

LSC Greenbook

Analysis of the Enacted Budget

Public Works Commission

Main Operating Budget Funding

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TABLE OF CONTENTS

OVERVIEW	1
Agency Overview.....	1
Appropriation Overview	1
Statutory Changes Affecting PWC	2
Use of Motor Fuel Receipts Tax to Pay PWC Debt Service.....	2
Summary of PWC Funding Provided in Transportation Budget Bill.....	2
Funding Process	2
ANALYSIS OF ENACTED BUDGET	4
State Capital Improvements General Obligation Debt Service (150907) and Conservation General Obligation Debt Service (150904).....	4
Clean Ohio Operating Expenses (150403)	5

ATTACHMENT:

Budget Spreadsheet By Line Item

Public Works Commission

- Nearly all of PWC's budget in H.B. 59 covers debt service on bonds issued under SCIP and Clean Ohio programs
- Remainder pays for the operating expenses of the Clean Ohio Conservation Program
- Clean Ohio Conservation Program capital appropriations increased to \$75.0 million for FY 2013-FY 2014 capital biennium

OVERVIEW

Agency Overview

The Public Works Commission (PWC) administers the State Capital Improvement Program (SCIP) and the Local Transportation Improvement Program (LTIP). These two programs provide grants and loans to local governments for infrastructure projects. SCIP receives funding from infrastructure bonds and LTIP receives funding from one cent per gallon of the motor vehicle fuel tax. PWC's administrative costs are funded by interest income and a portion of bond proceeds. In addition to these infrastructure financing programs, PWC also administers a portion of the Clean Ohio Conservation Program (COCP). Currently, the Commission employs a staff of ten.

Appropriation Overview

PWC's programs and operations are funded by a variety of appropriations bills. The main operating budget bill, H.B. 59, which is the focus of this analysis, contains the appropriations for the GRF debt service payments for COCP and SCIP bonds and for the operating expenses of COCP. The appropriations for these programs are summarized in Table 1 below. An overview of the funding provided in H.B. 51, the transportation budget, is provided later within this section.

Fund Group	FY 2013*	FY 2014	% change FY 2013-FY 2014	FY 2015	% change FY 2014-FY 2015
General Revenue	\$217,246,550	\$261,186,900	20.2%	\$263,396,600	0.9%
Clean Ohio Conservation	\$246,670	\$288,980	17.2%	\$288,980	0.0%
TOTAL	\$217,493,220	\$261,475,880	20.2%	\$263,685,580	0.9%

*FY 2013 figures represent actual expenditures.

The appropriations for PWC in H.B. 59 total \$261.5 million in FY 2014 and \$263.7 million in FY 2015, or \$525.2 million for the biennium. Of this biennial total, nearly all (99.9%) comes from the GRF for debt service payments. The remainder of

PWC's portion of the main operating budget funds the operating expenses associated with its administration of the Clean Ohio Conservation Program. These amounts will allow PWC to maintain approximately the same level of services as under the FY 2012-FY 2013 biennium.

Statutory Changes Affecting PWC

Use of Motor Fuel Receipts Tax to Pay PWC Debt Service

H.B. 59 creates a new motor fuel receipts tax (MFRT) that will replace the portion of the commercial activity tax (CAT) that currently applies to sales of motor fuel beginning July 1, 2014. Until that point, CAT revenue attributable to motor fuel sales will be deposited into the Commercial Activity Tax Motor Fuel Receipts Fund. Any revenues from the new MFRT (after deductions for refunds and administrative costs) will be deposited into the Motor Fuel Receipts Tax Public Highways Fund. Revenues in either of these funds may be transferred to the GRF to pay debt service costs associated with bonds used by PWC for local highway-related infrastructure projects. After those transfers have been made, any remaining portion in the two funds is to be transferred to the Highway Operating Fund (Fund 7002) for use by the Department of Transportation.

Summary of PWC Funding Provided in Transportation Budget Bill

H.B. 51 of the 130th General Assembly, the FY 2014-FY 2015 transportation budget act, appropriates approximately \$53.2 million in each fiscal year for PWC. The majority of H.B. 51 funding is for LTIP, which provides direct grants to counties, cities, townships, and villages to assist in the costs associated with local road and bridge projects. Grants are allocated to each of PWC's 19 public works district integrating committees on a per capita basis. LTIP receives one cent per gallon of the motor vehicle fuel tax. The transportation budget also provides funding for the District Administration Program, which authorizes the Director of PWC to use investment earnings from SCIP and LTIP funds for administrative costs incurred by the 19 individual district public works integrating committees (DPWICs). The act provides that no more than \$1,235,000 per fiscal year will be available for reimbursement and individual districts may not receive more than \$65,000 per fiscal year. For additional information on the funding provided in H.B. 51, see the PWC portion of the LSC Greenbook for the transportation budget act.

Funding Process

SCIP and LTIP Funding

To apply for SCIP or LTIP funds, a political subdivision must apply to its DPWIC. There are 19 public works districts that are responsible for recommending projects to PWC. DPWICs consist of local officials representing all levels of government. 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.

After evaluating and scoring the projects, a DPWIC creates a list of high-priority projects and submits them to PWC. PWC reviews the project selection and evaluation methodology used by the DPWIC to ensure fair and objective decision making. Then each application is reviewed for completeness and project eligibility. After all requirements are met on the district level and the application is approved, a formal agreement is issued by PWC to the individual political subdivision. PWC's staff maintains ongoing contact with local communities, providing technical assistance through the project's completion.

