

# Redbook

## LBO Analysis of Executive Budget Proposal

### Development Services Agency

Tom Middleton, Senior Budget Analyst  
April 2019

#### TABLE OF CONTENTS

<b>Quick look</b> .....	<b>1</b>
<b>Overview</b> .....	<b>2</b>
Agency organization.....	2
Budget by appropriation category.....	3
H.B. 166 highlights .....	4
Industry-Recognized Credentials Program .....	4
Industry Sector Partnerships Program.....	4
Opportunity Zone Investment Tax Credit Program .....	5
Appalachia assistance funding .....	5
Recovery Housing Pilot Program with MHA .....	5
Coordination of benefits with JFS .....	5
<b>Analysis of FY 2020-FY 2021 budget proposal</b> .....	<b>6</b>
Introduction .....	6
Category 1: Community Development .....	8
C1:1: Low-income energy assistance .....	9
Electricity subsidies (ALIs 195659, 195611, 195614, and 195670).....	9
Community Services Block Grant Program (ALI 195612) .....	10
C1:2: Housing programs (ALIs 195638, 195601, and 195603).....	11
C1:3: Local community assistance (ALIs 195613 and 195455) .....	12
C1:4: Operating costs (ALIs 195497, 195645, and 195644).....	13

Category 2: Technology and R&D .....	14
C2:1: Third Frontier Program awards (ALIs 195687 and 195692) .....	14
Third Frontier Program overview and funding history .....	15
Award process.....	15
C2:2: Federal allocations and state matching funds (ALIs 195672, 195499, and 195661).....	16
C2:3: Operating costs (ALIs 195620, 195686, 195453, and 195435).....	16
Category 3: Business Assistance .....	17
C3:1: Facilities Establishment Fund Group loans (ALIs 195615, 195664, and 195665).....	18
C3:2: Subsidies for minority and disadvantaged businesses (ALIs 195626, 195628, and 195646) .....	19
C3:3: Federal SBA funding and state matching funds (ALIs 195609, 195675, 195696, 195454, and 195405) .....	20
C3:4: Operating costs (ALIs 195649, 195415, 195635, 195624, and 195691).....	21
Category 4: Energy and Environmental Revitalization .....	23
C4:1: Energy Loan Fund (ALIs 195660, 195618, and 195610) .....	23
C4:2: Federal brownfield loans (ALIs 195627 and 195671) .....	24
C4:3: Operating and other costs (ALIs 195426, 195699, 195639, 195402, and 195654).....	24
Background information on Volume Cap .....	25
Category 5: Workforce Development.....	26
C5:1: State workforce development programs (ALIs 195555 and 195553) .....	26
Industry-Recognized Credentials Program .....	26
Industry Sector Partnerships Program.....	27
C5:2: Federal workforce funding (ALI 195643) .....	27
Category 6: Tourism Promotion.....	27
C6:1: Office of TourismOhio (ALI 195683) .....	27
Category 7: Debt Service.....	28
C7:1: GO bond debt service (ALIs 195905, 195912, and 195901) .....	28
Category 8: Administration.....	28
C8:1: Administration operating (ALIs 195684 and 195636).....	29

Attachments:

Catalog of Budget Line Items (COBLI)

Appropriation Spreadsheet

# LBO Redbook

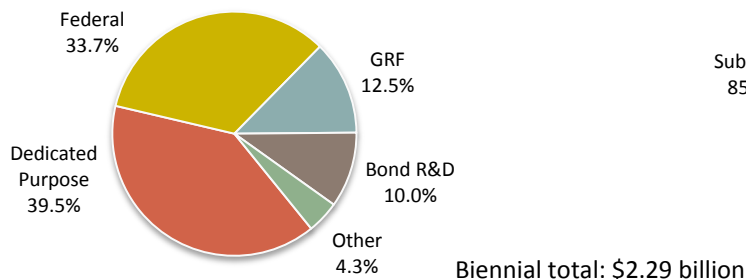
## Development Services Agency

### Quick look...

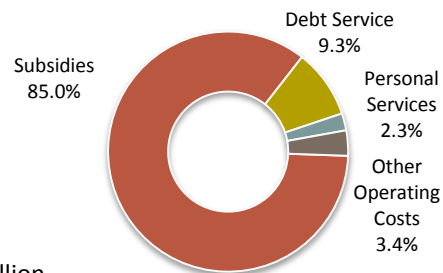
- The Development Services Agency (DSA), with a staff of approximately 260 FTEs, administers a variety of programs to promote economic and community development and assist businesses.
- Over two-thirds of DSA's budget of \$2.29 billion for the FY 2020-FY 2021 biennium goes to community development programs, including home energy assistance and affordable housing and homelessness prevention.
- H.B. 166 creates two new workforce development programs:
  - \$15.0 million in funding each year for the Industry-Recognized Credential Program, to be operated by DSA in conjunction with the Department of Higher Education.
  - \$2.5 million in GRF funding each fiscal year for the Industry Sector Partnership Program.
- The bill also creates the Opportunity Zone Investment Tax Credit Program. Tax credits are capped at \$50 million per biennium.

Fund Group	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
General Revenue	\$128,834,339	\$136,629,778	\$144,545,702	\$141,664,575
Dedicated Purpose/ Internal Service	\$365,369,377	\$474,830,519	\$463,286,674	\$463,655,071
Facilities Establishment	\$21,155,741	\$37,500,000	\$37,500,000	\$37,500,000
Bond R&D/Capital Projects	\$60,530,034	\$114,310,250	\$114,310,250	\$114,310,250
Federal	\$252,378,502	\$370,912,373	\$385,607,401	\$385,732,334
<b>Total</b>	<b>\$828,267,138</b>	<b>\$1,134,182,920</b>	<b>\$1,145,250,027</b>	<b>\$1,142,862,230</b>
% change	--	36.9%	1.0%	-0.2%
<i>GRF % change</i>	--	6.1%	5.8%	-2.0%

**Chart 1: DSA Budget by Fund Group  
FY 2020-FY 2021 Biennium**



**Chart 2: DSA Budget by Object of Expense  
FY 2020-FY 2021 Biennium**



## Overview

The executive budget provides DSA with total appropriations of \$2.29 billion in the FY 2020-FY 2021 biennium. As Chart 1 on the previous page shows, about 39.5% (\$903 million) of all appropriations would be spent through the Dedicated Purpose Fund Group. Most of this is \$700 million in appropriations for the Percentage of Income Payment Plan (PIPP) Program, which subsidizes electricity costs for individuals meeting income guidelines. The Federal Fund Group comprises 33.7% (\$771 million) of all appropriations, primarily to provide low-income housing and electricity assistance, as well as Community Development Block Grant (CDBG) funding. About 75% of the GRF appropriations pay debt service on general obligation (GO) bonds issued by the state, the proceeds of which mainly fund the Third Frontier Program. This program receives appropriations through the Bond Research and Development Fund Group for research and development awards for the next two years, making up about 10% (\$224 million) of all DSA appropriations.

Chart 2 indicates that 85.0% of all DSA appropriations will support subsidies. Besides subsidy assistance, about 9.3% of all appropriations pay debt service on GO bonds. The remaining amount of approximately \$130.4 million (5.7%) is allocated for operating costs over the FY 2020-FY 2021 biennium.

## Agency organization

DSA is organized into three program divisions and an operations division totaling approximately 260 full-time equivalent (FTE) employees.<sup>1</sup> The Community Services Division (108 FTEs) administers aid for low-income people in Ohio, such as programs to assist in the payment of electric bills or weatherization costs. Additionally the Division supports various housing programs, including the Ohio Housing Trust Fund, oversees redevelopment programs, as well as federal CDBG funding.

The Business Services Division (62 FTEs) works with JobsOhio in packaging business attraction or expansion incentives and monitoring awards. The Division promotes various business development activities across the state, such as manufacturing and exports, as well as technology investment through DSA's Third Frontier Program. In collaboration with the Business Services Division, the Minority Business Division (8 FTEs) provide small, minority, and disadvantaged businesses access to state financial assistance programs and technical assistance. Lastly, the Operations Division (73 FTEs) includes DSA's finance, information technology, legal, human resources, and communications functions. For administrative purposes, the Division also houses the Office of TourismOhio (9 FTEs) to promote the state as a tourism destination.

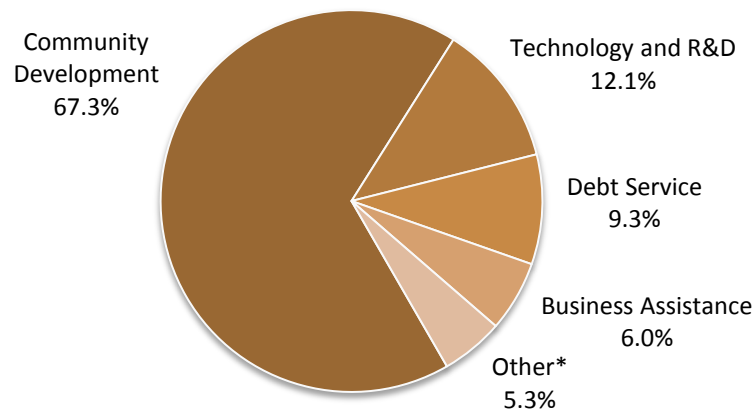
---

<sup>1</sup> FTEs include both full-time employees and employees who are part-time, intermittent, and seasonal at fractions of one FTE, based on the number of hours worked in aggregate over the fiscal year as a percentage of a full-time employee's hours (2,080 hours).

