

LSC Greenbook

Analysis of the Enacted Budget

Transportation Budget Bill

(H.B. 53 of the 131st General Assembly)

Public Works Commission

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Legislative Service Commission
May 2015

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ATTACHMENT:

Budget Spreadsheet By Line Item

Public Works Commission

- Total transportation bill funding of \$116.4 million
- Over 98% of the funding supports grants to local governments for local road and bridge projects under LTIP

OVERVIEW

The Public Works Commission (PWC) acts as a public sector bank to administer grants and loans to local governments for infrastructure projects through two programs: the State Capital Improvement Program (SCIP) and the Local Transportation Improvement Program (LTIP). SCIP receives funding from General Obligation (GO) bonds issued by the state, while LTIP is funded by a portion of the motor vehicle fuel tax (one cent per gallon). PWC's administrative costs are paid for using interest income and bond proceeds. In addition to these infrastructure financing programs, the Commission administers a third grant funding initiative that provides grants to local governments and nonprofits for the conservation of green space under the Clean Ohio Conservation Program (COCP). The Commission employs a staff of ten.

PWC's programs and operations are funded under three appropriations bills enacted by the General Assembly. Table 1 below indicates the budget bills and time periods of funding associated with each of PWC's three programs.

Program	Use of Funding	Budget Bill		
		Capital (FY 2015-FY 2016)	Main Operating (FY 2016-FY 2017)	Transportation (FY 2016-FY 2017)
LTIP	Program/Administration			✓
SCIP	Program	✓		
	Debt Service		✓	
	Administration			✓
COCP	Program	✓		
	Debt Service/Administration		✓	

The capital budget bill for the FY 2015-FY 2016 biennium, H.B. 497 of the 130th General Assembly, was enacted in April 2014 and contained funding for subsidy assistance under SCIP and COCP. The transportation budget bill, H.B. 53 of the 131st General Assembly, provides funding to administer and award grants to local governments under LTIP, as well as funding for SCIP administrative expenses. The main operating budget bill, H.B. 64 of the 131st General Assembly, provides funding for the debt service on bonds issued for SCIP and COCP, as well as COCP administration.

PWC Appropriations under the Transportation Budget Bill

This Greenbook analysis concentrates on the funding for the two functions supported by funding in the transportation budget: (1) administering and issuing grants under LTIP, and (2) administering SCIP. PWC's transportation budget appropriation is \$57.2 million and \$59.2 million, respectively, in each year of the upcoming FY 2016-FY 2017 biennium. Of these amounts, approximately 98.5% in each fiscal year is for LTIP. The funding for these specific purposes is summarized in Table 2 below.

Program	FY 2015*	FY 2016	% Change FY 2015-FY 2016	FY 2017	% Change FY 2016-FY 2017
LTIP – Grants and Operating	\$52,296,555	\$56,289,020	7.6%	\$58,291,269	3.6%
SCIP – Operating Only	\$909,665	\$899,507	-1.1%	\$905,807	0.7%
TOTAL	\$53,206,220	\$57,188,527	0.0%	\$59,197,076	3.5%

*FY 2015 figures represent estimated expenditures.

H.B. 53 Provisions

SCIP Funding for Loans, Local Debt Support, and Credit Enhancements

The bill amends section 164.05 of the Revised Code to reduce the amount of SCIP funding that must be awarded each year in the form of loans, local debt support, or credit enhancements, from 20% of program year (PY) funding in current law to 15%, beginning in PY 30 (FY 2017). This would free up additional funding for grants under SCIP, with offsetting decreases in loan funding under the program. Beginning in FY 2017, PWC could have up to \$175 million per year available for SCIP awards, pending capital appropriations for the FY 2017-FY 2018 capital biennium and beyond. If the full \$175 million were available each year starting in FY 2017, this provision would enable another \$8.75 million to be awarded in grants annually. However, any decrease in loan funding would result in less future revenue from loan repayments deposited into the State Capital Improvements Revolving Loan Fund (Fund 7040), which is used to award additional loans for SCIP-eligible projects. The money in Fund 7040 is used for a separate capital appropriation in the capital budget bill for these loans, which are not included in the annual SCIP loan threshold for the standard SCIP projects.

