

LSC Greenbook

Analysis of the Enacted Budget

Ohio Air Quality Development Authority

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August 2009

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ATTACHMENT:

Budget Spreadsheet By Line Item

Ohio Air Quality Development Authority

- Budget includes \$66 million in FY 2010 for coal research and development
- The Executive Director of the Authority is the Governor's Energy Advisor and is responsible to coordinate state energy programs

OVERVIEW

Agency Overview

The Ohio Air Quality Development Authority (AIR) 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. The Governor appoints five of the members and the remaining two members are the directors of the Ohio Department of Health and the Ohio Environmental Protection Agency.

The Executive Director of the Authority also serves as the Governor's Energy Advisor. As an advisor, the Executive Director is responsible for coordinating state energy programs and taking a leadership role in energy efficiency and conservation. As state energy programs coordinator, the Executive Director works with delegated personnel from other state agencies to identify, categorize, and coordinate all programs that have an impact on state energy policy and develop a parallel program in state institutions of higher education to reduce energy consumption. Currently, the Authority has nine full-time employees. The Authority assists Ohio businesses, government agencies, and not-for-profit agencies and individuals in complying with air quality regulations by providing technical and financial assistance. Since July 2003 the Authority is also the home agency for the Ohio Coal Development Office (OCDO), which provides grants to support research and development of clean coal technology.

The following table provides the number of filled positions for the Ohio Air Quality Development Authority since 2007. The number for FY 2009 included the Authority's funded vacancies. Figures for FY 2010 and FY 2011 are estimates. The Authority plans to hire a fiscal officer in this biennium. Previously, the position was contracted out.

Table 1. Air Quality Development Authority Staffing Levels				
			Estimates	
	2008	2009	2010	2011
TOTAL	8	11	12	12

Appropriation Overview

The following table provides the appropriations by fund group for the Ohio Air Quality Development Authority for the FY 2010-FY 2011 biennium.

Table 2. Agency Appropriations by Fund Group, FY 2010-FY 2011					
Fund Group	FY 2009*	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
General Revenue	\$8,660,319	\$9,272,902	7.1%	\$9,678,102	4.4%
General Services	\$270,948	\$307,000	13.3%	\$307,000	0.0%
Federal Special Revenue	\$8,650	\$0	-100.0%	\$0	0.0%
Agency Fund	\$500,051	\$629,377	25.9%	\$629,377	0.0%
Coal Research and Development Fund	\$3,499,889	\$66,000,000	1,785.8%	\$10,000,000	-84.8%
TOTAL	\$12,939,857	\$76,209,279	488.9%	\$20,614,479	-73.0%

*FY 2009 figures represent actual expenditures.

The budget appropriates \$76.2 million for FY 2010. This is a 488.9% increase from the actual expenditures for FY 2009. The appropriations for FY 2011 total \$20.6 million. This is a 73.0% decrease compared to the appropriations for FY 2010. These large swings are due primarily to appropriation amounts in a single line item, 898604, Coal Research and Development Fund. The appropriation for this line item is funded by the proceeds of issuing general obligation bonds, the issuance of which was authorized by H.B. 554 of the 127th General Assembly.

Major Initiatives

The budget increases appropriation items C89800, Advanced Energy Research and Development Taxable (Fund 7004) and C89801, Advanced Energy Research and Development (Fund 7005) to \$18.0 million and \$38.0 million, respectively, for advanced energy projects for FYs 2009 and 2010. The budget also appropriates \$9.0 million and \$19.0 million from Fund 7004 and Fund 7005, respectively, for FYs 2011 and 2012. The budget specifies that the appropriations for FYs 2011 and 2012 may be accounted for as though they are made in the capital budget bill for the 128th General Assembly, and that none of the spending is permitted prior to July 1, 2010. The budget allows the Executive Director of the Air Quality Development Authority to certify to the Director of Budget and Management if a need exists to fund additional advanced energy

projects. If the Director of Budget and Management determines that investment earnings for the funds are available to fund such projects, the budget appropriates such amounts upon the approval of the Controlling Board. The budget also authorizes the Director to transfer cash between funds 7004 and 7005 after it has been approved by the Controlling Board.

