

# **LSC Greenbook**

**Analysis of the Enacted Budget**

## **Ohio Air Quality Development Authority**

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# TABLE OF CONTENTS

**OVERVIEW**.....1  
Agency Overview.....1  
Appropriation Overview .....1  
**ANALYSIS OF ENACTED BUDGET** .....3  
Energy Strategy Development (898608) .....3  
Small Business Ombudsman (898602) .....4  
Operating Expenses (898601) .....4  
Small Business Assistance (898603).....5

**ATTACHMENT:**

Budget Spreadsheet By Line Item

# Ohio Air Quality Development Authority

- Appropriations of \$1.8 million in FY 2014 and \$2.0 million in FY 2015
- Expansion of grant program to assist small businesses with buying clean air equipment
- OAQDA oversees approximately \$120 million in bond issuances annually

## OVERVIEW

### Agency 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. 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. OAQDA assists Ohio businesses, government agencies, and not-for-profit 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. As of June 2013, OAQDA employed nine persons, including five salaried board members and four full-time staff.

### Appropriation Overview

Table 1 below shows the appropriations for OAQDA by fund group over the FY 2014-FY 2015 biennium as compared to FY 2013 expenditures. Overall, H.B. 59 appropriates \$1,752,893 to the agency for FY 2014, an amount that is 179.8% higher than FY 2013 spending of \$626,467. Funding for FY 2015 is \$1,977,893, a 12.8% increase over the FY 2014 appropriation. These increases are almost entirely attributable to the expansion of a business assistance program discussed below.

**Table 1. Appropriations by Fund Group, FY 2014-FY 2015**

Fund Group	FY 2013*	FY 2014	% change, FY 2013-FY 2014	FY 2015	% change, FY 2014-FY 2015
General Services	\$272,739	\$240,681	-11.8%	\$240,681	0.0%
State Special Revenue	\$353,728	\$1,512,212	327.5%	\$1,737,212	14.9%
<b>TOTAL</b>	<b>\$626,467</b>	<b>\$1,752,893</b>	<b>179.8%</b>	<b>\$1,977,893</b>	<b>12.8%</b>

\*FY 2013 figures represent actual expenditures.

OAQDA's operations are funded primarily through a portion of Title V permit fees administered by the Ohio Environmental Protection Agency and fees paid by businesses that obtain OAQDA assistance in obtaining tax incentives for certain clean air projects. These amounts are accounted for under the State Special Revenue Fund Group. In addition to these amounts, OAQDA funds the state's energy policy strategies through cash transfers from other specified state agencies, as well as other sources. This funding flows through a single appropriation item within the General Services Fund Group.

Almost all of the increased funding under OAQDA's budget for the FY 2014-FY 2015 biennium will go toward enlarging an existing grant program to help small businesses cover the cost of clean air equipment. This initiative is overseen by the Clean Air Resource Center, a unit within OAQDA that provides grants, loans, and technical assistance to small businesses in meeting clean air rules and regulations. Funding for this program is included under State Special Revenue Fund 5A00, appropriation item 896603, Small Business Assistance. More detail concerning the expanded grant program may be found under the line item description in the "**Analysis of Enacted Budget**" section.

## ANALYSIS OF ENACTED BUDGET

Appropriations for Air Quality Development Authority				
Fund	ALI and Name		FY 2014	FY 2015
<b>General Services Fund Group</b>				
5EG0	898608	Energy Strategy Development	\$240,681	\$240,681
<b>General Services Fund Group Subtotal</b>			<b>\$240,681</b>	<b>\$240,681</b>
<b>Agency Fund Group</b>				
4Z90	898602	Small Business Ombudsman	\$288,232	\$288,232
5700	898601	Operating Expenses	\$323,980	\$323,980
5A00	898603	Small Business Assistance	\$900,000	\$1,125,000
<b>Agency Fund Group Subtotal</b>			<b>\$1,512,212</b>	<b>\$1,737,212</b>
<b>Total Funding: Air Quality Development Authority</b>			<b>\$1,752,893</b>	<b>\$1,977,893</b>

### Energy Strategy Development (898608)

The budget provides funding of \$240,681 in each fiscal year for Fund 5EG0 appropriation item 898608, Energy Strategy Development. Specifically, this appropriation funds OAQDA efforts to track program metrics, primarily job creation targets, and repayment activities related to various loans awarded by the state. OAQDA uses this line item to monitor ten noncoal project loans awarded under the Advanced Energy Program between 2009 and 2011. The loans issued for noncoal projects total approximately \$61.5 million. Originally, the state allocated \$150.0 million under the Advanced Energy 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 was split between coal and noncoal projects. When the Ohio Coal Development Office was moved to the Development Services Agency in 2011, oversight of the coal projects under the program moved as well.

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. 59 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 the Authority for such purposes. These agencies, funds, and cash transfers are listed in Table 2.

