

# Greenbook

## LBO Analysis of Enacted Budget

# Ohio Air Quality Development Authority

Ruhaiza Ridzwan, Senior Economist  
July 2021

### TABLE OF CONTENTS

<b>Quick look.....</b>	<b>1</b>
<b>Analysis of FY 2022-FY 2023 budget .....</b>	<b>2</b>
Ohio Air Quality Development Authority operating costs.....	2
Operating Expenses (ALIs 898601 and 898602).....	2
Grant assistance for eligible small businesses .....	4
Small Business Assistance (ALI 898603).....	4

# 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 in complying with the federal Clean Air Act by (1) issuing revenue bonds to install clean air facilities and helping them qualify for tax exemptions on the project and (2) issuing 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.
- The enacted budget provides OAQDA with continuation funding for operations and small business grants totaling approximately \$1.3 million in each fiscal year of the FY 2022-FY 2023 biennium.
  - OAQDA does not receive GRF funding. Operating revenue consists of a portion of air permit fees collected by the Ohio Environmental Protection Agency and transferred to OAQDA and various fees collected by OAQDA, including administrative fees on revenue bond issuances.
- The Authority has five permanent staff members.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
<b>Fund 4Z90 ALI 898602, Small Business Ombudsman</b>					
\$491,652	\$351,127	\$148,589	\$91,883	\$209,000	\$211,000
% change	-28.6%	-57.7%	-38.2%	127.5%	1.0%
<b>Fund 5700 ALI 898601, Operating Expenses</b>					
\$166,133	\$149,520	\$463,162	\$613,624	\$774,811	\$783,347
% change	-10.0%	209.8%	32.5%	26.3%	1.1%
<b>Fund 5A00 ALI 898603, Small Business Assistance</b>					
\$375,734	\$422,933	\$490,618	\$178,533	\$300,000	\$300,000
% change	12.6%	16.0%	-63.6%	68.0%	0.0%
<b>Total funding</b>					
\$1,033,518	\$923,580	\$1,102,369	\$884,039	\$1,283,811	\$1,294,347
% change	-10.6%	19.4%	-19.8%	45.2%	0.8%

## Analysis of FY 2022-FY 2023 budget

### Ohio Air Quality Development Authority operating costs

#### Operating Expenses (ALIs 898601 and 898602)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
<b>Fund 5700 ALI 898601, Operating Expenses</b>					
\$166,133	\$149,520	\$463,162	\$613,624	\$774,811	\$783,347
% change	-10.0%	209.8%	32.5%	26.3%	1.1%
<b>Fund 4290 ALI 898602, Small Business Ombudsman</b>					
\$491,652	\$351,127	\$148,589	\$91,883	\$209,000	\$211,000
% change	-28.6%	-57.7%	-38.2%	127.5%	1.0%
<b>Total Operating</b>					
\$657,785	\$500,647	\$611,751	\$705,507	\$983,811	\$994,347
% change	-23.9%	22.2%	15.3%	39.4%	1.1%

These two line items pay for the operating costs of the Ohio Air Quality Development Authority (OAQDA). Together they provide approximately \$984,000 in FY 2022 and \$994,000 in FY 2023 to cover payroll and administrative expenses. This compares to the actual combined spending of about \$705,500 between the two line items in FY 2021. Most of the combined increase of about \$278,300 appropriated for FY 2022 will be used for personnel costs associated with a vacant full-time position that is expected to be filled in the next biennium. Payroll costs that were previously paid under line item 898602 were shifted to line item 898601, which started prior to the FY 2020-FY 2021 biennium, to align the actual costs of administrative duties with the type of operating support provided by staff. The change is reflected in the line item funding shown in the table above.