Local Transportation Improvement Program Funding

As this bill primarily provides appropriations for LTIP's grant funding to local governments for road and bridge projects, an overview of the operation of the program and a brief analysis of recent program funding allocations may be useful. The mission of LTIP is to distribute financial assistance to counties, cities, townships, and villages for local road and bridge projects. LTIP grants are allocated annually on a per capita basis

to each of the 19 public works district integrating committees throughout the state, and may cover up to 100% of project costs.¹ Eligible costs include property and facility acquisition, engineering and design, and construction. Although the number of projects funded by LTIP varies each year, the funding levels in H.B. 53 are expected to provide for approximately 330 projects over the course of the FY 2016-FY 2017 biennium, which encompasses PYs 29 and 30 of LTIP.

The most recent years for which PWC has published summary data on the program are PY 26 and PY 27, corresponding to the FY 2013 and FY 2014 budget periods, respectively. Overall funding under LTIP during this span was \$146 million. County governments received 47.6% (\$69.4 million) of the total. Meanwhile, cities received 35.0% (\$51.1 million), townships received 14.0% (\$20.4 million), and villages received 3.4% (\$5.0 million) in LTIP grants during this timeframe. Broken down by project type, about \$122.2 million (83.7%) of the grant funding during these two program years went toward road projects, and approximately \$23.8 million (16.3%) funded bridge projects. In total, 353 total projects were awarded in this period, making the average LTIP assistance approximately \$413,577 per project.

SCIP and LTIP Administrative Costs

H.B. 53 includes approximately \$1.2 million in each fiscal year to fund the operating costs of LTIP and SCIP. At any given time, PWC maintains an active portfolio of approximately 1,400 ongoing SCIP projects and 350 ongoing LTIP projects. With the LTIP funding in the transportation budget, alongside the \$300 million in SCIP capital appropriations and \$69 million in SCIP revolving loan appropriations approved in the FY 2015-FY 2016 capital bill (Am. H.B. 497 of the 130th General Assembly), PWC expects to approve approximately 1,300 SCIP projects and approximately 330 LTIP projects for PY 29 and PY 30. PWC's responsibilities under these programs include providing technical assistance to the 19 district public works integrating committees and local governments, maintaining information systems such as the statewide infrastructure needs database, and preparing financial reports for use by auditors and local government officials. Additionally, PWC is engaged in an ongoing process of developing a new information technology (IT) platform that will update and improve the Commission's ability to manage a large amount of project and financial data.

Temporary Law Provisions

Temporary law in H.B. 53 continues policy from the previous biennium authorizing the Director of PWC to use investment earnings of the SCIP and LTIP funds for administrative costs incurred by the 19 individual public works district integrating committees. The provision limits the maximum amount available for disbursement to

¹ The allocation formula to the committees is outlined in section 164.14 of the Revised Code.

\$1,235,000 per fiscal year, and caps the amount each district may receive at \$65,000 per fiscal year.

Additionally, continuing temporary law authorizes the reappropriation of capital appropriations for local infrastructure projects in the Local Transportation Improvement Program Fund (Fund 7052) that remain unencumbered at the end of FY 2016 and FY 2017 to the following fiscal year. Finally, H.B. 53 allows the Director of PWC to request that the Director of Budget and Management temporarily transfer funds from the Local Transportation Improvement Fund (Fund 7052) to the State Capital Improvement Fund (Fund 7038) and the Clean Ohio Conservation Fund (Fund 7056). The Director of Budget and Management may approve these transfers only if they are needed for capital outlays involving bonds or notes. The bill requires any transfers to be reported to the Controlling Board.

ANALYSIS OF ENACTED BUDGET

H.B. 53 includes the following PWC appropriations in the table below. The Local Transportation Improvement Program (LTIP) is funded by a portion of the revenue generated by the state motor fuel tax of 28 cents per gallon. Specifically, the amount transferred to the Local Transportation Improvement Program Fund (Fund 7052) and used for LTIP represents one cent of the tax per gallon. The bill also includes funding for the operating expenses of the State Capital Improvements Program (SCIP), which are covered by interest income and a portion of SCIP bond proceeds.