## Budget by appropriation category

In this Redbook, LSC analyzes the Governor's recommended funding for DSA in eight spending categories: (1) Community Development, (2) Technology and Research and Development (R&D), (3) Business Assistance, (4) Energy and Environmental Revitalization, (5) Workforce Development, (6) Tourism Promotion, (7) Debt Service, and (8) Administration. Chart 3 below shows how the proposed FY 2020-FY 2021 budget is allocated among these categories.

**Chart 3: DSA Budget by Appropriation Category  
FY 2020-FY 2021 Biennium**



\*Other includes Energy and Environmental Revitalization (1.8%), Workforce Development (1.6%), Administration (1.0%), and Tourism Promotion (0.9%).

Funding in the category of Community Development comprises the majority of the biennial appropriations with \$1.54 billion for the two-year period, 67.3% of the overall amount. Of the category, about \$1.20 billion is allocated for low-income assistance, while \$200.0 million is for housing programs, notably the Ohio Housing Trust Fund. Spending in the area of Technology and R&D makes up the next highest category of the budget, receiving \$276.6 million, or 12.1%, of total appropriations under the Governor's proposal, including about \$223.7 million for projects under the Third Frontier Program. Debt Service accounts for \$212.8 million of the proposed budget, to pay off GO bonds that were issued to support two programs that are still ongoing – the Third Frontier Program and the Coal Research and Development Program – as well as the defunct Job Ready Site Program.

Of the \$136.6 million allocated to Business Assistance for the next budget period, \$75.0 million (54.9%) is from the Facilities Establishment Fund Group. This fund group is principally used to provide loans to businesses to assist in relocation or expansion projects involving the purchase of real estate or the acquisition of other capital assets. Much of the remaining category funding is received under federal Small Business Administration awards. The 5.3% in appropriations for other categories is divided as follows: 1.8% (\$41.6 million) for Energy and Environmental Revitalization, 1.6% (\$36.6 million) for Workforce Development, 1.0% (\$23.9 million) for Administration, and finally, around 0.9% (\$20.0 million) for Tourism Promotion.

## **H.B. 166 highlights**

### **Industry-Recognized Credentials Program**

The bill creates this new workforce development program and funds it at \$15.0 million in each of FY 2020 and FY 2021. The program can be seen as a successor to a couple recent workforce programs that are being phased out in the next biennium: DSA's Incumbent Workforce Training Voucher Program and the Department of Higher Education's Short-Term Certificates Program. In temporary law, H.B. 166 requires DSA to work in consultation with the Department of Higher Education (DHE) to award financial assistance to students enrolled in a post-secondary education or a training provider program that may be completed in less than one year and for which college credit, a certificate, or an industry-recognized credential is awarded. Under the program, Ohio companies will apply to DSA for funding for their employees to complete a training program that is one year or less in duration. A percentage of those costs will be paid by DSA in the form of a grant. DHE will make the determination of which credentials qualify. The goal of the program is to have 10,000 certificates completed in the first year. Overall, \$14.6 million slated for grants under the Governor's budget proposal, with the remaining \$400,000 going to operating costs. The program will be capitalized by transfers of up to \$15.0 million in cash from the GRF to the newly created Industry-Recognized Credentials Program Fund (Fund 5VK0) in each of FY 2020 and FY 2021.

The Incumbent Workforce Training Voucher Program started in FY 2013. Under the program, DSA reimbursed eligible Ohio employers for their costs in training existing workers. However, the initiative has been funded by revenue from casino license fees received in FY 2012, a source of funding that is expected to be exhausted by the end of FY 2019. Under the program, employers in certain targeted industries could apply for vouchers of up to \$4,000 per employee, provided the employee is an Ohio resident who earns at least 150% of the federal minimum wage, which amounts to a wage of \$10.88 per hour. The types of eligible training include credit or noncredit classroom education related to the employee's field of work, computer proficiency, training related to new equipment, or instruction that leads to an industry-recognized certificate. Companies were required to match at least 50% of the training costs, and could receive up to \$250,000 in aggregate per fiscal year.

DHE is currently operating the Short-Term Certificates Program for FY 2019. It is funded at \$5.0 million, using a share of the remaining casino license fee revenue appropriated under the current DHE budget. The program offers need-based financial aid to students enrolled in a state institution of higher education to obtain a certificate that may be completed in less than one year and for which the certificate leads to an industry-recognized credential for an in-demand job, as determined by the Department of Job and Family Services. DHE distributes the funding to state institutions of higher education, which then provide the aid to students.

### **Industry Sector Partnerships Program**

Another new workforce development initiative proposed under the Governor's budget is the Industry Sector Partnerships Program, funded by the GRF at \$2.5 million in each year of the FY 2020-FY 2021 biennium. Industry sector partnerships are groups of businesses in the same industry, workforce development entities, educational institutions, and others within a

region collaborating to address the industry's specific workforce needs. DSA will provide technical assistance to the partnerships and offer competitive grants to implement initiatives.

### **Opportunity Zone Investment Tax Credit Program**

H.B. 166 creates a new, nonrefundable Opportunity Zone Investment Tax Credit equal to 10% of an individual's investment in an Opportunity Zone investment fund, up to \$1 million per taxpayer per biennium. Total credits are capped at \$50 million per biennium. Under federal law enacted in 2017, investments in designated Opportunity Zones accrue tax benefits. See the LSC Bill Analysis for more detail on the new tax credit. DSA will oversee this new tax credit program in conjunction with the Department of Taxation.

### **Appalachia assistance funding**

H.B. 166 includes \$4.0 million per year in additional Appalachia assistance funding for the GRIT Project. DSA will oversee the funding, likely in concert with the Ohio Valley Regional Development Commission, to operate this project as a pilot program within five Appalachian counties – Adams, Brown, Highland, Pike, and Scioto. The project seeks to offer job training, virtual job centers, and related training to high school students and adults in this region.

In addition to the GRIT Project, the executive recommended budget provides ongoing Appalachia assistance funding for (1) paying for administrative costs of planning and liaison activities for the Governor's Office of Appalachia, (2) providing financial assistance for projects in Ohio's Appalachian counties, (3) paying dues for memberships in the Appalachian Regional Commission, (4) matching federal funds from the Appalachian Regional Commission, and (5) making annual payments to cover some of the operating costs of the four Appalachian Local Development District offices located in Cambridge, Marietta, Waverly, and Youngstown.

### **Recovery Housing Pilot Program with MHA**

The Governor's budget proposal requires that DSA work with the Department of Mental Health and Addiction Services to develop a pilot program in partnership with rural Ohio counties hard hit by the opioid epidemic to maximize funding availability for recovery housing. The state agencies may include local OhioMeansJobs and Job and Family Services entities to develop workforce job training and employer participation for those individuals participating in recovery housing programs.

### **Coordination of benefits with JFS**

The bill includes uncodified law allowing DSA to collaborate with the Department of Job and Family Services (JFS) to coordinate benefits available to eligible Ohioans. The bill requires the agencies to work to prevent duplication of efforts by evaluating current procedures and working toward a goal of developing a single application for eligible customers. This would be applicable for the low-income eligible programs, such as DSA's three electricity assistance programs (the Percentage of Income Payment Program (PIPP), the Home Energy Assistance Program (HEAP), and the Home Weatherization Assistance Program (HWAP)) and the numerous JFS programs supported by Temporary Assistance for Needy Families (TANF). Implementation of these efforts could produce efficiencies and cost savings over the long term but result in increased operating costs over the FY 2020-FY 2021 biennium.

# Analysis of FY 2020-FY 2021 budget proposal

## Introduction

This section analyzes the Governor's recommended funding for each appropriation line item (ALI) in DSA's budget. For organizational purposes, these ALIs are grouped into eight major categories based on their funding purposes. The analysis for an ALI with a lower category or subcategory designation will appear before that for an ALI with a higher category or subcategory designation. That is, the analysis for an ALI with a category designation of C1:4 will appear before the analysis for an ALI with a category designation of C2:1.

To aid the reader in locating each ALI in the analysis, the following table shows the category in which each ALI has been placed, listing the ALIs in order within their respective fund groups and funds. This is the same order the ALIs appear in the DSA section of the budget bill.

In the analysis, each appropriation item's estimated expenditures for FY 2019 and recommended appropriations for FY 2020 and FY 2021 are listed in a table. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation that are proposed by the Governor. If the appropriation is earmarked, the earmarks are listed and described.

