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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 343
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 343's Bill Analysis](#)

Version: As Introduced

Primary Sponsors: Reps. Patterson and G. Manning

Local Impact Statement Procedure Required: No

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Highlights

- The bill provides \$10 million in appropriations for emergency water and sewer projects in FY 2020, to be awarded by the Public Works Commission (PWC).
- The funding source for these emergency water and sewer projects is GRF money to be transferred to the Water and Sewer Emergency Fund (Fund 5WH0) created by the bill.
- There should be minimal increase in administrative costs to the Commission to process the additional grant funding. Any local governments that apply for funding will incur some operating expenses, which in most cases would be offset by grant funding.

Detailed Analysis

Additional funding for emergency water and sewer projects

The bill makes an appropriation of \$10 million in FY 2020 for the Public Works Commission (PWC) to award grants to political subdivisions for emergency water and sewer system projects which are necessary for the immediate preservation of the health, safety, and welfare of affected citizens. The appropriations provided under H.B. 343 would supplement the \$3.5 million in emergency funding that PWC has set aside for emergency infrastructure projects under the State Capital Improvement Program (SCIP), the agency's existing major local infrastructure assistance program. Funding for SCIP is provided in H.B. 529 of the 132nd General Assembly, the capital budget bill for the FY 2019-FY 2020 capital biennium.

The appropriation in H.B. 343 is supported by a transfer of \$10 million from the GRF to the newly created Water and Sewer Emergency Fund (Fund 5WH0) under line item 150604, Water and Sewer Emergency Assistance. The bill reappropriates the unexpended and unencumbered balance of the line item at the end of FY 2020 for FY 2021. At the end of

FY 2021, the Director of Budget and Management is required to transfer the unexpended and unencumbered balance remaining in Fund 5WHO back to the GRF.

There should be minimal increase in administrative costs for PWC to process the additional grant funding. Any local governments that apply for funding will incur some operating expenses, which in many cases would be offset by grant funding.

Overview of SCIP and allocation of funding

Since SCIP is financed using the proceeds of general obligation (GO) bonds, the programmatic funding for it is appropriated in state capital budgets. Enacted in June 2018, H.B. 529 of the 132nd General Assembly included appropriations of \$350 million for SCIP loans and grants during the FY 2019-FY 2020 capital biennium. In addition, H.B. 529 provided \$89 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 million annually. This cap will increase to \$200 million annually beginning in FY 2022 through FY 2026. As of March 10, 2020, there was \$1.78 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. 166 of the 132nd General Assembly included funding of \$229.3 million in FY 2020 and \$231.8 million in FY 2021 for this debt service.

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 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. The remaining 88% (\$154 million) is available each year under the district 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. 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, and confirms project eligibility. After all requirements are met, a formal agreement is issued by PWC to the individual political subdivision. PWC's staff maintains ongoing contact with local communities, providing technical assistance through the project's completion.