Clean Ohio Conservation Program (COCP)

As mentioned previously, PWC also administers the COCP component of the four-pronged Clean Ohio Fund initiative. The goal of COCP is to preserve open space, stream corridors, and other land valued for its ecological importance. The funding allocation process for COCP 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 rather than DPWICs. Capital appropriations for COCP were set at \$36.0 million for the FY 2013-FY 2014 capital biennium in H.B. 487 of the 129th General Assembly, the mid-biennium budget review act. H.B. 59 increased these appropriations to \$75.0 million over the biennium, the maximum permissible amount.

ANALYSIS OF ENACTED BUDGET

The following appropriations provide GRF debt service on the bonds issued under the State Capital Improvements Program (SCIP) and the Clean Ohio Conservation Program (COCP). The appropriations also provide for the operating expenses associated with COCP.

Appropriations for PWC				
Fund		ALI and Name	FY 2014	FY 2015
General Revenue Fund				
GRF	150907	State Capital Improvements General Obligation Debt Service	\$227,810,300	\$228,948,900
GRF	150904	Conservation General Obligation Debt Service	\$33,376,600	\$34,447,700
General Revenue Fund Subtotal			\$261,186,900	\$263,396,600
Clean Ohio Conservation Fund Group				
7056	150403	Clean Ohio Operating Expenses	\$288,980	\$288,980
Clean Ohio Conservation Fund Group Subtotal			\$288,980	\$288,980
Total Funding: PWC			\$261,475,880	\$263,685,580

State Capital Improvements General Obligation Debt Service (150907) and Conservation General Obligation Debt Service (150904)

These GRF line items pay the debt service on SCIP bonds and COCP bonds, respectively. Through SCIP, PWC uses infrastructure bond proceeds to provide grants and loans to local governments for improvement of their infrastructure systems. Bond-issuing authority is provided in Article VIII, Section 2p of the Ohio Constitution. Beginning with program year 25 of SCIP, corresponding to FY 2012, the amount eligible for issuance increased from \$120 million to \$150 million per year. Eligible projects include improvements to roads, bridges, culverts, water supply systems, wastewater systems, storm water collection systems, and solid waste disposal systems. SCIP has two subprograms, the Small Government Program and the Emergency Assistance Program, under which certain amounts are set aside each fiscal year for villages and townships with less than 5,000 in population and for infrastructure emergencies, respectively. The budget appropriates GRF funding of \$227.8 million in FY 2014 and \$228.9 million in FY 2015 for debt service payments from line item 150907, State Capital Improvements General Obligation Debt Service.

Line item 150904, Conservation General Obligation Debt Service, pays the debt service on Clean Ohio Conservation bonds. The budget provides GRF funding of \$33.4 million in FY 2014 and \$34.4 million in FY 2015 for this purpose.

Clean Ohio Operating Expenses (150403)

This line item funds the operating expenses of COCP, which was created by H.B. 3 of the 124th General Assembly and most recently renewed through the approval of voters in November 2008. PWC's portion of the program provides payments to various property owners to acquire and provide access improvements to open space and enhance riparian corridors. COCP primarily serves local governments and nonprofit organizations, as well as consultants and contractors hired to perform work on approved projects.

COCP grant funding is derived from bond sales of up to \$50 million per year, of which 75% is used for open space acquisition, 12.5% for agricultural easements (administered by the Department of Agriculture), and 12.5% for recreational trail construction (administered by the Department of Natural Resources). H.B. 487 of the 129th General Assembly, the mid-biennium review act, included capital appropriations for COCP totaling \$36.0 million for the FY 2013-FY 2014 capital biennium. H.B. 59 increased this appropriation to \$75.0 million, the maximum amount allowable by law.

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 over 150 projects being managed at any one time. PWC's administrative activities involve reviewing and approving project applications, executing funding agreements, disbursing funds, and providing technical assistance, such as attendance at natural resource council meetings and project monitoring. The budget appropriates \$288,980 in each fiscal year for these activities, which are funded by investment income earned on the Clean Ohio Conservation Fund (Fund 7056).

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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
Report For Main Operating Appropriations Bill			Version: Enacted					
PWC Public Works Commission								
GRF	150904	Conservation General Obligation Debt Service	\$ 21,947,976	\$ 24,278,102	\$ 33,376,600	37.48%	\$ 34,447,700	3.21%
GRF	150907	State Capital Improvements General Obligation Debt Service	\$ 87,627,002	\$ 192,968,448	\$ 227,810,300	18.06%	\$ 228,948,900	0.50%
General Revenue Fund Total			\$ 109,574,978	\$ 217,246,550	\$ 261,186,900	20.23%	\$ 263,396,600	0.85%
7056	150403	Clean Ohio Operating Expenses	\$ 246,036	\$ 246,670	\$ 288,980	17.15%	\$ 288,980	0.00%
Clean Ohio Conservation Fund Total			\$ 246,036	\$ 246,670	\$ 288,980	17.15%	\$ 288,980	0.00%
Public Works Commission Total			\$ 109,821,014	\$ 217,493,220	\$ 261,475,880	20.22%	\$ 263,685,580	0.85%