The appropriations for the advanced energy projects were first made under H.B. 554 of the 127th General Assembly.¹ H.B. 554 allowed the Authority to adopt rules to implement the program, and in consultation with the appropriate governmental agencies, to determine eligible advanced energy projects for the assistance and the nature, amount, and terms of the assistance. On behalf of the Authority, the Treasurer of State will issue bonds for the purpose of supporting advanced energy projects in Ohio. Bond proceeds from the bond issuances will be used to make grants and loans for the purpose of paying allowable costs of eligible advanced energy projects. H.B. 554 also authorized the Ohio Public Facilities Commission to sell up to \$66 million in general obligation bonds for coal research and development. The proceeds of the bond sale are to be credited to the Coal Research and Development Fund (Fund 7046). The proceeds will be used by the Director of the Ohio Coal Development Office to make loans, guarantee loans, and issue grants for coal research and development projects. Appropriations for the fund are included in the budget.

The budget expands the definition of "advanced energy project" in advanced energy project law to incorporate "the generation or use of energy." The budget also expands the definition of "renewable advanced energy resource," in advanced energy project law to include "methane gas emitted from an abandoned coal mine."

The budget requires the Authority to establish the Energy Strategy Development Program for the purpose of developing energy initiatives, projects, and policy for the state. Appropriations for the program are provided in line item 898608, Energy Strategy Development (Fund 5EG0). The budget permits the Director of Budget and Management to transfer cash from various funds to Fund 5EG0 during FY 2010 and FY 2011. (Please see the Analysis of Enacted Budget section for details.) The requirement and the establishment of Fund 5EG0 are contained in uncodified law, meaning they will expire after June 30, 2011, in the absence of any other legislative action.

The budget authorizes the Air Quality Development Authority to allocate the national Qualified Energy Conservation Bond limitation allocated to Ohio and to reallocate any portion of an allocation waived by a county or municipality in accordance with Section 54D(e) of the Internal Revenue Code. That section generally

¹ The budget increased the appropriations for FYs 2009 and 2010 by amending H.B. 554.

sets out the bonds' purposes and the limitation on the amount that may be issued by the states in total and the allocation of the limitation among the states.

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the appropriations for each line item in AIR's budget. In this analysis AIR's line items are grouped into two major categories. For each category a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation. The two categories used in this analysis are as follows:

1. Air Quality Development Authority; and
2. Ohio Coal Development Office (OCDO).

To aid the reader in finding each item in the analysis, the following table shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order in which the line items appear in the budget.

Categorization of AIR's Appropriation Line Items for Analysis of the Budget		
Fund	ALI and Name	Category
General Revenue Fund Group		
GRF 898402	Coal Development Office	2: Ohio Coal Development Office
GRF 898901	Coal Research and Development General Obligation Debt Service	2: Ohio Coal Development Office
General Services Fund Group		
5EGO 898608	Energy Strategy Development	1: Air Quality Development Authority
Agency Fund Group		
4Z90 898602	Small Business Ombudsman	1: Air Quality Development Authority
5700 898601	Operating Expenses	1: Air Quality Development Authority
5A00 898603	Small Business Assistance	1: Air Quality Development Authority
Coal Research and Development Fund		
7046 898604	Coal Research and Development Fund	2: Ohio Coal Development Office

Category 1: Air Quality Development Authority

The Air Quality Development Authority category consists of four line items: 898601, Operating Expenses (Fund 5700); 898602, Small Business Ombudsman (Fund 4Z90); 898603, Small Business Assistance (Fund 5A00); and 898608, Energy Strategy Development (Fund 5EG0). H.B. 1 authorizes the Authority to reimburse its trust account from all operating funds of the Authority for expenses related to its administration and responsibilities.

The Authority's primary activities are financial assistance and issuance of bonds for investment in air pollution control, air pollution prevention, energy efficiency and conservation, and ethanol and other biofuel production projects. The Authority also oversees administration of the bond issuance and educates various constituencies on air quality issues. In addition, beginning in mid-2008 the Authority was allowed to provide grants and loans for the purpose of paying allowable costs of eligible advanced energy projects.

Appropriation Amounts for Air Quality Development Authority				
Fund	ALI and Name		FY 2010	FY 2011
General Services Fund Group				
5EG0	898608	Energy Strategy Development	\$307,000	\$307,000
General Services Fund Group Subtotal			\$307,000	\$307,000
Agency Fund Group				
4Z90	898602	Small Business Ombudsman	\$294,290	\$294,290
5700	898601	Operating Expenses	\$264,000	\$264,000
5A00	898603	Small Business Assistance	\$71,087	\$71,087
Agency Fund Group Subtotal			\$629,377	\$629,377
Total Funding: Air Quality Development Authority			\$936,377	\$936,377

Operating Expenses (898601)

This line item provides funding for payroll, fringe benefits, and maintenance for the Authority's employees and seven board members associated with its primary activities.

