



OHIO LEGISLATIVE SERVICE COMMISSION

Tom Middleton

Fiscal Note & Local Impact Statement

Bill: H.B. 221 of the 132nd G.A.

Status: As Introduced

Sponsor: Rep. Holmes

Local Impact Statement Procedure Required: No

Subject: Allows certain additional types of water and sewer lateral projects to qualify for funding under the State Capital Improvements Program

State & Local Fiscal Highlights

- The bill may result in a minimal increase in administrative costs for the Ohio Public Works Commission if it must review and process additional loan and grant applications under the State Capital Improvements Program.
- For any additional local governments that elect to apply for program funding to pay for water and sewer laterals located on private property for which an easement has been granted, there would be new project costs. These costs would be permissive.

Detailed Fiscal Analysis

The bill amends permanent law to expressly allow a certain type of project to be eligible for assistance under the State Capital Improvements Program (SCIP) that is administered by the Ohio Public Works Commission (PWC). Specifically, the bill expands the eligible projects so that SCIP assistance can fund water and sewer laterals located on private property for which an easement has been granted. Local governments can apply for grant and loan funding under SCIP for six types of capital infrastructure projects: (1) roads, (2) bridges, (3) culverts, (4) wastewater systems, (5) water supply systems, and (6) stormwater systems.

According to PWC, current SCIP guidelines already allow for state assistance to be used for the particular water and sewer lateral projects described in the bill. Nevertheless, if there is greater awareness among local governments about the possibility of funding these types of projects with SCIP grants or loans, there could be additional demand for SCIP funding. If so, local governments that apply to PWC for the state assistance would incur permissive costs in the form of matching funds and greater administrative workload. Altogether, the number of additional water and sewer lateral projects located on private property for which an easement has been granted would make up only a small share of all of the water and sewer projects supported by PWC funding.

State Capital Improvement Program (SCIP) overview

GO bond funding and capital bill appropriations

Since SCIP is financed using the proceeds of general obligation (GO) bonds, the programmatic funding is appropriated in state capital budgets. Enacted in May 2016, S.B. 310 of the 131st General Assembly included appropriations of \$350 million for SCIP loans and grants during the FY 2017-FY 2018 capital biennium. In addition, S.B. 310 provided \$75.4 million for SCIP revolving loans, funded by reusing the principal and interest income from local government loan repayments from previously awarded SCIP loans.

The authority to issue SCIP bonds is provided in sections 2p and 2s, Article VIII of the Ohio Constitution. The current cap on the amount of bonds that may be issued is \$175.0 million annually. This cap will increase to \$200.0 million annually beginning in FY 2022 through FY 2026. As of the end of FY 2017, there was \$1.76 billion in SCIP debt outstanding. GRF line item 150907, Infrastructure Improvement General Obligation Bond Debt Service, is used to cover the debt service costs related to the SCIP bonds. H.B. 49 of the 132nd General Assembly included funding of \$228.0 million in FY 2018 and \$221.1 million in FY 2019 for these purposes.

Application process and awards

Counties, cities, villages, townships, and water, sewer, or sanitary (WSS) districts may apply for grants or loans for a multitude of infrastructure projects. These projects include work on roads, bridges, culverts, wastewater systems, water supply systems, and stormwater systems. Of the annual allocations of \$175.0 million per year in the current biennium, by statute, \$17.5 million is set aside for small governments, including villages and townships with populations of 5,000 or less, and \$3.5 million is set aside for use at the discretion of the Director of PWC to pay for emergency infrastructure projects.

SCIP funding is allocated annually on a per capita basis to each of the 19 district public works integrating committees (DPWICs) across the state, and may cover up to 100% of project costs.¹ 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. These evaluation criteria focus on the financial need of the subdivision, the project's strategic importance to the district and subdivision, and emphasize the repair and replacement of 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. Each application is then reviewed for completeness and project eligibility. After all requirements are met on the district level and the application is approved, a formal

¹ The allocation formula is outlined in section 164.08 of the Revised Code.

funding arrangement is agreed by PWC and the individual political subdivision. PWC's staff maintains ongoing contact with local communities, providing technical assistance through the project's completion.

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