

# Greenbook

## LBO Analysis of Enacted Budget

### Ohio Public Works Commission

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#### TABLE OF CONTENTS

<b>Quick look</b> .....	<b>1</b>
<b>Overview</b> .....	<b>1</b>
<b>Analysis of FY 2024-FY 2025 budget</b> .....	<b>2</b>
State Capital Improvement Program .....	2
SCIP debt service (ALI 150907).....	2
SCIP operating costs (ALI 150321) .....	3
DPWIC administration.....	3
Clean Ohio Conservation Program.....	3
COCP debt service (ALI 150904).....	3
COCP operating costs (ALI 150403).....	4
Natural resource assistance councils administration .....	5

# LBO Greenbook

## Ohio Public Works Commission

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### Quick look...

- The Public Works Commission (PWC) administers three programs that provide grants and loans to local governments for infrastructure projects, as well as grants for conservation purposes. PWC employs a staff of eight at its headquarters in Columbus.
  - PWC’s largest program is the State Capital Improvement Program (SCIP), funded by general obligation (GO) bond proceeds, which provides grants and loans for infrastructure projects, including road, bridge, wastewater, water supply, and stormwater projects.
  - The Clean Ohio Conservation Program (COCP) under PWC preserves greenspace throughout the state, and is also funded by GO bond proceeds.
  - The Local Transportation Improvement Program (LTIP) provides grants for local government road and bridge projects and is funded under H.B. 23, the FY 2024-FY 2025 transportation budget act.
- Of the \$557.1 million appropriated for the FY 2024-FY 2025 biennium, \$554.5 million (99.5%) is GRF funding to cover debt service on the GO bonds issued to pay for SCIP and COCP. The remaining \$2.6 million (0.5%) is non-GRF appropriations to pay operating costs.

Fund Group	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
General Revenue	\$285,944,484	\$367,195,476	\$277,600,000	\$276,900,000
Capital Project	\$937,895	\$1,260,243	\$1,314,821	\$1,295,168
Total	\$286,882,379	\$368,455,718	\$278,914,821	\$278,195,168
% change	--	28.4%	-24.3%	-0.3%
<i>GRF % change</i>	--	28.4%	-24.4%	-0.3%

### Overview

H.B. 33 provides funding to cover debt service on bonds issued under the State Capital Improvement Program (SCIP) and Clean Ohio Conservation Program (COCP), as well as the Public Works Commission’s (PWC’s) operating expenses related to these programs. The budget provides \$557.1 million for these purposes over the FY 2024-FY 2025 biennium. Of that total, the vast majority, \$554.5 million, or 99.5%, is GRF appropriations for debt service on the bonds, with the remaining \$2.6 million, or 0.5% goes for PWC’s operating expenses.

## Analysis of FY 2024-FY 2025 budget

### State Capital Improvement Program

#### SCIP debt service (ALI 150907)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
<b>GRF ALI 150907, Infrastructure Improvement General Obligation Bond Debt Service</b>					
\$226,688,024	\$133,519,649	\$236,221,551	\$316,665,259	\$231,000,000	\$236,000,000
% change	-41.1%	76.9%	34.1%	-27.1%	2.2%

GRF line item 150907, Infrastructure Improvement General Obligation Bond Debt Service, is used to cover the debt service costs related to the SCIP bonds, as calculated by the Office of Budget and Management (OBM). As of this writing, there is just below \$1.8 billion in SCIP debt outstanding. Because SCIP is financed using the proceeds of general obligation (GO) bonds, funding for the program is appropriated in the capital budget. Enacted in June 2022, H.B. 687 of the 134<sup>th</sup> General Assembly included appropriations of \$400 million for SCIP loans and grants during the FY 2023-FY 2024 capital biennium. This was coupled with \$383.2 million in reappropriations contained in H.B. 597, which was enacted in March 2022. In addition, those two bills also provided \$228.7 million for SCIP revolving loans, funded by the principal and interest income from local government loan repayments.

Local governments may apply for grants or loans for many types of infrastructure projects, including (1) roads, (2) bridges, (3) culverts, (4) wastewater systems, (5) water supply systems, and (6) stormwater systems. Eligible applicants are counties, cities, villages, townships, and water, sewer, or sanitary (WSS) districts. Of the annual allocations, by statute, 10% (\$20.0 million) is set aside for small governments, including villages and townships with populations of 5,000 or less, and another 2% (\$4.0 million) is set aside to pay for emergency infrastructure projects. The remaining 88% (\$176 million) is available under the application process as described below.

SCIP funding is allocated annually on a per-capita basis to each of the 19 district public works integrating committees (DPWICs) across the state, as set in R.C. 164.08. DPWICs consist of local officials representing all levels of government. The SCIP award may cover up to 100% of project costs. Eligible costs for grants include property and facility acquisition, engineering and design, and construction. Each DPWIC evaluates and scores applications using a locally developed methodology based on criteria listed in Chapter 164 of the Revised Code. Factors such as the financial need of the subdivision, the project's strategic importance, and whether the project focuses on repair and replacement (in favor of new and expanded infrastructure) are all taken into consideration.

