to cover DPWIC operating costs. The bill allows up to \$1,235,000 in each of FY 2022 and FY 2023 to be made available for this purpose, and limits each of the 19 DPWICs from receiving more than \$65,000 per year. The amounts each district actually uses in each year will come out of their annual allotment for awards under the program. PWC is to define allowable costs that would be reimbursed under this authority, but the language specifies that indirect costs, elected official salaries and benefits, and project-specific costs are not allowable.

Clean Ohio Conservation Program

PWC administers the greenspace component of the three-pronged Clean Ohio Conservation Program (COCP). Two other state agencies – the Department of Natural Resources (DNR) and the Department of Agriculture (AGR) – administer COCP funds for other conservation purposes. Of total bond funding, 75.0% is used for the COCP greenspace component overseen by PWC, 12.5% is for the Clean Ohio trails program overseen by DNR, and the final 12.5% is for the Clean Ohio agricultural easement purchase program overseen by AGR. Accordingly, S.B. 310 and S.B. 4 of the 133rd General Assembly included appropriations of \$75.0 million over the FY 2021-FY 2022 capital biennium for PWC's component, and \$12.5 million for each of DNR's and AGR's components.

The goal of PWC's greenspace component of COCP is to preserve open space, stream corridors, and other land valued for its ecological importance. The award process for the program is nearly identical to that for SCIP and LTIP, except that local governments and nonprofit organizations apply for funding through their natural resource assistance councils (NRACs) rather than DPWICs. PWC typically manages approximately 250 active projects during a fiscal year.

Of the total \$590.0 million in executive recommended funding to PWC over the biennium in H.B. 110, about \$104.6 million (17.7%) is slated to fund COCP debt service and operating costs.

COCP debt service (ALI 150904)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
GRF ALI 150904, Conservation General Obligation Bond Debt Service					
\$34,718,550	\$40,209,415	\$43,681,474	\$43,576,674	\$50,500,000	\$53,500,000
% change	15.8%	8.6%	0.2%	15.9%	5.9%

H.B. 110's appropriations to GRF line item 150904 will pay debt service on the bonds already issued to support all of COCP, including (1) PWC's greenspace component, (2) DNR's recreational trails program, and (3) AGR's agricultural easement purchase program.

Under sections 2o and 2q of Article VIII of the Ohio Constitution, up to \$400.0 million in GO bonds may be outstanding at any one time to support the Clean Ohio Conservation Program. The Constitution also requires that only \$50.0 million in bonds may be issued each year, plus the amount that could have been issued, but was not, in prior years. Thus far, the Ohio General Assembly has authorized a total of \$700.0 million in bonds, and of that amount, \$550.0 million has been issued. Upon the upcoming March 1, 2021 payment, there will be nearly \$337.5 million in COCP debt outstanding.

COCP operating costs (ALI 150403)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
Fund 7056 ALI 150403, Clean Ohio Conservation Operating					
\$234,958	\$247,141	\$294,847	\$291,522	\$304,822	\$307,922
% change	5.2%	19.3%	-1.1%	4.6%	1.0%

PWC's greenspace program under COCP provides payments to various property owners to acquire and provide access improvements to open space and enhance riparian corridors. The program primarily serves local governments and nonprofit organizations, as well as consultants and contractors hired to perform work on approved projects.

Operating costs are funded by bond proceeds and investment income earned from the Clean Ohio Conservation Fund (Fund 7056). PWC aligns its budget to reflect the administrative effort necessary to manage its programs. COCP comprises about 20% of all administrative costs incurred by PWC with about 250 projects being managed at any one time. The Commission's administrative activities involve reviewing and approving project applications, executing funding agreements, disbursing funds, and providing technical assistance.

As with SCIP operating appropriations, the increase in appropriations for COCP operating appropriations in the upcoming biennium is attributable to PWC's development and implementation of a new IT platform to process applications and track PWC projects from award to completion. Since this project benefits all three PWC infrastructure programs (SCIP, LTIP, and COCP), the costs of the project are split among the operating line items of each program. COCP's

share of these costs will ultimately cover 20% of total project costs and ongoing administrative costs.

NRAC administration

H.B. 110 includes a provision allowing the Clean Ohio Conservation Fund (Fund 7056) to be used to cover NRAC operating costs. The bill limits each of the 19 NRACs from receiving more than \$15,000 per year, making a total of \$285,000 for this purpose. The amounts each district actually use in each year will come out of their annual allotment for awards under the program. PWC is to define allowable costs that would be reimbursed under this authority, but the language specifies that indirect costs, elected official salaries and benefits, and project-specific costs are not allowable.