**Categorization of DSA's Appropriation Line Items for Analysis of FY 2020-FY 2021 Budget Proposal**

Fund	ALI	ALI Name	Category
<b>General Revenue Fund Group</b>			
GRF	195402	Coal Research and Development Program	4:3 Energy and Environmental Revitalization
GRF	195405	Minority Business Development	3:4 Business Assistance
GRF	195415	Business Development Services	3:4 Business Assistance
GRF	195426	Redevelopment Assistance	4:3 Energy and Environmental Revitalization
GRF	195453	Technology Programs and Grants	2:3 Technology and R&D
GRF	195454	Small Business and Export Assistance	3:4 Business Assistance
GRF	195455	Appalachia Assistance	1:3 Community Development
GRF	195497	CDBG Operating Match	1:4 Community Development
GRF	195499	BSD Federal Programs Match	2:2 Technology and R&D
GRF	195553	Industry Sector Partnerships	5:1 Workforce Development
GRF	195901	Coal Research and Development General Obligation Bond Debt Service	7:1 Debt Service
GRF	195905	Third Frontier Research and Development General Obligation Bond Debt Service	7:1 Debt Service
GRF	195912	Job Ready Site Development General Obligation Bond Debt Service	7:1 Debt Service



## Categorization of DSA's Appropriation Line Items for Analysis of FY 2020-FY 2021 Budget Proposal

Fund	ALI	ALI Name		Category
<b>Dedicated Purpose Fund Group</b>				
4500	195624	Minority Business Bonding Program Administration	3:4	Business Assistance
4510	195649	Business Assistance Programs	3:4	Business Assistance
4F20	195639	State Special Projects	4:3	Energy and Environmental Revitalization
4F20	195699	Utility Community Assistance	4:3	Energy and Environmental Revitalization
4W10	195646	Minority Business Enterprise Loan	3:2	Business Assistance
5JR0	195635	Tax Incentives Operating	3:4	Business Assistance
5KP0	195645	Historic Rehabilitation Operating	1:4	Community Development
5M40	195659	Low Income Energy Assistance (USF)	1:1	Community Development
5M50	195660	Advanced Energy Loan Programs	4:1	Energy and Environmental Revitalization
5MH0	195644	SiteOhio Administration	1:4	Community Development
5MJ0	195683	TourismOhio Administration	6:1	Tourism Promotion
5UL0	195627	Brownfields Revolving Loan Program	4:2	Energy and Environmental Revitalization
5VK0	195555	Industry-Recognized Credentials	5:1	Workforce Development
5W60	195691	International Trade Cooperative Projects	3:4	Business Assistance
6170	195654	Volume Cap Administration	4:3	Energy and Environmental Revitalization
6460	195638	Low- and Moderate-Income Housing Programs	1:2	Community Development
M087	195435	Biomedical Research and Technology Transfer	2:3	Technology and R&D
<b>Internal Service Activity Fund Group</b>				
1350	195684	Development Services Operations	8:1	Administration
6850	195636	Development Services Reimbursable Expenditures	8:1	Administration
<b>Facilities Establishment Fund Group</b>				
5S90	195628	Capital Access Loan Program	3:2	Business Assistance
7009	195664	Innovation Ohio	3:1	Business Assistance
7010	195665	Research and Development	3:1	Business Assistance
7037	195615	Facilities Establishment	3:1	Business Assistance
<b>Bond Research and Development Fund Group</b>				
7011	195686	Third Frontier Tax Exempt – Operating	2:3	Technology and R&D
7011	195687	Third Frontier Research and Development Projects	2:1	Technology and R&D
7014	195620	Third Frontier Taxable – Operating	2:3	Technology and R&D
7014	195692	Research and Development Taxable Bond Projects	2:1	Technology and R&D

## Categorization of DSA's Appropriation Line Items for Analysis of FY 2020-FY 2021 Budget Proposal

Fund	ALI	ALI Name	Category
<b>Federal Fund Group</b>			
3080	195603	Housing Assistance Programs	1:2 Community Development
3080	195609	Small Business Administration Grants	3:3 Business Assistance
3080	195618	Energy Grants	4:1 Energy and Environmental Revitalization
3080	195670	Home Weatherization Program	1:1 Community Development
3080	195671	Brownfield Redevelopment	4:2 Energy and Environmental Revitalization
3080	195672	Manufacturing Extension Partnership	2:2 Technology and R&D
3080	195675	Procurement Technical Assistance	3:3 Business Assistance
3080	195696	State Trade and Export Promotion	3:3 Business Assistance
3350	195610	Energy Programs	4:1 Energy and Environmental Revitalization
3AE0	195643	Workforce Development Initiatives	5:2 Workforce Development
3FJ0	195626	Small Business Capital Access and Collateral Enhancement Program	3:2 Business Assistance
3FJ0	195661	Technology Targeted Investment Program	2:2 Technology and R&D
3K80	195613	Community Development Block Grant	1:3 Community Development
3K90	195611	Home Energy Assistance Block Grant	1:1 Community Development
3K90	195614	HEAP Weatherization	1:1 Community Development
3L00	195612	Community Services Block Grant	1:1 Community Development
3V10	195601	HOME Program	1:2 Community Development

## Category 1: Community Development

Line items in this category are funded through various state and federal sources to benefit low- and moderate-income individuals and households, provide housing and homelessness assistance, and support local infrastructure. Programs in this category are administered by the Community Services Division. For the purpose of this analysis, this category has been divided into four subcategories: low-income assistance, housing programs, local community assistance, and operating costs.

This category includes \$1.54 billion in recommended funding over the FY 2020-FY 2021 biennium, or 67.3% of all DSA appropriations. As Table 1 indicates below, \$1.20 billion (77.7%) of the category will be allocated to low-income assistance programs under DSA. Programs that support housing and homelessness are recommended to have around \$200.0 million (13.0%) in the next biennium, followed by funding of \$140.0 million (9.1%) for local governments and communities. Line items that **solely** pay for administrative costs are budgeted for about \$4.2 million in the two-year period. Other line items that provide subsidy assistance also pay operating costs of the Community Services Division, plus some operating costs of the Division are reflected in "**Category 4: Energy and Environmental Revitalization.**" Approximately 53.9%

(\$830.2 million) of aggregated biennial funding for the category derives from state sources, while the 46.1% remaining (\$709.9 million) would be received from the federal government.

Subcategory	Appropriations FY 2020-FY 2021	% of Total
Low-Income Assistance	\$1,195.9	77.7%
Housing Programs	\$200.0	13.0%
Local Community Assistance	\$140.0	9.1%
Operating Costs*	\$4.2	0.2%
<b>Total</b>	<b>\$1,540.0</b>	

\*This does not reflect all operating costs of the Community Services Division, but rather the line items that **solely** fund operating costs in Category 1.

### **C1:1: Low-income assistance**

The line items described in this subcategory provide assistance to the state's low-income population either directly or to local government or nonprofit entities.

#### **Electricity subsidies (ALIs 195659, 195611, 195614, and 195670)**

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
5M40 ALI 195659, Low Income Energy Assistance (USF)	\$370,000,000	\$349,944,742	\$350,000,000
% change	--	-5.4%	<0.1%
3K90 ALI 195611, Home Energy Assistance Block Grant	\$165,000,000	\$164,914,571	\$165,000,000
% change	--	-0.1%	0.1%
3K90 ALI 195614, HEAP Weatherization	\$35,000,000	\$34,989,189	\$35,000,000
% change	--	0.0%	<0.1%
3080 ALI 195670, Home Weatherization Program	\$20,000,000	\$20,000,000	\$20,000,000
% change	--	0.0%	0.0%

Individuals meeting certain income guidelines may apply to DSA for energy assistance through the Energy Assistance Programs Application. DSA determines eligibility and checks against other conditions that must be met to receive each type of assistance, and provides funds according to each respective program's requirements through the line items above. Each of the line items receives flat funding over the next two years.

**Percentage of Income Payment Plan (PIPP) Program (ALI 195659).** These state funds support the PIPP Program, which allows households at or below 150% of the federal poverty level to pay installments of their electricity bills using a set percentage of their monthly income.

DSA uses amounts in the fund to reimburse utility companies for the cost of the energy used by PIPP customers. This line item is funded by the universal service rider on consumers’ electric utility bills, which is collected by electric distribution utilities and remitted to DSA’s Universal Service Fund (Fund 5M40).

Actual spending from this line item fluctuates significantly from year to year for two primary reasons: (1) customer utilization, and (2) energy usage, which largely depends on the severity of temperatures in the winter and summer seasons. Over the last five fiscal years, spending from line item 195659 has ranged from around \$275.6 million in FY 2018 to \$421.7 million in FY 2015. The average annual spending over this five-year period was \$339.0 million.

**Home Energy Assistance Program (HEAP) (ALI 195611).** These funds are provided from the U.S. Department of Health and Human Services (HHS) for the Home Energy Assistance Program (HEAP). The program provides home heating assistance to households at or below 175% of the federal poverty guidelines. This line item also includes funding for the (1) Emergency HEAP (E-HEAP) Program for households that are in imminent danger of being disconnected during the winter heating season, and (2) Summer Crisis Program for summer cooling assistance to HEAP-eligible households that include persons over age 60 or who can provide proof of a medical necessity.

