

# Redbook

## LBO Analysis of Executive Budget Proposal

### Southern Ohio Agricultural and Community Development Foundation

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# LBO Redbook

## Southern Ohio Agricultural and Community Development Foundation

### Quick look...

- The Southern Ohio Agricultural and Community Development Foundation oversees seven grant programs that help communities in Ohio's 22 burley tobacco-growing counties transition to other agricultural products and mitigate the adverse economic impact of reduced tobacco production.
  - Awards are funded through the Southern Ohio Agricultural and Community Development Foundation Endowment Fund and are not subject to appropriation by the General Assembly. The Foundation awarded a total of \$1.0 million among the seven programs in FY 2020.
- The executive budget abolishes the Foundation and eliminates its 12-member board of trustees in FY 2022 due to the declining cash balance in the Endowment Fund. It also provides for the winding down of the Foundation's affairs through the Department of Agriculture.
- The executive budget recommends funding of \$98,270 in FY 2022 to cover the Foundation's two full-time employees who oversee the daily operations of the Foundation.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>Fund 5M90 ALI 945601, Operating Expenses</b>					
\$256,955	\$259,653	\$269,888	\$256,100	\$98,270	\$0
% change	1.0%	3.9%	-5.1%	-61.6%	-100.0%

### Agency overview

The Southern Ohio Agricultural and Community Development Foundation was created in S.B. 192 of the 123<sup>rd</sup> General Assembly as an outgrowth of the 1998 Tobacco Master Settlement Agreement reached between Ohio and other states against major tobacco manufacturers. The Foundation is charged with developing and carrying out programs to help replace the production of tobacco in southern Ohio with the production of other agricultural products and to mitigate the adverse economic impact of reduced tobacco production in the region. Ohio subsequently securitized its future income stream from the Tobacco Master Settlement Agreement, including the portion devoted to the Ohio Agricultural and Community Development Foundation Endowment Fund, for a lump sum payment that was earmarked for constructing school buildings and higher education facilities.

Consequently, while the Foundation has continued to distribute grants within the tobacco-growing counties it serves, the overall balance in the Endowment Fund continues to decline. At the end of CY 2020, the balance stood at \$1.0 million. Because of this diminished balance, the executive budget proposes to abolish the Foundation in FY 2022, including the 12-member board of trustees. The Foundation currently employs an executive director and one

administrative employee. The map on the following page shows the 22 counties where the Foundation has been active.

#### Ohio Agricultural and Community Development Foundation Service Area



## Analysis of FY 2022-FY 2023 budget proposal

Although the grants awarded by the Foundation are funded by money in the Southern Ohio Agricultural and Community Development Foundation Endowment Fund, these amounts are not subject to legislative appropriation. The only portion of the Foundation's budget subject to appropriation by the General Assembly is payroll. The payroll funding is supported by quarterly transfers from the Endowment Fund to the Southern Ohio Agricultural and Community Development Operating Expenses Fund (Fund 5M90) under appropriation item 945601, Operating Expenses.

As mentioned in the "**Overview**," due to the declining cash balance of the Endowment Fund, the executive budget abolishes the Foundation in FY 2022 (December 30, 2021). Therefore, the executive recommends funding of \$98,270 in FY 2022, covering the payroll costs for two staff members employed by the Foundation. The employees include one full-time executive director and one full-time administrative employee. With this funding level, the Foundation will be able to maintain the current level of outreach to the communities it serves and assist in the winding down of the Foundation.

## Abolishment of the Southern Ohio Agricultural and Community Development Foundation

As a result of the Foundation abolishment, the bill provides for the winding down of the Foundation's affairs by the Department of Agriculture. To support the Department in these duties, the bill does two things financially. First, it abolishes the Southern Ohio Agricultural and Community Development Foundation Endowment Fund and requires the Treasurer of State to transfer the cash balance to the Ohio Proud Marketing Fund (Fund 4R00) under the Department of Agriculture's budget. Secondly, the bill abolishes the Southern Ohio Agricultural and Community Development Operating Expenses Fund (Fund 5M90) and requires the Director of

Budget and Management to transfer the cash balance in Fund 5M90 to Fund 4R00. Lastly, the bill also eliminates the Foundation's 12-member board of trustees.

## Grant programs supported by the Endowment Fund

In FY 2020, the Foundation awarded over \$1.0 million under seven grant programs designed to help tobacco farm families and rural communities diversify into farming other crops or start new business ventures. The total awarded included \$125,000 under a new grant designed to help youth development centers improve and construct its permanent facilities. The table below shows the number of awards issued and the total amount by grant program in FY 2020. At the end of CY 2020, the Endowment Fund that is used to award these grants had a cash balance of \$1.0 million.

Southern Ohio Agricultural and Community Development Foundation Awards Issued in FY 2020			
Program	Program Description	Awards Issued	Total
Agricultural Development	Provides tobacco farmers with funding to diversify their businesses into nontobacco-related agricultural markets	14	\$242,785
Economic Development	Provides financial assistance to projects that create or expand job opportunities for residents in communities affected by reduced demand for tobacco	3	\$125,349
Young Farmer	Provides assistance to young farmers incorporating technology and conservation practices into their farming activities	10	\$229,798
Educational Assistance	Provides education and training assistance to tobacco farmers switching from tobacco production to other crops	61	\$125,349
Agricultural Society	Provides grants to agricultural societies for permanent improvements for youth education and agriculture at county fairgrounds	3	\$75,000
Educational Excellence	Provides grants for tuition, on-campus room and board, and books for students pursuing a bachelor's degree	13	\$96,388
Youth Development (new)	Provides funding to support youth development at the Canters Cave 4-H Camp by renovating, upgrading, and building new structures	1	\$125,000
<b>Total</b>		<b>105</b>	<b>\$1,019,669</b>