

Redbook

LBO Analysis of Executive Budget Proposal

Ohio Public Works Commission

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LBO Redbook

Ohio Public Works Commission

Quick look...

- The Public Works Commission (PWC) administers three programs that provide grants and loans to local governments for infrastructure projects, as well as grants for conservation purposes.
 - PWC’s largest program is the State Capital Improvement Program (SCIP), funded by general obligation (GO) bond proceeds, which provides grants and loans for infrastructure projects, including road, bridge, wastewater, water supply, and stormwater projects.
 - The Clean Ohio Conservation Program (COCP) under PWC preserves greenspace throughout the state, and is also funded by GO bond proceeds.
 - The Local Transportation Improvement Program (LTIP) provides grants for local government road and bridge projects, and is funded by a portion of revenue from the Ohio motor fuel tax. LTIP receives appropriations in the transportation budget act, H.B. 23 of the 135th General Assembly.
- Of total appropriations of over \$557.1 million over the FY 2024-FY 2025 biennium, 99.5% is GRF funding to cover debt service on the GO bonds issued to pay for SCIP and COCP. The remaining 0.5% is non-GRF appropriations to pay operating costs. PWC employs a staff of nine at their headquarters in Columbus.

Fund Group	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
General Revenue	\$285,944,484	\$370,300,000	\$277,600,000	\$276,900,000
Capital Project	\$937,895	\$1,279,075	\$1,314,821	\$1,295,168
Total	\$286,882,379	\$371,579,075	\$278,914,821	\$278,195,168
% change	--	29.5%	-24.9%	-0.3%
GRF % change	--	29.5%	-25.0%	-0.3%

Funding overview of PWC programs

As noted above, 99.5% (\$554.5 million) of the executive recommended budget for the Public Works Commission (PWC) for the FY 2024-FY 2025 biennium under H.B. 33 is slated for debt service on bonds issued to support the State Capital Improvement Program (SCIP) and Clean Ohio Conservation Program (COCP). More specifically, 84.2% (\$467.0 million) is for SCIP-related debt service and 15.8% (\$87.5 million) is for COCP-related debt service. The remaining 0.5% (just over \$2.6 million) of appropriations for the biennium is budgeted as follows: \$1,759,936 for personal services; \$663,600 for supplies, maintenance, and equipment; and \$186,400 for purchased personal services.

PWC programs are funded through the capital, transportation, and main operating budgets

PWC programs and operating costs are funded differently from each other. The table below shows the three programs (SCIP, COCP, and the Local Transportation Improvement Program (LTIP)) and relevant budget bills and biennial budget periods that apply to the three programs PWC operates.

PWC Programs and the Budget Bills that Fund Them				
Program	Use of Funding	Budget Bill		
		Main Operating (FY 2024-FY 2025)	Transportation (FY 2024-FY 2025)	Capital (FY 2023-FY 2024)
		H.B. 33 of the 135 th General Assembly (pending)	H.B. 23 of the 135 th General Assembly (pending)	H.B. 687 and H.B. 597 of the 134 th General Assembly (enacted)
SCIP	Awards			✓
	Debt Service Operating Costs	✓		
COCP	Awards			✓
	Debt Service Operating Costs	✓		
LTIP	Awards/ Operating Costs		✓	

Analysis of FY 2024-FY 2025 budget proposal

State Capital Improvement Program

SCIP debt service (ALI 150907)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
GRF ALI 150907, Infrastructure Improvement General Obligation Bond Debt Service					
\$226,688,024	\$133,519,649	\$236,221,551	\$316,800,000	\$231,000,000	\$236,000,000
% change	-41.1%	76.9%	34.1%	-27.1%	2.2%

GRF line item 150907, Infrastructure Improvement General Obligation Bond Debt Service, is used to cover the debt service costs related to the SCIP bonds, as calculated by the Office of Budget and Management (OBM). As of the March 1, 2023 payment, there is just below \$1.8 billion in SCIP debt outstanding.

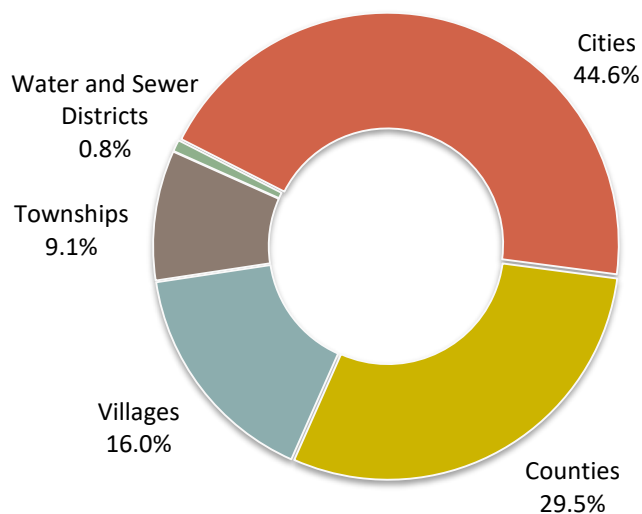
Because SCIP is financed using the proceeds of general obligation (GO) bonds, funding for the program is appropriated in the capital budget. Enacted in June 2022, H.B. 687 of the 134th General Assembly included appropriations of \$400 million for SCIP loans and grants during the FY 2023-FY 2024 capital biennium. This was coupled with \$383.2 million in reappropriations contained in H.B. 597, which was enacted in March 2022. In addition, those two bills also provided \$228.7 million for SCIP revolving loans, funded by the principal and interest income from local government loan repayments.