**Federal weatherization allocations (ALIs 195614 and 195670).** Each of these line items assist low-income households with installing energy-efficient weatherization measures that reduce energy costs and emissions and prevent utility disconnections. DSA allocates these federal weatherization funds to local community action agencies (CAAs), which then contract with weatherization specialists to conduct energy audits and provide upgrades.

The differences between the line items stem from the federal funding source and the income eligibility requirements. Line item 195614 consists of a portion of the HEAP block grant funds received from HHS, and are used to fund home weatherization projects for low-income households eligible for HEAP, for households at or below 175% of the federal poverty guidelines. Typically, states use 15% of HEAP funds each year for weatherization purposes, but may request a waiver to use additional portions. The appropriations in H.B. 166 would use 17.5% of all HEAP funding for weatherization, thus DSA would likely request a waiver from HHS to spend the entire appropriation each year.

Line item 195670 is used to distribute money from the U.S. Department of Energy for the Home Weatherization Assistance Program (HWAP). Qualified households include those with incomes at or below 150% of the federal poverty guidelines, those that participate in the state PIPP Program, and households that receive Supplemental Security Income.

**Community Services Block Grant Program (ALI 195612)**

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
3L00 ALI 195612, Community Services Block Grant	\$28,000,000	\$28,000,000	\$28,000,000
% change	--	0.0%	0.0%

Most of the funds (at least 91%) under this line item are awarded to the state by HHS according to a federal formula and are subsequently allocated to local CAAs, which provide a variety of anti-poverty services for low-income individuals and households. These may include HEAP and HWAP services, low-income tax preparation assistance, transportation services for the elderly and disabled, food pantries, employment services, youth services, housing services, and various other eligible activities. Under R.C. 122.68, up to 4.5% of the funds may be set aside for training and technical assistance, outside the formula allocations to the CAAs. The federal guidelines allow up to 5% of HHS funds to be used for administrative expenses.

### **C1:2: Housing programs (ALIs 195638, 195601, and 195603)**

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
6460 ALI 195638, Low- and Moderate-Income Housing Programs	\$53,000,000	\$53,000,000	\$53,000,000
% change	--	0.0%	0.0%
3V10 ALI 195601, HOME Program	\$21,045,187	\$34,979,280	\$35,000,000
% change	--	66.2%	0.1%
3080 ALI 195603, Housing Assistance Programs	\$12,000,000	\$12,000,000	\$12,000,000
% change	--	0.0%	0.0%

**Housing Trust Fund Program (ALI 195638).** Commonly known as the Ohio Housing Trust Fund (HTF) Program, this line item provides state-funded grants and loans to local housing entities for projects mainly serving low- and moderate-income persons, including construction, renovation, and supportive services. Revenue to the HTF (Fund 6460) is primarily derived from county recordation fees. A portion of this fund is allocated in each fiscal year to the Ohio Housing Finance Agency (OHFA) for the Housing Development Assistance Program and associated administrative costs.

Existing law requires amounts up to certain percentages of the HTF to be dedicated to certain housing and community development programs. At least 50% of the fund must be used for grants to local jurisdictions that are ineligible for federal HOME funding. In addition, at least 45% of the annual funding must go to nonprofits in the form of grants or loans. Moreover, the following amounts shall or may be used each year: (1) up to 10% for grants to emergency shelters, (2) up to 5% to community development corporations, (3) at least \$250,000 must be set aside for the Department of Aging's Resident Services Coordinator Program, and (4) at least \$100,000 for training and technical assistance at nonprofit development organizations.

**Federal housing allocations (ALIs 195601 and 195603).** Line item 195601 uses HOME Investment Partnership funds awarded to the state by the U.S. Department of Housing and Urban Development (HUD) and subsequently distributed to local communities and housing organizations for housing rehabilitation, tenant-based rental assistance, homebuyer assistance, and housing acquisition and construction. A portion of these funds are allocated to OHFA for programs to assist low-income multifamily housing projects.

Line item 195603 also consists of federal funds from HUD, but under two separate programs. The Housing Opportunities for Persons with AIDS (HOPWA) Program provides grants for the creation of rental housing, supportive services, housing counseling, and other services for persons with Acquired Immune Deficiency Syndrome (AIDS) or other HIV-related diseases. The McKinney Emergency Solutions Grants Program is meant for emergency shelter funding, offering grants to local governments and nonprofit organizations for this purpose.

### **C1:3: Local community assistance (ALIs 195613 and 195455)**

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
3K80 ALI 195613, Community Development Block Grant	\$60,000,000	\$60,000,000	\$60,000,000
% change	--	0.0%	0.0%
GRF ALI 195455, Appalachia Assistance	\$3,425,369	\$9,991,465	\$10,000,000
% change	--	191.7%	0.1%

**Community Development Block Grant Program (ALI 195613).** DSA's Office of Community Development administers Community Development Block Grant (CDBG) Program funds received from HUD for communities that do not receive federal funds directly. These communities are referred to as Non-Entitlement Communities. The CDBG money that DSA receives can be used by Non-Entitlement Communities for a range of purposes, including main street and neighborhood development programs, affordable housing, and other projects. Much of the funding under the line item is provided to Non-Entitlement Communities via federal formula however, DSA uses a portion of the funding to provide competitive grant awards. The following table includes brief descriptions of these competitive grant programs.

CDBG Program	Purpose
Residential Public Infrastructure	Assist with drinking water and sewage system improvements
Critical Infrastructure	Support high-priority, single component projects such as roads, flood, and drainage improvements
Economic Development and Public Infrastructure Assistance	Improve infrastructure and provide loans for fixed asset financing for land, building, machinery, and site preparation
Neighborhood Revitalization Grant	Assist in public facilities improvements, such as construction, reconstruction, and rehabilitation of infrastructure
Downtown Revitalization Grant	Improve central business districts, aid in eliminating blighted structures, and create jobs
CDBG Target of Opportunity Grant	Support for community development, housing, emergency shelter, and projects and activities that do not fit within the other programs

**Appalachia Assistance (ALI 195455).** The purpose of this funding is to provide economic and community development assistance to the 32 counties in Ohio’s Appalachian region. Specifically, this funding can be used for several purposes, summarized in the table below.

Uses of ALI 195455	FY 2020 Introduced	FY 2021 Introduced
Subsidy assistance – GRIT Project	\$4,000,000	\$4,000,000
Subsidy assistance – other Appalachia projects	\$4,998,000	\$4,998,000
Operating costs – Local Development Districts	\$580,000	\$580,000
Operating costs – DSA and Governor’s Office of Appalachia	\$413,465	\$422,000
ALI 195455 total:	\$9,991,465	\$10,000,000

The GRIT Project is a new initiative to be undertaken by DSA in the next biennium. This is a new pilot program that will be run within five Appalachian counties: Adams, Brown, Highland, Pike, and Scioto. It will provide job training, virtual job centers, and related training to high school students and adults in a hard-hit region. DSA will oversee the funding, likely in concert with the Ohio Valley Regional Development Commission (OVRDC), the designated Appalachian Local Development District by the Appalachian Regional Commission.

The ongoing subsidy and administrative uses entail (1) paying for administrative costs of planning and liaison activities for the Governor’s Office of Appalachia, (2) providing financial assistance for projects in Ohio’s Appalachian counties, (3) paying dues for memberships in the Appalachian Regional Commission, (4) matching federal funds from the Appalachian Regional Commission, and (5) making annual payments to cover some of the operating costs of the four Appalachian Local Development District offices located in Cambridge, Marietta, Waverly, and Youngstown.

The executive proposal earmarks \$170,000 from the line item in each fiscal year for three of these Local Development Districts: the OVRDC, the Ohio Mid-Eastern Government Association, and the Buckeye Hills – Hocking Valley Regional Development District. There is an earmark of \$70,000 in each fiscal year for the fourth entity, the Eastgate Regional Council of Governments. These same earmarks were in place for the current biennium.

### **C1:4: Operating costs (ALIs 195497, 195645, and 195644)**

The line items below **solely** pay for operating costs associated with Community Services Division programs. Many other line items also pay operating costs of the Division, however, including line items discussed in “**Category 4: Energy and Environmental Revitalization.**” In total, the Community Services Division is budgeted for about \$22.4 million per year in operating expenses in each of FY 2020 and FY 2021.

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 195497, CDBG Operating Match	\$1,029,962	\$1,092,138	\$1,125,000
% change	--	6.0%	3.0%
5KPO ALI 195645, Historic Rehabilitation Operating	\$1,000,000	\$1,000,000	\$1,000,000
% change	--	0.0%	0.0%
5MH0 ALI 195644, SiteOhio Administration	\$2,500	\$2,500	\$2,500
% change	--	0.0%	0.0%

**CDBG Operating Match (ALI 195497).** Funds in this line item pay a portion of the operating costs of the CDBG Program. This funding fulfills the required state match for the federal CDBG Program. Federal CDBG funding is appropriated under line item 195613.

