Redbook

LBO Analysis of Executive Budget Proposal

Ohio Air Quality Development Authority

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LBO Redbook

Ohio Air Quality Development Authority

Quick look…

- The Ohio Air Quality Development Authority (OAQDA) assists businesses, political subdivisions, and not-for-profit entities in complying with the federal Clean Air Act by (1) issuing revenue bonds and notes to install clean air facilities and helping them qualify for tax exemptions on the project and (2) issuing grants to eligible small businesses to buy clean air equipment.
- OAQDA also serves as the program administrator for the Solar Generation Fund Program, which subsidizes select solar power generation facilities in the state.
- A seven-member board governs the Authority, of whom five are paid and two serve ex officio. The Authority does not have regulatory power.
- The executive budget provides OAQDA with increased funding for operations and small business grants totaling approximately $4.0 million in FY 2026 and $4.8 million for FY 2027.
- The Authority has nine permanent staff members as of January 2025.

Fund Group	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
Dedicated Purpose	$1,187,451	$2,119,000	$3,996,000	$4,773,000
Total Funding	$1,187,451	$2,119,000	$3,996,000	$4,773,000
% change	7.4%	78.4%	88.6%	19.4%

Analysis of FY 2026-FY 2027 budget proposal

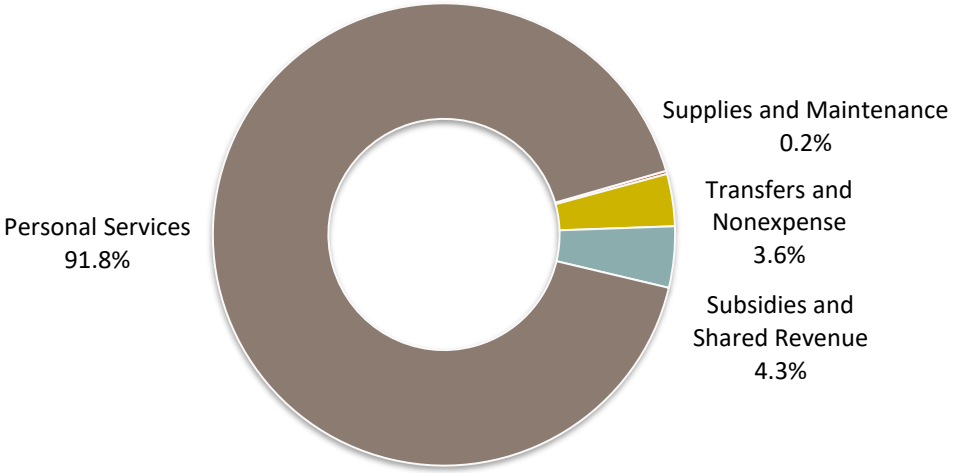
Executive recommendations by expense category

The total recommended budget amount for the Ohio Air Quality Development Authority (OAQDA) for FY 2026 is $4.0 million, a $1.9 million increase from anticipated FY 2025 expenditures, or an 88.6% increase. Total budget recommendations for FY 2027 are $777,000 higher than the recommended amount for FY 2026, a 19.4% increase.

Of the total budget recommendations for the FY 2026-FY 2027 biennium, approximately 91.8% ($8.1 million) of the amount is planned to be allocated for personal services costs related to the nine full-time permanent employees, five appointed members of the Authority, and personnel costs associated with an additional three full-time positions and a part-time position that would be filled by the end of the next biennium. About 4.3% ($375,000) would support the small business grants awarded through the Clean Air Resource Center. Transfers and nonexpense make up approximately 3.6% ($320,000) of the budget, covering reimbursements to the Air Quality Development trust account for operating expenses associated with administering the

financing assistance that OAQDA provides; an uncodified provision in the budget bill authorizes such reimbursements. Finally, 0.2% ($20,000) is for supplies and maintenance.

Chart 1: AIR Budget by Expense Category
FY 2026-FY2027 Biennium



Biennial total: $8.8 million

OAQDA operating costs

Operating Expenses (ALIs 898601 and 898602)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
Fund 5700 ALI 898601, Operating Expenses					
$729,471	$827,325	$940,129	$1,800,000	$3,600,000	$4,300,000
% change	13.4%	13.6%	91.5%	100.0%	19.4%
Fund 4Z90 ALI 898602, Small Business Ombudsman					
$119,035	$137,690	$143,848	$219,000	$246,000	$248,000
% change	15.7%	4.5%	52.2%	12.3%	0.8%
Total Operating					
$848,506	$965,015	$1,083,977	$2,019,000	$3,846,000	$4,548,000
% change	13.7%	12.3%	86.3%	90.5%	18.3%

These two line items pay for the operating costs of OAQDA. Together they provide approximately $3.8 million in FY 2026 and $4.5 million in FY 2027 to cover payroll and administrative expenses. This compares to the estimated combined spending of about $2.0 million between the two line items in FY 2025. Almost all the combined increase of $1.8 million proposed for FY 2026 will be used for operating expenses, which will double. The additional funds will allow OAQDA to hire additional full-time employees and expand program

capacity to meet rising demands associated with new project applications and new bond issuances.