The appropriation provides sufficient funding to continue the Authority's primary activities. The budget appropriates \$264,000 each for FY 2010 and FY 2011. This amount is about \$7,700, or 3.0%, higher than the actual expenditures for FY 2009, and 4.4% higher than expenditures in FY 2008.

Small Business Ombudsman (898602)

This line item provides funding for the Office of Ombudsman for the Small Business Stationary Source Technical and Environmental Compliance Assistance Program. The Ombudsman is mandated by the federal Clean Air Act Amendments of 1990. The program serves not only as a repository of complaints, but also as a source of education and assistance. This program is funded by revenue generated by permit fees collected pursuant to Title V of the Clean Air Act Amendments of 1990.

The budget appropriates \$294,290 each for FY 2010 and FY 2011. This amount is \$50,600, or 20.7%, higher than the actual expenditures for FY 2009, but 50.1% higher than expenditures in FY 2008. The increase is needed to provide sufficient funding for

small businesses as they face the challenges of new and sometimes stringent air regulations.

Small Business Assistance (898603)

This line item enables the Authority to provide financing assistance to small businesses with 100 or fewer employees and allows them to attain the benefits of the Authority's financing without incurring all the costs normally associated with bond finance.

The budget appropriates \$71,087 for FY 2010 and the same amount in FY 2011. In FY 2009, the Authority did not expend any money from this line item. The appropriation is \$68,847, or 3073.5%, higher than expenditures in FY 2008. The appropriation will allow the Authority to provide financial assistance to the most businesses possible using limited resources, such as small grants to small businesses to meet the initial costs of clean air compliance financing.

Energy Strategy Development (898608)

This line item provides funding for the Authority to coordinate with delegated personnel from other state agencies for the purpose of developing energy initiatives, projects, and policy for the state.

The appropriation provides sufficient funding to coordinate the efforts. The budget appropriates \$307,000 for FY 2010 and the same amount in FY 2011. This amount is \$36,000, or 13.3%, higher than the actual expenditures for FY 2009, but 154.3% higher than expenditures in FY 2008. In addition, the budget allows the Director of Budget and Management to transfer cash from various funds to Fund 5EG0 to be used by the Authority for such purposes. The amounts that may be transferred each fiscal year of the biennium, and the funds from which the cash may be transferred, are:

1. \$35,000 from the Office Services Fund (Fund 1170) used by the Department of Administrative Services;
2. \$35,000 from the Central Support Indirect Cost Fund (Fund 5GH0) used by the Department of Agriculture;
3. \$35,000 from the Supportive Services Fund (Fund 1350) used by the Department of Development;
4. \$35,000 from the Central Support Indirect Cost Fund (Fund 2190) used by the Environmental Protection Agency;
5. \$35,000 from the Central Support Indirect Chargeback Fund (Fund 1570) used by the Department of Natural Resources; and
6. \$50,000 from the Highway Operating Fund (Fund 7002) used by the Department of Transportation.

Category 2: Coal Development Office

The Coal Development Office category consists of three line items: 898402, Coal Development Office; 898901, Coal Research and Development General Obligation Debt Service; and 898604, Coal Research and Development Fund (Fund 7046).

The Ohio Coal Development Office provides financing for the development and implementation of technologies that can use Ohio's high-sulfur coal reserves in an economical and environmentally sound manner. The Office oversees ongoing grants providing technical, administrative, and management assistance. The Office monitors the progress of these projects to ensure that funding is being properly used and substantial progress is being made. The Office also supports the Ohio Coal Research Consortium, a network of Ohio universities conducting research in the clean coal technologies.

In addition, H.B. 554 of the 127th General Assembly authorizes the Ohio Public Facilities Commission (OPFC) to sell up to \$66 million in general obligation bonds for the purpose of the coal research and development program. The proceeds of the bonds will be credited to Fund 7046. The funds are to be used by the Director of the Ohio Coal Development Office to make loans, guarantee loans, and make grants for coal research and development projects.