**Historic Rehabilitation Operating (ALI 195645).** This line item is funded by fees collected under the Historic Rehabilitation Tax Credit Program. Half of the appropriations are used to cover DSA's operating costs of the program, while the other half is transferred to the Ohio History Connection on a monthly basis to help cover that organization's expenses in working with DSA on the program.

**SiteOhio Administration (ALI 195644).** JobsOhio operates the SiteOhio Program, thus this line item covers the small amount of DSA's costs of being involved with the program. H.B. 436 of the 129<sup>th</sup> General Assembly created the SiteOhio Program, a successor to the defunct Job Ready Site Program. Started up in January 2016, its purpose is to certify and market projects that will be sites meant for commercial, industrial, or manufacturing use.

## Category 2: Technology and R&D

Line items in this category support research and development (R&D), commercialization, and other activities in targeted areas of advanced technological systems, processes, and products. For the purposes of this analysis, the line items in this category have been divided into three subcategories: Third Frontier Program awards, federal allocations and state matching funds, and operating costs.

### C2:1: Third Frontier Program awards (ALIs 195687 and 195692)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
7011 ALI 195687, Third Frontier Research and Development Projects	\$20,000,000	\$21,000,000	\$21,000,000
% change	--	5.0%	0.0%
7014 ALI 195692, Research and Development Taxable Bond Projects	\$90,850,250	\$90,850,250	\$90,850,250
% change	--	0.0%	0.0%



Funding under these line items make up the grant and loan assistance component of the Third Frontier Program. The annual appropriations of \$111.9 million account for 80.9% of total biennial appropriations in the category over the FY 2020-FY 2021 period. Both line items are funded by the proceeds of general obligation (GO) bonds issued by the Ohio Public Facilities Commission. Line item 195687 is funded by proceeds of nontaxable bonds, while line item 195692 is funded by the proceeds of taxable bonds.

All Third Frontier Program research and development projects must be approved by the Third Frontier Commission and receive Controlling Board approval. From year to year, the Commission establishes subprograms to support specific aspects or missions relating to the R&D industry.

Spending through each of the line items fluctuates from year to year based on the type of projects awarded by the Third Frontier Commission. Encumbrances can often carry over from one fiscal year to the next as grant agreements are executed. Consequently, H.B. 166 includes temporary law provisions that allow DSA and the Office of Budget and Management to transfer appropriations between the two line items and between FY 2018 and FY 2019. This gives DSA cash management flexibility in managing the Third Frontier Program projects and complying with federal requirements governing the use of federally tax-exempt GO bond proceeds.

### **Third Frontier Program overview and funding history**

The Third Frontier Program was created in 2002 with the goal of supporting technology-based products, companies, and jobs for the state of Ohio. The GRF was used to finance the program for the first few years, but Ohio voters subsequently approved ballot issues in 2005 and 2010 authorizing a total of \$1.2 billion in GO bonds to support the program. Since the first bond issuance in FY 2007, \$851.0 million in such bonds have been issued. For FY 2020 and thereafter, the bond issuance limit in each year equals \$175.0 million, plus the principal amount of obligations that in any prior year could have been, but were not issued. The GO bond proceeds are deposited into either the Third Frontier Research and Development Fund (Fund 7011) or the Third Frontier Research and Development Taxable Bond Fund (Fund 7014), depending on the type of bonds that were issued (i.e., federally tax-exempt or not exempt). Both funds are used for the same Third Frontier awards that support the research and development industry in the state.

### **Award process**

All Third Frontier awards for projects are approved by the Third Frontier Commission and also receive Controlling Board approval. Project proposals are reviewed by independent evaluators (third-party consultants) and are then recommended to the Commission. From year to year, the Commission establishes various Third Frontier subprograms to support specific aspects or missions relating to the R&D industry. The purpose of each subprogram varies widely depending on the technology or R&D objective, from supporting internships and technology entrepreneurs during the incubation and product commercialization phases, to subsidizing projects operated by large research institutions and privately owned R&D-affiliated companies.

## C2:2: Federal allocations and state matching funds (ALIs 195672, 195499, and 195661)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
3080 ALI 195672, Manufacturing Extension Partnership	\$7,132,822	\$6,300,000	\$6,300,000
% change	--	-11.7%	0.0%
GRF ALI 195499, BSD Federal Programs Match	\$0	\$13,148,022	\$12,976,894
% change	--	N/A	-1.3%
3FJ0 ALI 195661, Technology Targeted Investment Program	\$2,260,953	\$2,260,953	\$2,260,953
% change	--	0.0%	0.0%

**Manufacturing Extension Partnership (MEP) Program (ALI 195672).** This line item receives federal funds from the U.S. Department of Commerce for the MEP Program, which provides technical assistance programs and services to improve the competitiveness of small and medium-sized manufacturing firms to accelerate the implementation of new manufacturing technology and work processes. Under the MEP Program, these businesses can receive cost-improvement services, such as Lean Six Sigma, human resources and financial planning, and other business counseling services.

**BSD Federal Programs Match (ALI 195499).** This is a new line item under H.B. 166 to be used mainly as state matching funds for federal programs under the Business Services Division (BSD). In prior years, spending for these purposes was included in GRF line item 195453, Technology Programs and Grants.

The appropriations will be used for three purposes in the next biennium: (1) \$10.0 million in each fiscal year will be matching funds for the MEP Program, described above, (2) around \$2.7 million in each year will be used for operating costs of the Business Services Division, and (3) \$360,000 in each year will be matching funds for the Procurement Technical Assistance Center Program.

**Technology Targeted Investment Program (ALI 195661).** This funding is provided under the U.S. Department of Treasury's State Small Business Credit Initiative (SSBCI) to encourage lending to small businesses that are active within an existing value chain. The Technology Targeted Investment Program works to offer businesses debt financing tailored to the specific needs of the company at or below market interest rates.

## C2:3: Operating costs (ALIs 195620, 195686, 195453, and 195435)

The line items below **solely** pay for operating costs associated with Technology and R&D programs under the Business Services Division. Many other line items also pay operating costs of the Division, however, including line items discussed in "**Category 3: Energy and Environmental Revitalization.**" Overall, about \$29.0 million in operating expenses in each of FY 2020 and FY 2021 is budgeted for operating expenses.

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
7014 ALI 195620, Third Frontier Taxable – Operating	\$1,710,000	\$1,710,000	\$1,710,000
% change	--	0.0%	0.0%
7011 ALI 195686, Third Frontier Tax Exempt – Operating	\$750,000	\$750,000	\$750,000
% change	--	0.0%	0.0%
GRF ALI 195453, Technology Programs and Grants	\$13,367,760	\$1,843,656	\$1,900,000
% change	--	-86.2%	3.1%
M087 ALI 195435, Biomedical Research and Technology Transfer	\$500,000	\$500,000	\$500,000
% change	--	0.0%	0.0%

These line items cover about \$4.8 million per year in operating costs. Almost all of these costs will pay for oversight of the Third Frontier Program, although line item 195453 may be used to cover other technology-related operating costs. In prior years, line item 195453 was also used for subsidy assistance relating to technology, such as Edison Program awards and state matching funds for the MEP Program. Some of this funding was split out in H.B. 166 to be spent under line item 195499, while the Edison Program is unfunded in FY 2020 and FY 2021.

Line item 195620 uses taxable bond proceeds to administer awards from line item 195692, while line item 195686 uses nontaxable bond proceeds to administer awards issued from line item 195687. For line item 195435, the proposed appropriations use a different funding source, the Biomedical Research and Technology Transfer Trust Fund (Fund M087).

### Category 3: Business Assistance

This category of appropriations consists of line items that are used to provide loans to businesses and distribute financial assistance to local and regional economic development entities to aid in the goal of creating and retaining jobs in Ohio. The private nonprofit JobsOhio has assumed many of the business attraction and retention duties on behalf of the state, so appropriations to the category have declined accordingly in recent years, especially those that have supported grants to businesses.

Two exceptions can be made: (1) grants and loans to firms within the technology and R&D industries, predominantly through the Third Frontier Program, as analyzed previously under Category 2: Technology and R&D section above, and (2) Roadwork Development Grant Program grants, which receives appropriations in the transportation budget bill, since the program is funded by the state motor fuel tax. The transportation budget bill for the FY 2020-FY 2021 biennium, H.B. 62 of the 133<sup>rd</sup> General Assembly, included appropriations of \$15.2 million in each of FY 2020 and FY 2021 for the program.

Both the Business Services Division and the Minority Business Development Division administer programs funded under the line items in this category, which for this analysis have been separated into four subcategories: (1) Facilities Establishment Fund Group loans,

(2) subsidies for minority and disadvantaged businesses, (3) federal SBA funding and state matching funds, and (4) operating costs.

