

LSC Greenbook

Analysis of the Enacted Budget

Public Works Commission

Main Operating Budget Funding

Tom Middleton, Budget Analyst
Legislative Service Commission

July 2015

TABLE OF CONTENTS

OVERVIEW	1
PWC Appropriations under H.B. 64	2
Infrastructure Funding Overseen by PWC	2
LTIP Funding in Transportation Budget Bill	3
SCIP Funding in Capital Budget Bill.....	3
Clean Ohio Conservation Program	5
H.B. 64 Provision – Reappropriation of Capital Funding for COCP Grants	5
ANALYSIS OF ENACTED BUDGET	6
General Obligation Bond Debt Service (150907 and 150904)	6
SCIP Bond Funding	6
COCP Bond Funding.....	7
COCP Operating Expenses (150403)	7

ATTACHMENT:

Budget Spreadsheet By Line Item

Public Works Commission

- Funding of \$261.4 million in FY 2016 and \$269.3 million in FY 2017 under H.B. 64
- Around 99.9% of PWC's budget in H.B. 64 covers debt service on General Obligation (GO) bonds
- GO bond funding used for the State Capital Improvement Program (SCIP) and Clean Ohio Conservation Program (COCP)

OVERVIEW

The Public Works Commission (PWC) acts as a public sector bank to administer grants and loans to local governments for infrastructure projects through two programs: the State Capital Improvement Program (SCIP) and the Local Transportation Improvement Program (LTIP). SCIP receives funding from General Obligation (GO) bonds, while LTIP is funded by a portion of revenue from the state motor fuel tax (one cent per gallon). In addition to these infrastructure programs, the Commission administers a third initiative that provides grants to local governments and nonprofits for the conservation of greenspace, comprising PWC's component of the Clean Ohio Conservation Program (COCP). Besides PWC, two other state agencies – the Department of Natural Resources and the Department of Agriculture – provide forms of conservation assistance under COCP, and, like SCIP, the program is funded by GO bonds. The Commission employs a staff of ten.

PWC's programs and operations are funded under three appropriations bills enacted by the General Assembly. Table 1 below indicates the budget bills and time periods of funding associated with each of PWC's three programs.

Program	Use of Funding	Budget Bill*		
		H.B. 497 Capital (FY 2015-FY 2016)	H.B. 64 Main Operating (FY 2016-FY 2017)	H.B. 53 Transportation (FY 2016-F 20Y17)
SCIP	Program	✓		
	Debt Service		✓	
	Administration			✓
COCP	Program	✓		
	Debt Service / Administration		✓	
LTIP	Program / Administration			✓

*H.B. 497 was enacted in the 130th General Assembly; the two other budget bills passed in the 131st General Assembly.

The capital budget bill for the FY 2015-FY 2016 biennium, H.B. 497 of the 130th General Assembly, was enacted in April 2014 and contained appropriations for program assistance under SCIP and COCP. H.B. 53, the transportation budget act of the 131st General Assembly, passed in March 2015 and provided funding to administer and award grants to local governments under LTIP, as well as the administrative expenses related to SCIP.

PWC Appropriations under H.B. 64

This Greenbook analysis concentrates on the two PWC functions supported by funding in the main operating budget: (1) paying debt service on bonds funding SCIP, and (2) administering the greenspace component of COCP, as well as the debt service for this conservation program. The appropriations for PWC in H.B. 64 total \$261.4 million in FY 2016 and \$269.3 million in FY 2017, or \$530.7 million for the biennium. Of this biennial total, nearly all (99.9%) comes from the GRF and goes toward debt service payments, as summarized in Table 2 below. The remainder of PWC's main operating budget funds COCP operating expenses.

Fund Group	FY 2015*	FY 2016	% change FY 2015-FY 2016	FY 2017	% change FY 2016-FY 2017
General Revenue	\$244,231,688	\$261,112,300	6.9%	\$269,028,900	3.0%
Capital Projects	\$241,632	\$288,980	19.6%	\$288,980	0.0%
TOTAL	\$244,473,320	\$261,401,280	6.9%	\$269,317,880	3.0%

*FY 2015 figures represent actual expenditures.

Infrastructure Funding Overseen by PWC

SCIP and LTIP Funding Process

To apply for SCIP or LTIP funds, a political subdivision must apply to its district public works integrating committee (DPWIC). There are 19 DPWICs that are responsible for recommending projects to the state Public Works Commission. DPWICs consist of local officials representing various 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 and the project's strategic importance to the district and subdivision, with an emphasis on the repair and replacement of existing 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. 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.

LTIP Funding in Transportation Budget Bill

H.B. 53 of the 131st General Assembly provides appropriations of approximately \$57.2 million in FY 2016 and around \$59.2 million in FY 2017 for PWC. Over 98% of this funding in H.B. 53 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 the 19 DPWICs on a per capita basis. The transportation budget also provides funding for the District Administration Program, to provide up to \$1,235,000 per fiscal year for DPWIC administration costs. For additional information on the funding provided in H.B. 53, and the type of projects awarded grants in recent years, see the separate LSC Greenbook analyzing PWC's appropriations in the transportation budget bill.