SCIP awards

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

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

**SCIP Awards by Political Subdivision,
PY 34-PY 35 (\$648.6 million)**



The chart above shows how SCIP grants and loans were distributed in program year (PY) 34 and PY 35 (FY 2021-FY 2022) by type of political subdivision. The total distributed over this period was \$648.6 million. Cities received 44.6% (\$289.2 million) of the total. Counties were allocated 29.5% (\$191.6 million), villages were awarded 16.0% (\$103.7 million), townships were given 9.1% (\$58.9 million), and water and sewer districts got around 0.8% (\$5.2 million) in SCIP funding during this time frame. Looking at awards by project type, road projects totaled \$408.0 million (62.9%). Bridge projects were next, receiving awards of nearly \$71.3 million (11.0%). Water-related infrastructure funding amounted to approximately \$169.3 million (26.1%) of all SCIP funding over the two years.

SCIP operating costs (ALI 150321)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
Fund 7038 ALI 150321, State Capital Improvements Program – Operating Expenses					
\$873,875	\$789,773	\$719,602	\$964,874	\$986,116	\$971,376
% change	-9.6%	-8.9%	34.1%	2.2%	-1.5%

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

The increase in estimated FY 2023 spending in this line item from FY 2022 spending is attributable to PWC’s continued implementation and further development of the agency’s new information technology (IT) platform (Salesforce) to process applications and track PWC projects from award to completion. Since this project benefits all three PWC infrastructure programs (SCIP, LTIP, and COCP), the costs of the project are split among the operating line items of each program. SCIP’s share of these costs is allocated in the same proportion as PWC estimates its administrative resources are necessary to run the program, or roughly 60% of the agency’s administrative efforts.

DPWIC administration

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

Clean Ohio Conservation Program

COCP debt service (ALI 150904)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
GRF ALI 150904, Conservation General Obligation Bond Debt Service					
\$43,681,474	\$42,931,050	\$49,722,933	\$53,500,000	\$46,600,000	\$40,900,000
% change	-1.7%	15.8%	7.6%	-12.9%	-12.2%

GRF funding under this ALI covers debt service on the bonds issued to support all of three prongs of the Clean Ohio Conservation Program (COCP), including (1) PWC's greenspace component, (2) the Department of Natural Resources' (DNR) recreational trails program, and (3) the Department of Agriculture's (AGR) agricultural easement purchase program. Under sections 2o and 2q of Article VIII of the Ohio Constitution, up to \$400.0 million in GO bonds may be outstanding at any one time to support the Clean Ohio Conservation Program. The Constitution also requires that only \$50.0 million in bonds may be issued each year, plus the amount that could have been issued, but was not, in prior years. Thus far, the Ohio General Assembly has authorized a total of \$900.0 million in bonds, and of that amount, \$710.0 million has been issued. After the March 1, 2023 payment, approximately \$282.3 million in COCP debt is outstanding.

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

COCP operating costs (ALI 150403)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
Fund 7056 ALI 150403, Clean Ohio Conservation Operating					
\$294,847	\$265,602	\$218,293	\$314,201	\$328,705	\$323,792
% change	-9.9%	-17.8%	43.9%	4.6%	-1.5%

This ALI covers PWC's operating costs related to the greenspace component of COCP. The ALI is funded by bond proceeds and investment income earned from the Clean Ohio Conservation Fund (Fund 7056). COCP comprises about 20% of all administrative costs incurred by PWC. About 150 projects are managed at any one time. The Commission's administrative activities involve reviewing and approving project applications, executing funding agreements, disbursing funds, and providing technical assistance.

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

As with SCIP operating appropriations, the increase in COCP operating appropriations in FY 2023 and the upcoming biennium is attributable to PWC's development and implementation of a new IT platform to process applications and track PWC projects from award to completion. Since this project benefits all three PWC infrastructure programs (SCIP, LTIP, and COCP), the costs of the project are split among the operating line items of each program. COCP's share of these costs will ultimately cover 20% of total project costs and ongoing administrative costs.

Natural resource assistance councils administration

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