## SCIP operating costs (ALI 150321)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
<b>Fund 7038 ALI 150321, State Capital Improvements Program – Operating Expenses</b>					
\$873,875	\$789,773	\$719,602	\$944,845	\$986,116	\$971,376
% change	-9.6%	-8.9%	31.3%	4.4%	-1.5%

This ALI is used to pay for the costs PWC incurs for overseeing SCIP. It is funded by a portion of bond proceeds and investment income deposited into the State Capital Improvements Fund (Fund 7038). Administrative expenses include costs for project monitoring, processing disbursement requests, maintaining PWC's information systems, and preparing financial reports. SCIP comprises about 60% of the Commission's total administrative costs among the three infrastructure programs under PWC's purview. At any given time, PWC maintains an active portfolio of approximately 1,400 ongoing SCIP projects.

The increase in spending between FY 2022 and FY 2023 is attributable to PWC's continued implementation and further development of the agency's new information technology (IT) platform (a salesforce-based IT package) to process applications and track PWC projects from award to completion. Since this project benefits all three PWC infrastructure programs (SCIP and COCP, as well as the Local Transportation Improvement Program (LTIP) funded under H.B. 23, the FY 2024-FY 2025 transportation budget), the costs of the project are split among the operating line items for each of these programs. SCIP's share of these costs is roughly 60%.

### DPWIC administration

H.B. 33 includes a provision allowing the State Capital Improvements Fund (Fund 7038) to be used to cover DPWIC operating costs. The bill allows up to \$1,235,000 in each of FY 2024 and FY 2025 to be made available for this purpose, and limits each of the 19 DPWICs from receiving more than \$65,000 per year. The amounts each district actually uses in each year will come out of their annual allotment for awards under the program. PWC is to define allowable costs that would be reimbursed under this authority. However, indirect costs, elected official salaries and benefits, and project-specific costs are not allowable.

## Clean Ohio Conservation Program

### COCP debt service (ALI 150904)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
<b>GRF ALI 150904, Conservation General Obligation Bond Debt Service</b>					
\$43,681,474	\$42,931,050	\$49,722,933	\$50,530,217	\$46,600,000	\$40,900,000
% change	-1.7%	15.8%	1.6%	-7.8%	-12.2%

GRF funding under this ALI covers debt service on the bonds issued to support all of three prongs of the Clean Ohio Conservation Program (COCP), including (1) PWC's greenspace

component, (2) the Department of Natural Resources' (DNR) recreational trails program, and (3) the Department of Agriculture's (AGR) agricultural easement purchase program. Under sections 2o and 2q of Article VIII of the Ohio Constitution, up to \$400.0 million in GO bonds may be outstanding at any one time to support the Clean Ohio Conservation Program. The Constitution also requires that only \$50.0 million in bonds may be issued each 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 \$900.0 million in bonds, and of that amount, \$710.0 million has been issued.

Of total bond funding, 75.0% is used for the COCP greenspace component overseen by PWC, 12.5% is for the Clean Ohio trails program overseen by DNR, and the final 12.5% is for the Clean Ohio agricultural easement purchase program overseen by AGR. Accordingly, H.B. 687 of the 134<sup>th</sup> General Assembly included appropriations of \$75.0 million over the FY 2023-FY 2024 capital biennium for PWC's component, and \$12.5 million for each of DNR's and AGR's components. H.B. 597 of the 134<sup>th</sup> General Assembly includes \$106.8 million in reappropriations under the Clean Ohio Conservation Program. H.B. 33 provides about \$88.2 million (15.8%) for COCP debt service and operating costs.

### COCP operating costs (ALI 150403)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
<b>Fund 7056 ALI 150403, Clean Ohio Conservation Operating</b>					
\$294,847	\$265,602	\$218,293	\$315,397	\$328,705	\$323,792
% change	-9.9%	-17.8%	44.5%	4.2%	-1.5%

This ALI covers PWC's operating costs related to the greenspace component of COCP. The ALI is funded by bond proceeds and investment income earned from the Clean Ohio Conservation Fund (Fund 7056). COCP comprises about 20% of all administrative costs incurred by PWC. About 150 projects are 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.

The goal of PWC's greenspace component of COCP is to preserve open space, stream corridors, and other land valued for its ecological importance. Under the greenspace component of COCP, PWC makes payments to various property owners to acquire and provide access improvements to open space and enhance riparian corridors. The program primarily serves local governments and nonprofit organizations, as well as consultants and contractors hired to perform work on approved projects. The award process 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. PWC typically manages approximately 150 active COCP projects during a fiscal year.

As with SCIP operating appropriations, the increase in COCP operating appropriations in FY 2023 and the upcoming biennium is attributable to PWC's development and implementation of a new IT platform to process applications and track PWC projects from award to completion,

the salesforce IT package mentioned previously. Since this project benefits all three PWC infrastructure programs (SCIP, LTIP, and COCP), the costs of the project are split among the operating line items of each program. COCP's share of these costs is about 20%.

### **Natural resource assistance councils administration**

H.B. 33 includes a provision allowing the Clean Ohio Conservation Fund (Fund 7056) to be used to cover operating costs for natural resource assistance councils. The bill limits each of the 19 councils from receiving more than \$15,000 per year, making a total of \$285,000 for this purpose. The amounts each district actually use in each year will come out of their annual allotment for awards under the program. PWC is to define allowable costs that would be reimbursed under this authority. However, indirect costs, elected official salaries and benefits, and project-specific costs are not allowable.