Appropriation Amounts for Coal Development Office (OCDO)				
Fund	ALI and Name		FY 2010	FY 2011
General Revenue Fund				
GRF	898402	Coal Development Office	\$296,902	\$296,902
GRF	898901	Coal Research and Development General Obligation Debt Service	\$8,976,000	\$9,381,200
General Revenue Fund Subtotal			\$9,272,902	\$9,678,102
Coal Research and Development Fund Group				
7046	898604	Coal Research and Development Fund	\$66,000,000	\$10,000,000
Coal Research and Development Fund Group Subtotal			\$66,000,000	\$10,000,000
Total Funding: Ohio Coal Development Office (OCDO)			\$75,272,902	\$19,678,102

Coal Development Office (898402)

This GRF line item provides funding for payroll, fringe benefits, and maintenance for the Coal Development Office's employees.

The appropriations will allow the Coal Development Office to fund the activities of the Coal Research and Development Program. The budget appropriates \$296,902 for FY 2010 and the same amount in FY 2011. This amount is \$230,500, or 43.7%, lower than the actual expenditures for FY 2009. The decrease may have a negative and

significant impact on OCDO's ability to oversee the large number of technologically complex projects currently in progress.

Coal Research and Development General Obligation Debt Service (898901)

This GRF line item provides funding for debt service associated with research and development of clean coal technology.

The appropriations will pay for debt service and related financing costs for the Coal Research and Development General Obligation bonds. The budget appropriates \$9.0 million for FY 2010 and \$9.4 million for FY 2011. The appropriation for FY 2010 is \$843,100, or 10.4%, higher than the actual expenditures for FY 2009, and 29.0% higher than expenditures in FY 2008.

Coal Research and Development Fund (898604)

This line item provides funding for research and development of clean coal technology. The appropriations will allow the Coal Development Office to provide financing assistance for research and development of clean coal technology.

The budget appropriates \$66.0 million for FY 2010 and \$10.0 million for FY 2011. The appropriation for FY 2010 is \$62.5 million, or 1,785.8%, higher than the actual expenditures for FY 2009. The budget reappropriates any unexpended and unencumbered portion of the appropriation for FY 2010 for the same purpose in FY 2011.

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FY 2010 - 2011 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2008	FY 2009	FY 2010 Appropriations	% Change FY09 - FY10	FY 2011 Appropriations	% Change FY10 - FY11
Report For: Main Operating Appropriations Bill			Version: Enacted					
AIR Air Quality Development Authority								
GRF	898401	Future Gen Assistance	\$ 1,000,000	\$ 0	\$ 0	N/A	\$ 0	N/A
GRF	898402	Coal Development Office	\$ 216,236	\$ 527,447	\$ 296,902	-43.71%	\$ 296,902	0.00%
GRF	898901	Coal Research and Development General Obligation Debt Service	\$ 6,956,136	\$ 8,132,872	\$ 8,976,000	10.37%	\$ 9,381,200	4.51%
General Revenue Fund Total			\$ 8,172,372	\$ 8,660,319	\$ 9,272,902	7.07%	\$ 9,678,102	4.37%
5EG0	898608	Energy Strategy Development	\$ 120,734	\$ 270,948	\$ 307,000	13.31%	\$ 307,000	0.00%
General Services Fund Group Total			\$ 120,734	\$ 270,948	\$ 307,000	13.31%	\$ 307,000	0.00%
3BM0	898607	Air Quality Development Federal/Oxygen Fuel	\$ 417,458	\$ 8,650	\$ 0	N/A	\$ 0	N/A
Federal Special Revenue Fund Group Total			\$ 417,458	\$ 8,650	\$ 0	N/A	\$ 0	N/A
4Z90	898602	Small Business Ombudsman	\$ 196,042	\$ 243,721	\$ 294,290	20.75%	\$ 294,290	0.00%
5700	898601	Operating Expenses	\$ 252,874	\$ 256,330	\$ 264,000	2.99%	\$ 264,000	0.00%
5A00	898603	Small Business Assistance	\$ 2,240	\$ 0	\$ 71,087	N/A	\$ 71,087	0.00%
Agency Fund Group Total			\$ 451,156	\$ 500,051	\$ 629,377	25.86%	\$ 629,377	0.00%
7046	898604	Coal Research and Development Fund	\$ 5,700,184	\$ 3,499,889	\$ 66,000,000	1,785.77%	\$ 10,000,000	-84.85%
Coal Research/Development Fund Total			\$ 5,700,184	\$ 3,499,889	\$ 66,000,000	1,785.77%	\$ 10,000,000	-84.85%
Air Quality Development Authority Total			\$ 14,861,904	\$ 12,939,857	\$ 76,209,279	488.95%	\$ 20,614,479	-72.95%