### **C3:1: Facilities Establishment Fund Group loans (ALIs 195615, 195664, and 195665)**

The Facilities Establishment Fund Group is the primary source of non-Third Frontier Program state funds remaining for economic development subsidies, accounting for over half of all appropriations in the Business Assistance category. Loans and other assistance provided from the fund group must be approved by the Controlling Board.

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
7037 ALI 195615, Facilities Establishment	\$25,000,000	\$25,000,000	\$25,000,000
% change	--	0.0%	0.0%
7009 ALI 195664, Innovation Ohio	\$5,000,000	\$5,000,000	\$5,000,000
% change	--	0.0%	0.0%
7010 ALI 195665, Research and Development	\$5,000,000	\$5,000,000	\$5,000,000
% change	--	0.0%	0.0%

**166 Direct Loan Program (ALI 195615).** Primarily, the line item is used to fund the 166 Direct Loan Program. Businesses can use these loans to purchase machinery and equipment, land and buildings acquisition, or make other eligible capital improvements. Loans are typically between \$1.0 million and \$10.0 million. The program goes through fluctuations depending on market conditions and the revenue from loan repayments. In FY 2018, the Controlling Board approved 11 loans totaling \$42.6 million. Thus far in FY 2019, one loan has been approved for around \$7.4 million in funding.

A second loan mechanism, the Regional 166 Loan Program, has also been popular in the last few years. This program operates more on the local level through ten designated regional 166 Direct Loan agencies around the state. The program was originally funded by money that the state gave to these regional entities to distribute as loans. It functions as a revolving loan program, using loan repayments to make additional loans to businesses with qualifying needs. Loans typically range from around \$100,000 to \$500,000. Since Regional 166 Loan Program funding has already gone out to the local agencies, no new appropriations are needed to utilize the program. However, loans under the program are still approved by the Controlling Board. In FY 2018, there were 21 loans approved by the Controlling Board, and thus far in FY 2019, there have been nine loans approved.

In addition to loans from Fund 7037, the line item also guarantees the Ohio Enterprise Bond Fund, which uses the proceeds of special industrial development bonds to provide loans to borrowers that cannot access investment-grade debt. In FY 2018, the Controlling Board approved two such loans totaling \$15.0 million. There have been no loans approved in FY 2019.

**Innovation Ohio Loan Program (ALI 195664).** Under this program, DSA lends money to businesses in certain targeted industry sectors (advanced materials; instruments, controls, and

electronics; power and propulsion; biosciences; and information technology) for acquisition, construction, and technology costs related to research and development, computer software or hardware, commercialization of products and services, and intellectual property costs. Funds are provided through a transfer from Fund 7037 to the Innovation Ohio Loan Fund (Fund 7009). The Controlling Board approved two loans totaling around \$1.8 million in FY 2018, and no loans to date in FY 2019.

**Research and Development Loan Program (ALI 195665).** This program provides loans to cover eligible costs of research and development projects in order to stimulate employment in technological research. Loans assist businesses in creating research facilities and for the development of new or improved products, processes, or applications of technology. Funds are provided through a transfer from Fund 7037 to the Research and Development Investment Fund (Fund 7010). The Controlling Board approved two loans totaling approximately \$7.9 million in FY 2018, and no loans thus far in FY 2019.

### **C3:2: Subsidies for minority and disadvantaged businesses (ALIs 195626, 195628, and 195646)**

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
3FJ0 ALI 195626, Small Business Capital Access and Collateral Enhancement Program	\$5,645,587	\$7,996,645	\$8,000,000
% change	--	41.6%	0.0%
5S90 ALI 195628, Capital Access Loan Program	\$2,500,000	\$2,500,000	\$2,500,000
% change	--	0.0%	0.0%
4W10 ALI 195646, Minority Business Enterprise Loan	\$4,007,373	\$4,000,000	\$4,000,000
% change	--	-0.2%	0.0%

**Federal program funding and state matching funds (ALIs 195626 and 195628).** Line item 195626 is funded by allocations from the U.S. Department of Treasury for the State Small Business Credit Initiative (SSBCI). SSBCI funds first became available to the state in FY 2013 when Ohio was awarded \$55.1 million. The federal money has been distributed in three roughly equal installments of \$18.0 million to \$19.0 million in each of FY 2012, FY 2014, and FY 2016.

This initiative aims to encourage lending to potential small businesses that have difficulty securing loans through conventional underwriting standards. Two federal program moneys are provided SSBCI funding under this line item: the first of these is the Capital Access Loan Program. Under this program, the state, along with borrowers and financial institutions, create reserve pools to recover any losses incurred by a financial institution in lending their private money to eligible businesses that have difficulty obtaining funding through conventional underwriting standards. This line item also supports the Collateral Enhancement Program to provide lending institutions with cash deposits to use as additional collateral for loans made to eligible for-profit small businesses. Note also that line item 195661, discussed in “**Category 2: Technology and R&D,**” funds the Technology Targeted Investment Program component of the federal SSBCI program.

Although administratively under the Facilities Establishment Fund Group, line item 195628 uses state funds to cover the state's portion of such reserve pools under the Capital Access Loan Program. H.B. 166 authorizes the transfer of up to \$3.0 million per year into the fund from two other DSA funds: (1) up to \$2.0 million in each year from the Facilities Establishment Fund (Fund 7037), and (2) up to \$1.0 million in each year from the Minority Business Enterprise Loan Fund (Fund 4W10). As of April 4, 2019, Capital Access Loan Program Fund (Fund 5S90) had a cash balance of approximately \$553,000.

**Minority Business Enterprise Loan Program (ALI 195646).** This line item is used to provide funding for loans processed by the Minority Development Financing Advisory Board to minority-owned and operated businesses that are unable to obtain financing through traditional channels. The Governor's proposal also allows up to \$2.0 million to be transferred annually from Fund 7037 to Fund 4W10. Loans under this program must be approved by the Controlling Board. In the current biennium, the Controlling Board has approved zero loans under the program.

### **C3:3: Federal SBA funding and state matching funds (ALIs 195609, 195675, 195696, 195454, and 195405)**

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
3080 ALI 195609, Small Business Administration Grants	\$5,276,229	\$5,271,381	\$5,271,381
% change	--	-0.1%	0.0%
3080 ALI 195675, Procurement Technical Assistance	\$751,595	\$750,000	\$750,000
% change	--	-0.2%	0.1%
3080 ALI 195696, State Trade and Export Promotion	\$800,000	\$1,000,000	\$1,000,000
% change	--	25.0%	0.0%
GRF ALI 195454, Small Business and Export Assistance	\$3,062,467	\$3,057,174	\$3,057,174
% change	--	-0.2%	0.0%
GRF ALI 195405, Minority Business Development	\$1,701,451	\$1,696,358	\$1,696,358
% change	--	-0.3%	0.0%

**Small Business Administration grants (ALI 195609).** The executive budget appropriates approximately \$5.3 million to line item 195609 in each fiscal year. This line item provides the main source of federal funding for the Small Business Development Center (SBDC) Program, which offers management counseling, training, and technical assistance to small businesses at the 27 SBDCs throughout the state. The federal moneys require equal matching of funds (\$1 federal: \$1 state plus local), but the state or local match may be in kind. According to DSA's Annual Report for FY 2018, SBDCs provided nearly 58,000 hours of one-on-one counseling, trained almost 12,000 entrepreneurs, advised close to 8,000 businesses, and led to 722 "new businesses started" in FY 2018.

**Procurement Technical Assistance (ALI 195675).** Moneys in line item 195675 are used to help small businesses seeking to compete for federal, state, and local contracts at Procurement Technical Assistance Centers (PTACs). The centers assisted over 2,200 clients from February 2017 to January 2018.

**State Trade and Export Promotion (ALI 195696).** These federal funds come to the state as part of SBA's State Trade and Export Promotion Pilot Program for DSA to utilize in support of small business export promotion efforts.

**Small Business and Export Assistance (ALI 195454).** This line item is used for various purposes that aid small businesses. Of the total, about \$1.2 million in each year is budgeted by DSA for internal operating costs, while the remaining \$1.9 million will go to other organizations. The outside funding includes the matching funds to the federally funded SBDC Program reflected in line item 195609, as well as grants to support small business development, entrepreneurship, and exports of Ohio's goods and services. Grants through the line item are used in conjunction with line item 195405, Minority Business Development.

**Minority Business Development (ALI 195405).** This line item is used to provide assistance to other minority development entities, but also supports operating costs of the Minority Business Development Division within DSA. Of the total, about \$1.1 million in each year is budgeted to go to entities outside DSA, specifically the six Minority Business Assistance Centers (MBACs) across the state, to promote the use of minority businesses for government contracts. The remaining \$600,000 million will go to internal operating costs of the Minority Development Division. The Division also works with the Department of Administrative Services on the Encouraging Diversity, Growth, and Equity (EDGE) Program, coordinates planning and policy for the Minority Business Advisory Council, and engages in other activities to promote the growth of minority-owned businesses in Ohio. The line item is also used in conjunction with line item 195454, Small Business and Export Assistance, for grants to local economic development organizations.