Specifically, line item 898601 provides funding for the administrative costs of the Authority's air quality financing assistance programs. The funding is supported by various sources of revenue, including 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 eligible projects such as pollution control and prevention, solid waste disposal, energy efficiency, and clean generation projects.<sup>1</sup> The financing assistance comes in two typical forms of bond support. 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. The other form of assistance is Qualified Energy Conservation Bonds, which help public entities, such as local governments or universities, to install heating and lighting systems to

<sup>1</sup> Debt service on the revenue bonds is not paid either directly or indirectly from state tax revenue, but solely by the benefited business or entity; the Authority simply acts as a conduit for the flow of funds. This arrangement allows the Authority to grant the company certain tax exemptions authorized by the Revised Code.

conserve energy. OAQDA issued more than \$14 million in revenue bonds involving 16 projects in 2020, a decrease compared to the average annual amount in bonds issued from FY 2018 to FY 2020 of around \$164 million for an average of 21 projects annually.<sup>2</sup> The amounts fluctuate widely depending on market conditions. The 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.

Beginning in 2021, OAQDA also administers payments to qualifying electric utilities that generate power through solar energy<sup>3</sup> from a new custodial fund – the Solar Generation Fund. This fund was established by H.B. 6 of the 133<sup>rd</sup> General Assembly, which named it the Renewable Generation Fund; H.B. 128 of the 134<sup>th</sup> General Assembly changed the name to the Solar Generation Fund. The Solar Generation Fund is to be supported by the proceeds of a monthly surcharge on residential, commercial, and industrial customers' electricity bills beginning January 1, 2021, and running through 2027.<sup>4</sup> OAQDA, in consultation with the Public Utilities Commission of Ohio, is setting policies and rules governing the oversight of the program. To begin receiving the payments, the owner or operator of an eligible solar facility must have applied for the program to OAQDA. H.B. 128 extended the application deadline for the program. As of June 2021, a total of five solar facilities were approved for funding from the Solar Generation Fund. H.B. 128 authorized OAQDA to use up to \$300,000 per year for administrative costs incurred from FY 2020-FY 2029. The administrative costs for FY 2022 and FY 2023 are not appropriated in the enacted budget (H.B. 110), but may be requested through Controlling Board requests.

Line item 898602 supports the Office of Small Business 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, and authorized under section 3706.19 of the Revised Code, 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.

---

<sup>2</sup> OAQDA issued a total of \$26.7 million in air quality revenue bonds for 19 projects in FY 2018, a total of \$450.9 million in revenue bonds for 29 projects in FY 2019, and a total of \$14.1 million in revenue bonds for 16 projects in FY 2020.

<sup>3</sup> The payments, referred to as "solar energy credits," each worth up to \$9.00 per megawatt hour of electricity generated from solar sources, are to be made to owners or operators of qualifying electric utilities from 2021 to 2027 to support their operations.

<sup>4</sup> The customer surcharges are to be calculated such that the Solar Generation Fund collects \$20 million annually. This charge was scheduled to begin in January 2021, but was effectively put on hold by a court decision.

## Grant assistance for eligible small businesses

### Small Business Assistance (ALI 898603)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
<b>Fund 5A00 ALI 898603, Small Business Assistance</b>					
\$375,734	\$422,933	\$490,618	\$178,533	\$300,000	\$300,000
% change	12.6%	16.0%	-63.6%	68.0%	0.0%

This appropriation item supports the Small Business Assistance Grant Program to assist small businesses in purchasing pollution clean air equipment. The appropriation for FY 2022 is about \$121,500 or 68% higher than the actual expenditure in FY 2021. The appropriation in FY 2023 is identical to the appropriation for FY 2022. Funding for this line item would depend on transfer amounts from Title V permit fees received by Ohio EPA. Multiple factors affect the amount of fees generated in a particular year; generally, the fees are based on the annual actual air emissions reported by Title V permit holders.

Under the program, OAQDA offers grants of up to 20% for small businesses to purchase clean air equipment, or up to \$20,000 maximum per grant. To qualify, the business must have 100 or fewer employees, emit less than 75 tons per year of all regulated 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. Small businesses working on energy efficiency and conservation projects are not eligible under the grant program, but may be eligible for tax benefits. 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).