<b>Table 2. Cash Transfers for Statewide Energy Strategy Development</b>			
<b>Entity</b>	<b>Fund</b>	<b>FY 2014</b>	<b>FY 2015</b>
Facilities Construction Commission	State Agency Construction Project Service (Fund 1310)	\$27,405	\$27,439
Agriculture	Central Support Indirect Cost (Fund 5GH0)	\$27,405	\$27,439
Development Services	Supportive Services (Fund 1350)	\$27,405	\$27,439
Environmental Protection	Central Support Indirect Cost (Fund 2190)	\$27,405	\$27,439
Natural Resources	Central Support Indirect (Fund 1570)	\$27,405	\$27,439
Transportation	Highway Operating (Fund 7002)	\$39,150	\$39,199

### **Small Business Ombudsman (898602)**

Fund 4Z90, appropriation item 898602, Small Business Ombudsman, supports OAQDA's Office of Ombudsman, commonly referred to as the Clean Air Resource Center. H.B. 59 funds the Center's activities at \$288,232 for both FY 2014 and FY 2015. The Center is funded by revenue generated by pollution control permit fees as required by federal and state statute. The Center provides small business assistance including: (1) on-site 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 (firms with 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 Clean Air Resource Center assists small businesses in translating complex federal rules and regulations into language which is both accessible and understandable.

### **Operating Expenses (898601)**

Fund 5700, appropriation item 898601, Operating Expenses, provides funding for payroll, fringe benefits, and maintenance for some of the Authority's employees and the board members appointed by the Governor. The employees' duties fall into two categories: administering the state's air quality financing assistance programs in encouraging investment in clean air technology, and overseeing the Clean Air Resource Center.

OAQDA's primary responsibility is to administer 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 (QECB) 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. Bond issuance is estimated to total around \$55 million annually for bonds to businesses, while approximately \$65 million annually is projected in QECB issues for local governments. Administering the financing assistance programs entails 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 can last as long as 40 years.

### **Small Business Assistance (898603)**

The budget significantly increases funding for Fund 5A00, appropriation item 898603, Small Business Assistance, in the FY 2014-FY 2015 biennium, from \$11,792 in FY 2013 spending to appropriations of \$900,000 in FY 2014 and \$1,125,000 in FY 2015. The increased funding in this area reflects a change in strategy for issuing grants to small businesses for purchasing clean air equipment under the Clean Air Resource Center. Until now, the Clean Air Resource Center awarded grants to cover the cost of *financing* the purchase of equipment. However, this grant program has been underused because of changes in the tax code that have decreased the tax incentives for financing with OAQDA. To induce broader participation, beginning in FY 2014, OAQDA plans to offer grants that would directly cover a portion of the cost of *purchasing* the equipment itself. OAQDA will determine the ideal number of grant recipients and the amount to be awarded after consulting with the Ohio Environmental Protection Agency on how many small businesses would be eligible and seek assistance. To qualify, the business must have 100 or fewer employees and comply with the federal Clean Air laws. An example of an eligible small business entity would be a dry cleaning company that buys control devices for dryer exhaust airstreams designed to prevent the release of dry-cleaning solvent vapors into the atmosphere. The Ohio Environmental Protection Agency is involved since the grant program is funded by Title V fees.

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# FY 2014 - FY 2015 Final Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

			FY 2012	FY 2013	Appropriation FY 2014	FY 2013 to FY 2014 % Change	Appropriation FY 2015	FY 2014 to FY 2015 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>					
<b>AIR Air Quality Development Authority</b>								
GRF	898402	Coal Development Office	\$ 47,491	\$0	\$0	N/A	\$0	N/A
<b>General Revenue Fund Total</b>			<b>\$ 47,491</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>	<b>\$0</b>	<b>N/A</b>
5EG0	898608	Energy Strategy Development	\$ 90,766	\$ 272,739	\$ 240,681	-11.75%	\$ 240,681	0.00%
<b>General Services Fund Group Total</b>			<b>\$ 90,766</b>	<b>\$ 272,739</b>	<b>\$ 240,681</b>	<b>-11.75%</b>	<b>\$ 240,681</b>	<b>0.00%</b>
4Z90	898602	Small Business Ombudsman	\$ 130,998	\$ 206,668	\$ 288,232	39.47%	\$ 288,232	0.00%
5700	898601	Operating Expenses	\$ 217,981	\$ 135,269	\$ 323,980	139.51%	\$ 323,980	0.00%
5A00	898603	Small Business Assistance	\$ 0	\$ 11,792	\$ 900,000	7,532.33%	\$ 1,125,000	25.00%
<b>State Special Revenue Fund Group Total</b>			<b>\$ 348,979</b>	<b>\$ 353,728</b>	<b>\$ 1,512,212</b>	<b>327.51%</b>	<b>\$ 1,737,212</b>	<b>14.88%</b>
<b>Air Quality Development Authority Total</b>			<b>\$ 487,237</b>	<b>\$ 626,467</b>	<b>\$ 1,752,893</b>	<b>179.81%</b>	<b>\$ 1,977,893</b>	<b>12.84%</b>