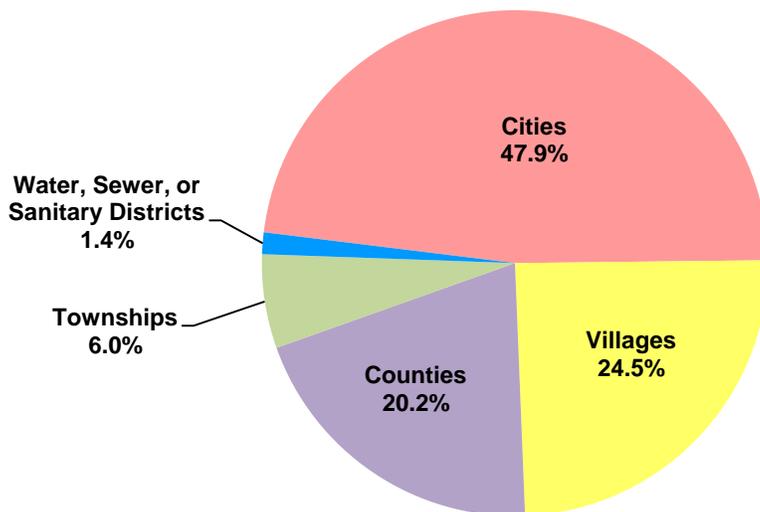
SCIP Funding in Capital Budget Bill

Enacted in April 2014, H.B. 497 of the 130th General Assembly included appropriations of \$300 million over the FY 2015-FY 2016 capital biennium for SCIP loans and grants. In addition, the bill provided \$69 million over this time frame for SCIP revolving loans, funded by reusing the principal and interest income from local government loan repayments from previously awarded SCIP loans. Finally, in the May 2014 primary election, voters authorized an additional \$1.875 billion in SCIP funding over a ten-year period. However, implementing legislation, yet to be introduced, will be required to spend this money.

Under SCIP, local governments can apply for grants or loans to perform improvements to roads, bridges, water supply systems, wastewater systems, stormwater systems, and solid waste disposal facilities. Of the annual allocations, by statute, \$15 million is set aside for small governments, including villages and townships with populations of 5,000 or less, and \$3 million is set aside for use at the Director's discretion to pay for emergency infrastructure projects.

The chart below shows SCIP grant and loan distributions in program year (PY) 26 and PY 27, broken down by the type of political subdivision receiving the grant assistance. These program years correspond to the FY 2013 and FY 2014 budget periods, respectively. Overall funding under SCIP during this span was \$429.7 million. As the chart below shows, city governments received 47.6% (\$205.8 million) of the total. Meanwhile, villages were awarded 24.5% (\$105.5 million), counties were allocated 20.2% (\$86.8 million), townships were given 6% (\$25.8 million), and water, sewer, and sanitary districts got around 1.4% (\$5.9 million) in SCIP funding during this time frame.

Chart 1: SCIP Grant and Loan Funding by Political Subdivision, PY 26-PY 27 (\$429.7 million)



Over the FY 2013-FY 2014 period, 61.8% (\$265.7 million) was awarded in the form of grants, while the remaining 38.2% (\$164 million) supported loans. Broken down by project type, about \$237.9 million (55.3%) of the funding over these years went toward road projects, and approximately \$85.5 million (19.9%) funded wastewater projects. Water supply projects were allocated around \$64.7 million (15.1%), while the remaining \$41.6 million (9.7%) was almost evenly split between bridge and stormwater projects.

H.B. 53 Provision – Modification of Minimum SCIP Funding Allocation for Loans

The enacted transportation budget bill amended section 164.05 of the Revised Code to reduce the minimum amount of SCIP funding that must be awarded each year in the form of loans, local debt support, or credit enhancements, from 20% of program year funding in current law to 15%, beginning in PY 30 (FY 2017). This would free up additional funding for grants under SCIP, with offsetting decreases in loan funding under the program. Beginning in FY 2017, PWC could have up to \$175 million per year available for SCIP awards, pending capital appropriations for the FY 2017-FY 2018 capital biennium and beyond. If the full \$175 million were available each year starting in FY 2017, this provision would enable another \$8.75 million to be awarded in grants annually. Any decrease in loan funding would result in less future revenue from loan repayments deposited into the State Capital Improvements Revolving Loan Fund (Fund 7040), which is used to award additional loans for SCIP-eligible projects. The money in Fund 7040 is used for a separate capital appropriation in the capital budget bill for these loans, which are not included in the annual SCIP loan threshold for the standard SCIP projects.

Clean Ohio Conservation Program

PWC also administers a component of the three-pronged Clean Ohio Conservation Program. Two other state agencies – the Department of Natural Resources (DNR) and the Department of Agriculture (AGR) – administer COCP funds for different conservation purposes. The goal of PWC's portion 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.

