

Greenbook
LBO Analysis of Enacted Budget
Ohio Air Quality Development Authority

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August 2019

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LBO Greenbook

Ohio Air Quality Development Authority

Quick look...

- The Ohio Air Quality Development Authority (OAQDA) assists businesses, political subdivisions, and not-for-profit entities comply with the federal Clean Air Act by issuing (1) revenue bonds to install clean air facilities and helping them qualify for tax exemptions on the project and (2) grants to eligible small businesses to buy clean air equipment.
- A seven-member board governs the Authority, of whom five are paid and two serve ex officio. The Authority does not have regulatory power.
- H.B. 166 provides OAQDA with funding totaling approximately \$1.2 million in each fiscal year of the FY 2020-FY 2021 biennium. This will allow the Authority to hire one new permanent full-time employee to handle customer service and administrative duties. There are currently four permanent staff members.
 - OAQDA does not receive GRF funding. Operating revenue consists of bond financing and a portion of air permit fees collected by the Ohio Environmental Protection Agency.
- H.B. 6 of the 133rd General Assembly, enacted in July 2019, requires OAQDA to oversee payments to qualifying electric utilities that generate power through nuclear and solar energy from two new funds supported by surcharges on residential and industrial customers' electricity bills. This would likely mean significant new operating costs for the Authority. Neither H.B. 6 nor H.B. 166 contains appropriations for these costs.

	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Appropriation	FY 2021 Appropriation
Fund 4Z90 ALI 898602, Small Business Ombudsman						
	\$259,475	\$256,964	\$491,652	\$351,127	\$208,813	\$208,813
% change		-1.0%	91.3%	-28.6%	-40.5%	0.0%
Fund 5700 ALI 898601, Operating Expenses						
	\$172,790	\$169,976	\$166,133	\$149,520	\$565,364	\$583,395
% change		-1.6%	-2.3%	-10.0%	278.1%	3.2%
Fund 5A00 ALI 898603, Small Business Assistance						
	\$170,229	\$365,194	\$375,734	\$422,933	\$450,000	\$450,000
% change		114.5%	2.9%	12.6%	6.4%	0.0%
Total funding						
	\$602,494	\$792,134	\$1,033,519	\$923,580	\$1,224,177	\$1,242,208
% change		31.5%	30.5%	-10.6%	32.6%	1.5%

OAQDA's responsibilities under H.B. 6

H.B. 6 of the 133rd General Assembly was enacted in July 2019 and requires OAQDA to oversee payments to qualifying electric utilities from two new custodial funds: the Nuclear Generation Fund and the Renewable Generation Fund. The funds are to be supported by the proceeds of a monthly surcharge on residential and industrial customers' electricity bills beginning January 1, 2021, and running through 2027. The customer surcharges are to be calculated such that the Nuclear Generation Fund collects \$150 million annually and the Renewable Generation Fund collects \$20 million annually. The payments, referred to as a "nuclear resource credit" or a "renewable energy credit," each worth up to \$9.00 per megawatt hour of electricity generated from nuclear or solar sources, will be made to owners or operators of qualifying electric utilities from 2021 to 2027 to support their operations. OAQDA will work with the Public Utilities Commission of Ohio to set policies and establish rules governing the oversight of the program. Neither H.B. 6 nor H.B. 166 contains appropriations for the Authority to cover the additional costs. More information on H.B. 6 can be found in the fiscal note and other related documents at <https://www.legislature.ohio.gov/legislation/legislation-documents?id=GA133-HB-6>.

Analysis of enacted budget

OAQDA operating costs (ALIs 898601 and 898602)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Appropriation	FY 2021 Appropriation
Fund 5700 ALI 898601, Operating Expenses					
\$172,790	\$169,976	\$166,133	\$149,520	\$565,364	\$583,395
% change	-1.6%	-2.3%	-10.0%	278.1%	3.2%
Fund 4Z90 ALI 898602, Small Business Ombudsman					
\$259,475	\$256,964	\$491,652	\$351,127	\$208,813	\$208,813
% change	-1.0%	91.3%	-28.6%	-40.5%	0.0%
Total					
\$432,265	\$426,940	\$657,785	\$500,647	\$774,177	\$792,208
% change	-1.2%	54.1%	-23.9%	54.6%	2.3%

These two line items pay for the continuing operating costs of OAQDA. Together they provide approximately \$774,000 in FY 2020 and \$792,000 in FY 2021 to cover payroll and administrative expenses. This compares to actual combined spending of \$500,647 between the two line items in FY 2019. Some of the combined increase for FY 2020 will be used to hire a full-time employee to support customer service and handle administrative duties. In that regard, the budget shifts payroll costs that were previously paid under line item 898602 to line item 898601, more accurately aligning the actual costs of administrative duties with the type of operating support provided by staff.

Specifically, line item 898601 provides funding for the administrative costs of the Authority's air quality financing assistance programs. The funding is supported by fees associated with project revenue bonds issued under the authority of OAQDA on behalf of firms, government entities, or not-for-profit entities wanting to finance large scale pollution control measures. Primarily, the Authority assists large scale manufacturing and public utility companies by offering low-cost financing alternatives for investment in pollution control and prevention measures. OAQDA also helps public entities, such as local governments or universities, to install heating and lighting systems to conserve energy through the issuance of Qualified Energy Conservation Bonds. OAQDA estimates that the average annual amount in bonds issued from FY 2016 to FY 2018 was around \$293 million. The amounts fluctuate widely depending on market conditions. OAQDA's duties involved with these project financing programs include 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 last as long as 40 years.

Line item 898602 supports the Office of Ombudsman, commonly referred to as the Clean Air Resource Center. The Center is funded by transfers of a portion of the pollution control permit fees collected by the Ohio Environmental Protection Agency (EPA) and deposited into the Small Business Ombudsman Fund (Fund 4Z90). The Clean Air Resource Center fulfills Ohio's mandate under the Clean Air Act amendments of 1990 to offer business assistance as part of the state's efforts in attaining and maintaining national ambient air quality standards. The Center provides small business assistance including: (1) onsite 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 (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.

Small Business Assistance (ALI 898603)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Appropriation	FY 2021 Appropriation
Fund 5A00 ALI 898603, Small Business Assistance					
\$170,229	\$365,194	\$375,734	\$422,933	\$450,000	\$450,000
% change	114.5%	2.9%	12.6%	6.4%	0.0%

This line item supports the Small Business Assistance Grant Program, which assists small businesses in purchasing clean air equipment. Under the program, OAQDA offers grants of up to 30% for small businesses to purchase clean air equipment, or up to \$30,000 maximum per grant. To qualify, the business must have 100 or fewer employees, emit less than 75 tons per year of all regulated air pollutants and 50 tons or less per year of any regulated pollutant, and comply with federal Clean Air Act requirements. Once a small business moves forward with a project, the grant awards may either be used to (1) cover closing costs or (2) support principal payments on equipment after the equipment has been installed and operational for at least six

months. The program is funded by a portion of Title V permit fees collected by Ohio EPA and deposited into the Small Business Assistance Fund (Fund 5A00).