

Greenbook

LBO Analysis of Enacted Budget

Ohio Air Quality Development Authority

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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 and notes 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 increased funding for operations and small business grants totaling approximately \$1.3 million in FY 2024 and \$1.4 million for FY 2025.
 - 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 as of July 2023.¹

Fund Group	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
Dedicated Purpose	\$1,010,282	\$1,105,282	\$1,316,000	\$1,419,000
Total Funding	\$1,010,282	\$1,105,282	\$1,316,000	\$1,419,000
% change	14.3%	9.4%	19.1%	7.8%

Analysis of FY 2024-FY 2025 budget

The total appropriations for the Ohio Air Quality Development Authority (OAQDA) for FY 2024 amount to \$1.3 million, a \$210,718 increase from FY 2023 actual expenditures, or a 19.1% increase. Total appropriations for FY 2025 are \$103,000 higher than the appropriations for FY 2024, a 7.8% increase. The budget consists of three appropriation line items, all in the Dedicated Purpose Fund Group.

The enacted budget allows OAQDA to enter into an agreement with municipalities, townships, or special improvement districts (SIDs) to fund property assessed clean energy (PACE) projects. Under such agreements, OAQDA would issue revenue bonds to pay for an air quality facility and the SID, municipality, or township would levy a special assessment upon real property specially benefited by the facility. The provision does not authorize such a political subdivision to

¹ Based on data from [State of Ohio Employee Headcount Trends](#) (visited July 13, 2023). On that date, OAQDA also had five fixed-term board members.

levy special assessments without the written consent of the property owners. This provision may increase the amount of revenue bonds or notes that may be issued by OAQDA for the purpose of funding these projects.

OAQDA operating costs

Operating Expenses (ALIs 898601 and 898602)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
Fund 5700 ALI 898601, Operating Expenses					
\$463,162	\$613,624	\$729,471	\$827,325	\$1,000,000	\$1,100,000
% change	32.5%	18.9%	13.4%	20.9%	10.0%
Fund 4290 ALI 898602, Small Business Ombudsman					
\$148,589	\$91,883	\$119,035	\$137,690	\$216,000	\$219,000
% change	-38.2%	29.6%	15.7%	56.9%	1.4%
Total Operating					
\$611,751	\$705,507	\$848,506	\$965,015	\$1,216,000	\$1,319,000
% change	15.3%	20.3%	13.7%	26.0%	8.5%

These two line items pay for the operating costs of OAQDA. Together they provide approximately \$1.2 million in FY 2024 and \$1.3 million in FY 2025 to cover payroll and administrative expenses. This compares to the actual combined spending of about \$1.0 million between the two line items in FY 2023. Most of the combined increase of \$250,985 in appropriations for FY 2024 was expected to be used for cost-of-living increases in the next biennium.

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.² 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 conserve energy. Currently, OAQDA administers about \$3.0 billion in total outstanding debt, issued for hundreds of commercial and industrial projects. The duties involved with these project financing programs

² 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.

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. The table below shows OAQDA total bond issuances, by type of project, in calendar year (CY) 2018 through CY 2022.

OAQDA Bond Issuances, by Type of Project, 2018 through 2022 (\$ in millions)					
CY	Private Entity	Public Entity	Small Business	Utility	Total
2018	\$14.3	\$10.8	\$1.6	--	\$26.7
2019	\$333.4	\$15.5	\$2.1	\$100.0	\$451.0
2020	\$13.2	--	\$0.9	--	\$14.1
2021	\$152.5	--	\$1.9	--	\$154.4
2022	\$243.1	--	\$0.8	\$402.0	\$645.9
Total	\$756.4	\$26.4	\$7.3	\$502.0	\$1,292.1

OAQDA also administers payments to qualifying electric utilities that generate power through solar energy³ from the Solar Generation Fund, a custodial fund (i.e., not in the state treasury). OAQDA is allowed to use a portion of the fund's receipts, up to \$300,000 per fiscal year, to pay for the program's administrative costs.⁴ The fund is supported by the proceeds of a monthly surcharge on residential, commercial, and industrial customers' electricity bills which were scheduled to begin January 1, 2021, and run through 2027. The customer surcharges are to be calculated such that the Solar Generation Fund collects \$20 million annually. Though scheduled to begin in January 2021, the charges were on hold until a court decision on December 7, 2022.

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,

³ 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 April 2021 to January 2028 to support their operations.

⁴ The fund and program were initially established by H.B. 6 of the 133rd General Assembly, but H.B. 6 was amended in H.B. 128 of the 134th General Assembly. H.B. 128 also authorized OAQDA, subject to Controlling Board approval, to use fund receipts for program administrative costs, beginning in FY 2022, and ending June 30, 2029 (FY 2029).

(2) technical assistance for meeting pollution requirements, and (3) distribution of information on financing assistance to purchase pollution control equipment.

Grant assistance for eligible small businesses

Small Business Assistance (ALI 898603)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
Fund 5A00 ALI 898603, Small Business Assistance					
\$490,618	\$178,533	\$161,775	\$140,267	\$100,000	\$100,000
% change	-63.6%	-9.4%	-13.3%	-28.7%	0.0%

These appropriations support the Small Business Assistance Grant Program to assist small businesses in purchasing pollution clean air equipment. The reductions in appropriations in FY 2024 and FY 2025 are due to an expected decrease in 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 a \$20,000 maximum per grant.