### **C3:4: Operating costs (ALIs 195649, 195415, 195635, 195624, and 195691)**

The line items below **solely** pay for operating costs associated with Category 3 programs under the Business Services Division and Minority Development Division. Many other line items also pay operating costs of the divisions, however, including line items discussed in "**Category 2: Technology and R&D.**" In total, operating expenses of the two divisions are slated to cost around \$30.8 million in each of FY 2020 and FY 2021.

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
4510 ALI 195649, Business Assistance Programs	\$4,000,000	\$4,000,000	\$4,000,000
% change	--	0.0%	0.0%
GRF ALI 195415, Business Development Services	\$3,227,886	\$2,102,021	\$2,149,281
% change	--	-34.9%	2.3%
5JRO ALI 195635, Tax Incentives Operating	\$800,000	\$800,000	\$800,000
% change	--	0.0%	0.0%
4500 ALI 195624, Minority Business Bonding Program Administration	\$74,905	\$74,905	\$74,905
% change	--	0.0%	0.0%
5W60 ALI 195691, International Trade Cooperative Projects	\$18,000	\$18,000	\$18,000
% change	--	0.0%	0.0%

**Loan programs (ALIs 195649 and 195415).** These two line items support loan servicing costs, mainly those awarded through the Facilities Establishment Fund Group. Revenue supporting Fund 4510 line item 195649 comes in the form of loan commitment fees and transfers from the Facilities Establishment Fund (Fund 7037). H.B. 166 allows up to \$3.5 million per year to be transferred from Fund 7037 to Fund 4510. GRF line item 195415 also pays for some of the operating costs of the Business Services Division and DSA's regional offices.

**Tax credit programs (ALI 195635).** The Office of Strategic Business Investments will use this line item to pay operating costs of the various tax credit programs administered by DSA, including the (1) Job Creation, (2) Job Retention, (3) InvestOhio, (4) Motion Picture, (5) Ohio Historic Preservation, and (6) Ohio New Market. A seventh tax credit to oversee would be the Opportunity Zone Tax Credit proposed in H.B. 166, and described in the "**Overview**" portion of this Redbook. Finally, the office tracks the creation and management of enterprise zones and community reinvestment areas in Ohio's communities.

**Minority Business Bonding Program Administration (ALI 195624).** These funds support the administrative expenses of the Minority Business Bonding Program, which provides bonding assistance to minority businesses who otherwise cannot obtain bonding. The maximum bond amount is \$1.0 million per company. A premium of up to 2% is charged for each bond issued, and the premiums are deposited into the Minority Business Bonding Fund (Fund 4500) to support this line item. The fund is backed by up to \$10.0 million in unclaimed funds, overseen by the Department of Commerce, to pay for any losses arising from the program.

**International Trade Cooperative Projects (ALI 195691).** This line item receives funds from outside entities to support international business development opportunities. Money in the International Trade Cooperative Projects Fund (Fund 5W60) includes donations and grants from entities such as trade associations to assist with the operation of DSA's presence in foreign locations, as well as the proceeds of a fee for businesses to receive export assistance.



## Category 4: Energy and Environmental Revitalization

This category consists of programs to support and attract businesses in the alternative and advanced energy industry, to provide incentives for the adoption of alternative and advanced energy technologies, and to oversee federal brownfield funding received.

### C4:1: Energy Loan Fund (ALIs 195660, 195618, and 195610)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
5M50 ALI 195660, Advanced Energy Loan Programs	\$10,000,000	\$10,000,000	\$10,000,000
% change	--	0.0%	0.0%
3080 ALI 195618, Energy Grants	\$4,000,000	\$4,000,000	\$4,000,000
% change	--	0.0%	0.0%
3350 ALI 195610, Energy Programs	\$200,000	\$345,382	\$350,000
% change	--	72.7%	1.3%

**State funding (ALI 195660).** This line item provides state funding for loans under the Energy Loan Fund Program. Loans range from \$250,000 to \$2.0 million and are available for small businesses, manufacturers, nonprofits, and public entities to make improvements that reduce energy usage and associated costs, reduce fossil fuel emissions, and create or retain jobs. Eligible activities include insulation, LED and other lighting systems, energy management control systems, HVAC upgrades, weather sealing, door and window replacements, combined heat and power systems, and cogeneration systems. Projects must achieve 15% reduction in energy usage, demonstrate economic and environmental impacts, and be included within a long-term energy strategy of the community served. Of the amount appropriated in each fiscal year, \$9.25 million is budgeted for loan subsidies, while the remaining \$750,000 is set aside for operating costs involved with the program and the State Energy Plan.

Through 2011, the Advanced Energy Fund (Fund 5M50) functioned as a grant program, under which 660 advanced energy grants totaling \$44.7 million were distributed. Until then, the source of money to provide these grants was a monthly rider collected on utility bills for retail electric service that was deposited into Fund 5M50. That authority expired at the end of December 2011. Since then, the program has operated using the remaining funding as a revolving loan program.

**Federal funding (ALIs 195610 and 195618).** These federal funds are used mainly to supplement funding for the Energy Loan Fund Program, described above. The budget would allocate about \$4.0 million in each year of the total federal funding toward the loan program. The remaining \$350,000 in each year is slotted for outreach, client education, support for public school energy education curricula, public information sharing, and energy conservation workshops for small businesses.

The funding source for line item 195610 is the Oil Overcharge Fund (Fund 3350), capitalized by federal funds received pursuant to a U.S. government settlement with oil companies. To spend the Fund 3350 appropriations, the state must demonstrate that the

proposed conservation project benefits the class of consumers injured by the oil company's overcharges relating to the case.

### **C4:2: Federal brownfield loans (ALIs 195627 and 195671)**

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
5UL0 ALI 195627, Brownfields Revolving Loan Program	\$860,044	\$2,500,000	\$2,500,000
% change	--	190.7%	0.0%
3080 ALI 195671, Brownfield Redevelopment	\$3,000,000	\$2,000,000	\$2,000,000
% change	--	-33.3%	0.0%

Each of these line items supports the Brownfield Revolving Loan Program, which provides low-interest loans to private and public entities for demolition, cleanup, and remediation projects on brownfield sites. Funds for this purpose are received by DSA through competitive grants from the U.S. Environmental Protection Agency (U.S. EPA). DSA administers the program in conjunction with the quasi-public Ohio Water Development Authority.

Federal requirements caused Fund 5UL0 to be created in 2018 under H.B. 292 of the 132<sup>nd</sup> General Assembly and given an appropriation through line item 195627. According to DSA, the reason for this was a request from the U.S. EPA that brownfield loan repayment dollars be held in a fund that bears interest, and Fund 3080 does not bear interest. Line item 195671 will presumably be used when new federal funds are received by DSA to be subsequently loaned out under the program.

### **C4:3: Operating and other costs (ALIs 195426, 195699, 195639, 195402, and 195654)**

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 195426, Redevelopment Assistance	\$1,073,278	\$1,067,000	\$1,067,000
% change	--	-0.6%	0.0%
4F20 ALI 195699, Utility Community Assistance	\$500,000	\$500,000	\$500,000
% change	--	0.0%	0.0%
4F20 ALI 195639, State Special Projects	\$102,104	\$102,104	\$102,104
% change	--	0.0%	0.0%
GRF ALI 195402, Coal Research and Development Program	\$228,780	\$227,368	\$227,368
% change	--	-0.6%	1.3%
6170 ALI 195654, Volume Cap Administration	\$32,562	\$32,562	\$32,562
% change	--	0.0%	0.0%

**Redevelopment Assistance (ALI 195426).** This GRF funding will pay for a variety of operating expenses, including those related to energy, redevelopment, and other revitalization projects, such as loans under the Brownfield Revolving Loan Fund Program and grants under the Abandoned Gas Station Cleanup Grant Program. The latter program utilizes capital appropriations remaining upon the closeout of the Clean Ohio Revitalization Program to award assessment and cleanup grants to local governments. The capital funds may be exhausted by the end of FY 2019 or early FY 2020.

**State Special Projects Fund uses (ALIs 195699 and 195639).** This money primarily comes from utility company payments that are deposited into the State Special Projects Fund (Fund 4F20); however, Fund 4F20 may hold other miscellaneous revenue. Line item 195699 is used to verify the income and eligibility of federal HEAP applicants, leverage additional federal funds, support projects to assist homeless persons, assist with energy efficiency projects for PIPP customers, and provide training assistance for agencies that administer low-income customer assistance programs. Line item 195639 is used on an ad hoc basis for various purposes.