Line item 898601 provides funding for the administrative costs of the Authority's air quality financing assistance programs. The funding is supported by various sources of revenue, including fees associated with project revenue bonds issued under the authority of OAQDA on behalf of firms, government entities, or not-for-profit entities wanting to finance eligible projects such as pollution control and prevention, solid waste disposal, energy efficiency, and clean generation projects.[1] The financing assistance comes in two typical forms of bond support. Primarily, the Authority assists large scale manufacturing and public utility companies by offering low-cost financing alternatives for investment in pollution control and prevention measures. Qualified Energy Conservation Bonds provide another form of assistance to public entities like local governments or universities, enabling them to install energy-efficient heating and lighting systems.

Currently, OAQDA administers about $3.0 billion in total outstanding debt, issued for hundreds of commercial and industrial projects. The duties involved with these project financing programs include educating the potential client base about available assistance, developing potential projects, reviewing applications, authorizing and issuing the bonds, and administering outstanding bonds throughout their terms, which last as long as 40 years. The Authority issued $503 million in air quality revenue bonds for 27 air quality facility projects in FY 2024-FY 2025.

OAQDA also administers payments to qualifying electric utilities that generate power through solar energy from the Solar Generation Fund, a custodial fund (i.e., not in the state treasury).[2] OAQDA is allowed to use a portion of the fund's receipts, up to $300,000 per fiscal year, to pay for the program's administrative costs.[3] The fund is supported by the proceeds of a monthly surcharge on residential, commercial, and industrial customers' electricity bills which were scheduled to begin January 1, 2021, and run through 2027. The customer surcharges are calculated such that the Solar Generation Fund collects $20 million annually.

Line item 898602 supports the Office of Small Business Ombudsman, commonly referred to as the Clean Air Resource Center. The Center is funded by transfers of a portion of the pollution control permit fees collected by the Ohio Environmental Protection Agency (OEPA) and deposited into the Small Business Ombudsman Fund (Fund 4Z90). The Clean Air Resource Center fulfills Ohio's mandate under the Clean Air Act amendments of 1990, and authorized under

[1] Debt service on the revenue bonds is not paid either directly or indirectly from state tax revenue, but solely by the benefited business or entity; the Authority simply acts as a conduit for the flow of funds. This arrangement allows the Authority to grant the borrowers certain tax exemptions authorized by the Revised Code.

[2] The payments, referred to as "solar energy credits," each worth up to $9.00 per megawatt hour of electricity generated from solar sources, are to be made to owners or operators of qualifying electric utilities from April 2021 to January 2028, to support their operations.

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

section 3706.19 of the Revised Code, to offer business assistance as part of the state's efforts in attaining and maintaining national ambient air quality standards. The Center provides small business assistance including: (1) onsite visits to identify air pollution problems and solutions, (2) technical assistance for meeting pollution requirements, and (3) distribution of information on financing assistance to purchase pollution control equipment.

Grant assistance for eligible small businesses

Small Business Assistance (ALI 898603)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
Fund 5A00 ALI 898603, Small Business Assistance					
$161,775	$140,267	$103,474	$100,000	$150,000	$225,000
% change	-13.3%	-26.2%	-3.4%	50.0%	50.0%

These appropriations support the Small Business Assistance Grant Program to assist small businesses in purchasing pollution clean air equipment. Multiple factors affect the amount of fees generated in a particular year; generally, the fees are based on the annual actual air emissions reported by Title V permit holders.

Under the program, OAQDA offers grants of up to 20% for small businesses to purchase clean air equipment, or up to a $20,000 maximum per grant. To qualify, the business must have 100 or fewer employees, emit less than 75 tons per year of all regulated pollutants, and 50 tons or less per year of any regulated pollutant, and have financial difficulty complying with federal Clean Air Act requirements. Once a small business moves forward with a project, the grant awards may either be used towards paying (1) fees associated with OAQDA's bond financing or (2) principal payments of loans incurred to provide necessary capital for the project. Small businesses working on energy efficiency and conservation projects are not eligible under the grant program, but they may be eligible for separate tax benefits.

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