H.B. 497 of the 130th General Assembly included appropriations of \$75 million over the FY 2015-FY 2016 capital biennium for COCP grants to local governments and nonprofits for the purposes listed above. From the inception of this Clean Ohio Conservation Program in FY 2003 through FY 2014, PWC awarded 880 projects a total of \$290.9 million in funding to preserve natural areas, watersheds, and other greenspace, an average of over \$330,500 per project.

H.B. 64 Provision – Reappropriation of Capital Funding for COCP Grants

H.B. 64 amends Section 245.10 of H.B. 497 of the 130th General Assembly to specify that any amount in COCP grant repayments that PWC receives be reappropriated for additional PWC grants for greenspace conservation. This could allow additional grants to be awarded reusing money that was not actually spent from prior grant awards.

ANALYSIS OF ENACTED BUDGET

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

H.B. 64 Appropriations for PWC				
Fund		ALI and Name	FY 2016	FY 2017
General Revenue Fund				
GRF	150907	Infrastructure Improvement General Obligation Bond Debt Service	\$227,937,400	\$231,303,200
GRF	150904	Conservation General Obligation Debt Service	\$33,174,900	\$37,725,700
General Revenue Fund Subtotal			\$261,112,300	\$269,028,900
Clean Ohio Conservation Fund Group				
7056	150403	Clean Ohio Conservation Operating	\$288,980	\$288,980
Clean Ohio Conservation Fund Group Subtotal			\$288,980	\$288,980
Total Funding: PWC			\$261,401,280	\$269,317,880

General Obligation Bond Debt Service (150907 and 150904)

SCIP Bond Funding

Through SCIP, PWC uses GO bond proceeds to provide grants and loans to local governments for improvement of their infrastructure systems. Bond-issuing authority is provided in sections 2p and 2s, Article VIII of the Ohio Constitution. Beginning in program year (PY) 25 of SCIP, corresponding to FY 2012, the amount eligible for issuance increased from \$120 million to \$150 million per year. From PY 30 to PY 34 (FY 2017 to FY 2021), the bond issuance cap will increase again to \$175 million annually. Any additional funding from bond issuances in FY 2017 and beyond would be devoted to eligible SCIP projects, such as improvements to roads, bridges, culverts, water supply systems, wastewater systems, stormwater collection systems, and solid waste disposal systems. H.B. 64 appropriates GRF funding of \$227.9 million in FY 2016 and \$231.3 million in FY 2017 for debt service payments from line item 150907, Infrastructure Improvement General Obligation Bond Debt Service. Thus far, the Ohio General Assembly has authorized a total of \$3.75 billion in these bonds. Of this amount, \$3.45 billion has actually been issued.

COCP Bond Funding

Under sections 2o and 2q, Article VIII of the Ohio Constitution, up to \$400 million in GO bonds may be outstanding at any one time to support COCP. As a whole, the program entails three discreet program components: (1) PWC's greenspace program, (2) a recreational trails program overseen by the Ohio Department of Natural Resources (DNR), and (3) an agricultural easement purchase program overseen by the Department of Agriculture (AGR). Of total GO bond funding, 75% is used for PWC's component, 12.5% is for the Clean Ohio trails program overseen by DNR, and a final 12.5% is for the Clean Ohio agricultural easement purchase program overseen by AGR.

H.B. 64 includes funding of \$33.2 million in FY 2016 and \$37.7 million in FY 2017 to pay debt service on the bonds that have been issued to fund COCP. The Constitution limits annual bond issuances for COCP at \$50 million per 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 \$500 million in bonds, and of that amount, \$350 million has actually been issued.

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

COCP Operating Expenses (150403)

PWC receives appropriations of \$288,980 in each fiscal year for operating expenses relating to COCP. The funding through appropriation item 150403, Clean Ohio Conservation Operating, comes from a combination of bond proceeds and investment income earned on 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 over 140 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, such as attendance at natural resource council meetings and project monitoring.

FY 2016 - FY 2017 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2014	FY 2015	Appropriation FY 2016	FY 2015 to FY 2016 % Change	Appropriation FY 2017	FY 2016 to FY 2017 % Change
Report For Main Operating Appropriations Bill			Version: As Enacted					
PWC Public Works Commission								
GRF	150904	Conservation General Obligation Bond Debt Service	\$ 26,601,435	\$ 33,331,400	\$ 33,174,900	-0.47%	\$ 37,725,700	13.72%
GRF	150907	Infrastructure Improvement General Obligation Bond Debt Service	\$ 210,643,669	\$ 210,900,288	\$ 227,937,400	8.08%	\$ 231,303,200	1.48%
General Revenue Fund Total			\$ 237,245,104	\$ 244,231,688	\$ 261,112,300	6.91%	\$ 269,028,900	3.03%
7056	150403	Clean Ohio Conservation Operating	\$ 245,720	\$ 241,632	\$ 288,980	19.60%	\$ 288,980	0.00%
Capital Projects Fund Group Total			\$ 245,720	\$ 241,632	\$ 288,980	19.60%	\$ 288,980	0.00%
Public Works Commission Total			\$ 237,490,824	\$ 244,473,320	\$ 261,401,280	6.92%	\$ 269,317,880	3.03%