**Coal Research and Development Program (ALI 195402).** This line item funds the operating expenses of the Ohio Coal Development Office (OCDO). OCDO operates the Coal Research and Development Program, funded by GO bonds issued by the Ohio Public Facilities Commission. The GRF funding for debt service on this bond program is discussed later in this Redbook under “**Category 7: Debt Service.**”

The Coal Research and Development Program is funded through appropriations within the capital budget bill. H.B. 529 of the 132<sup>nd</sup> General Assembly, the capital budget bill for the FY 2019-FY 2020 biennium, included appropriations of \$5.0 million for the two-year period. The grants focus on two areas of clean coal technology: (1) Ohio Coal Research Consortium grants go to research institutions to study mechanisms critical to emissions formation and methods of control, or for uses of coal as a feedstock for other processes, and (2) Ohio Coal Demonstration and Pilot Program grants go to utility power producers, clean coal technology developers, research and development firms, and universities for the discovery of new technologies or the demonstration or application of existing technologies that enable the conversion or use of Ohio coal as a fuel or chemical feedstock in an environmentally acceptable manner.

**Volume Cap Administration (ALI 195654).** This line item provides for the administrative costs of overseeing the state’s allocation of tax-exempt private activity bonding authority under the federally defined limit, or Volume Cap. While administered by the Office of Energy, Volume Cap is also used by other state entities, including the Ohio Housing Finance Agency (OHFA), for the issuance of bonds for certain programs.

### **Background information on Volume Cap**

The Volume Cap applies when the state issues Private Activity Bonds (PABs) on behalf of businesses and private entities. State and local agencies do this to qualify the bonds as municipal bonds, exempting the interest income on those bonds from any of federal, state, or local income taxes. This results in a lower cost of capital for the borrower who finances with these bonds. Certain types of PABs are selected by the federal government to be exempt from federal income tax, but the Internal Revenue Service places a limit on the volume of these

tax-exempt private-use bonds. This limit is known as “volume cap” and refers to the ability to issue private-use bonds as federally tax-exempt. Each state is given a volume cap annually on a per-capita basis of \$100 per resident. The total 2018 volume cap available to Ohio was around \$1.17 billion, so that no more than this amount of tax-exempt private-use bonds could be issued in the state in 2018. DSA defines six categories of projects eligible for tax-exempt bond financing with the following set-asides in place in 2018:

1. Single-family housing bonds for OHFA programs (\$300.0 million);
2. Multifamily housing bonds for OHFA programs (\$120.0 million);
3. Student loan bonds (\$116.6 million);
4. Exempt facilities bonds (\$100.0 million);
5. Small issue bonds for manufacturing companies (\$100.0 million);
6. Director of DSA’s discretionary allocations (\$429.3 million).

## Category 5: Workforce Development

Line items in this category fund activities to assist businesses with developing the workforce through training and job retention activities, as well as provide administrative support for the Governor’s Office of Workforce Transformation.

### C5:1: State workforce development programs (ALIs 195555 and 195553)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
5VK0 ALI 195555, Industry-Recognized Credentials	\$0	\$15,000,000	\$15,000,000
% change	--	N/A	0.0%
GRF ALI 195553, Industry Sector Partnerships	\$0	\$2,500,000	\$2,500,000
% change	--	N/A	0.0%

These are new state programs created under the Governor’s recommended budget and are summarized briefly below.

#### Industry-Recognized Credentials Program

This new program is designed to replace two workforce programs that are being phased out in the next biennium: DSA’s Incumbent Workforce Training Voucher Program and the Department of Higher Education’s Short-Term Certificates Program. H.B. 166 requires DSA to work in consultation with the Department of Higher Education (DHE) to award financial assistance to students enrolled in a post-secondary education or a training provider program that may be completed in less than one year and for which college credit, a certificate, or an industry-recognized credential is awarded. Under the program, Ohio companies will apply to DSA for funding for their employees to complete a training program that is one year or less in duration. A percentage of the costs will be paid by DSA in the form of a grant. DHE will determine which credentials qualify. The goal of the program is to have 10,000 certificates

completed in the first year. Of the amount budgeted for the new program, \$14.6 million each fiscal year is slated for grants, with the \$400,000 remaining each year combined going to staffing costs, purchased personal services, and supplies and maintenance. The program will be capitalized with a \$15.0 million cash transfer from the GRF in each of FY 2020 and FY 2021 and deposited into the newly created Industry-Recognized Credentials Fund (Fund 5VK0).

### Industry Sector Partnerships Program

Industry sector partnerships are groups of businesses in the same industry, workforce development entities, educational institutions, and others within a region to develop strategies for filling the industry's specific workforce needs together. DSA will administer the program to provide technical assistance to the partnerships, as well as offer competitive grants to implement initiatives. Under the executive recommended budget, the entire annual appropriation of \$2.5 million will be used for grants.

#### C5:2: Federal workforce funding (ALI 195643)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
3AE0 ALI 195643, Workforce Development Initiatives	\$800,000	\$800,000	\$800,000
% change	--	0.0%	0.0%

These funds are provided through a transfer of federal Workforce Investment Act (WIA) funds from the Ohio Department of Job and Family Services to support workforce development operating costs of the Governor's Office of Workforce Transformation and DSA's Office of Strategic Business Investments.

### Category 6: Tourism Promotion

Line items in this category fund the activities of the Office of TourismOhio, which promotes travel and tourism to and within Ohio.

#### C6:1: Office of TourismOhio (ALI 195683)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
5MJ0 ALI 195683, TourismOhio Administration	\$12,982,373	\$10,000,000	\$10,000,000
% change	--	-22.3%	0.0%

Line item 195683 funds the operations of the Office of TourismOhio to promote the state as a travel and tourism destination. The \$10.0 million appropriated in each year will pay for marketing, advertising, public relations, and the development and publication of tourism materials, payroll, and operating costs of the Office. Of total appropriations, approximately \$8.4 million will be used for purchased personal services, about \$850,000 is slated for supplies and maintenance, and \$800,000 is for office personnel. The Tourism Fund (Fund 5MJ0) has been capitalized by transfers from the GRF. Section 512.10 of H.B. 166 allows up to \$10.4 million to be transferred from the GRF to Fund 5MJ0 in each of FY 2020 and FY 2021.

## Category 7: Debt Service

This category of appropriations provides GRF funding for debt service on three types of GO bonds issued by the state. These bonds were issued to support two ongoing programs: the Third Frontier Program and the Coal Research and Development Program and the defunct Job Ready Site Program.

### C7:1: GO bond debt service (ALIs 195905, 195912, and 195901)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 195905, Third Frontier Research and Development General Obligation Bond Debt Service	\$89,095,565	\$84,181,400	\$87,403,000
% change	--	-5.5%	3.8%
GRF ALI 195912, Job Ready Site Development General Obligation Bond Debt Service	\$12,107,524	\$15,516,000	\$9,879,900
% change	--	28.2%	-36.3%
GRF ALI 195901, Coal Research and Development General Obligation Bond Debt Service	\$7,809,736	\$8,123,100	\$7,682,600
% change	--	4.0%	-5.4%

**Third Frontier debt service (ALI 195905).** The line item funds the repayment of GO bonds issued by the Ohio Public Facilities Commission for line items 195687 and 195692. See “**Category 2: Technology and R&D**” for a discussion of the various grant and loan programs overseen by the Third Frontier Commission.

**Job Ready Site Development debt service (ALI 195912).** This line item covers debt service payments on the GO bonds issued by the Ohio Public Facilities Commission for the Job Ready Site Program. Although the program expired in FY 2012, bonds issued to capitalize the program continue to be paid off.

**Coal Research and Development debt service (ALI 195901).** These bond proceeds are used to award grants for research and development of clean coal technologies. The Ohio Coal Development Office uses these bond proceeds to award grants for research and development of clean coal technologies. For a description of these programs, see “**Category 4: Energy and Environmental Revitalization.**”

## Category 8: Administration

This category encompasses the line items that support DSA’s central administrative offices, including the Director’s office, legal services, communications and marketing, information technology, finance and internal services, and research. Funding for the line items under this category comes from assessments charged against the divisions.

**C8:1: Administration operating (ALIs 195684 and 195636)**

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
1350 ALI 195684, Development Services Operations	\$10,906,151	\$11,686,861	\$12,000,000
% change	--	7.2%	2.7%
6850 ALI 195636, Development Services Reimbursable Expenditures	\$150,000	\$125,000	\$125,000
% change	--	-16.7%	0.0%

Of total appropriations of \$23.9 million over the FY 2020-FY 2021 biennium in this category, about \$16.8 million (70.1%) is budgeted for personnel costs, and the remainder is for supplies and maintenance, equipment, and purchased personal service costs.

**Development Services Operations (ALI 195684).** This line item is the primary source of administrative funding for the Agency's central operating activities and is supported by assessments on DSA's various divisions. These amounts are deposited into the Supportive Services Fund (Fund 1350). The line item primarily covers payroll, supplies, equipment, and maintenance costs associated with the functions of DSA's executive leadership, legal office, communications and marketing staff, information technology staff, and other central administrative services.

**Development Services Reimbursable Expenditures (ALI 195636).** The General Reimbursement Fund (Fund 6850) consists of money collected through assessments. This funding is used to cover reimbursable expenses such as state pool car costs, bulk office supply purchases, travel reimbursements, and registration costs for conferences and events.