H.B. 53 Appropriations for PWC				
Fund		ALI and Name	FY 2016	FY 2017
Dedicated Purpose Fund Group				
7052	150701	Local Transportation Improvement Program	\$56,000,000	\$58,000,000
7052	150402	Local Transportation Improvement Program – Operating	\$289,020	\$291,269
Dedicated Purpose Fund Group Subtotal			\$56,289,020	\$58,291,269
Capital Projects Fund Group				
7038	150321	State Capital Improvements Program – Operating Expenses	\$899,507	\$905,807
Capital Projects Fund Group Subtotal			\$899,507	\$905,807
Total Funding: Aid to Local Governments			\$57,188,527	\$59,197,076

Local Transportation Improvement Program (150701)

This line item provides the funding necessary for LTIP to distribute financial assistance to counties, cities, townships, and villages for local road and bridge projects. LTIP grants are allocated annually on a per capita basis to each of the 19 public works district integrating committees throughout the state, and may cover up to 100% of project costs.² Eligible costs include property and facility acquisition, engineering and design, and construction. Although the number of projects funded by LTIP varies from year to year, the funding levels in H.B. 53 are expected to provide for approximately 330 projects over the course of the FY 2016-FY 2017 biennium, which encompasses PYs 29 and 30 of LTIP. The appropriations to this line item of \$56 million in FY 2016 and \$58 million in FY 2017 are a \$4 million and \$6 million increase, respectively, above estimated FY 2015 spending of \$52 million. The Local Transportation Improvement Program Fund (Fund 7052) has received an average of approximately \$57.2 million per year in motor fuel tax revenue over the last four complete fiscal years, from FY 2011 to FY 2014.

² The allocation formula to the committees is outlined in section 164.14 of the Revised Code.

Local Transportation Improvement Program – Operating (150402)

Spending from this line item supports LTIP's administrative expenses, which are supported by investment income on revenues into Fund 7052. The fund earns investment income of around \$300,000 per year. H.B. 53 appropriates \$289,020 in FY 2016 and \$291,269 in FY 2017 to cover these costs. These amounts are approximately the same as estimated expenditures for FY 2015 and will allow the Commission to maintain current service levels under LTIP. Administrative expenses include those for project monitoring, processing disbursement requests, and maintaining PWC's information systems. LTIP comprises about 20% of the Commission's total administrative costs among the three infrastructure programs under its purview (the others are SCIP and COCP).

State Capital Improvements Program – Operating Expenses (150321)

This line item is the source of funding for the operating expenses incurred by SCIP. Using the proceeds of state-issued GO bonds, SCIP provides grants and loans to local governments for improvement of their infrastructure systems. Eligible SCIP projects include improvements to (1) roads, (2) bridges, (3) culverts, (4) water supply systems, (5) wastewater systems, (6) storm water collection systems, and (7) solid waste disposal facilities.

PWC's costs to administer SCIP have historically been paid by investment income from the bond proceeds; however, some administrative costs are covered directly from bond proceeds. The transportation budget bill provides \$899,507 in FY 2016 and \$905,807 in FY 2017 to administer SCIP, comparable to the \$909,665 in estimated spending for this purpose in FY 2015. The majority of this funding is used for personnel and supplies and maintenance. Overall, SCIP administration comprises about 60% of the Commission's total operating costs. As with LTIP, administrative functions supported by this line item include reviewing and approving disbursement requests, providing ongoing technical assistance to district public works integrating committees, project monitoring, and maintaining PWC's statewide infrastructure needs database.

The appropriations will allow PWC to administer PY 29 and PY 30 of SCIP, authorized by sections 2p and 2s within Article VIII of the Ohio Constitution, respectively. Under these provisions, the state may issue up to \$150 million per year in bonds for SCIP between PY 25 and PY 29, then \$175 million annually from PY 30 to PY 34. H.B. 497 of the 130th General Assembly, the capital budget act for FY 2015 and FY 2016, appropriated \$300 million for SCIP, or \$150 million for each fiscal year. Given the increased bonding authority effective in PY 30, SCIP would be eligible for additional funding in the next capital budget bill, which would authorize appropriations for the FY 2017-FY 2018 capital biennium.

FY 2016 - FY 2017 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

Line Item Detail by Agency			FY 2014	Estimate FY 2015	Appropriation FY 2016	FY 2015 to FY 2016 % Change	Appropriation FY 2017	FY 2016 to FY 2017 % Change
Report For Transportation Budget			Version: As Enacted					
PWC Public Works Commission								
7052	150402	Local Transportation Improvement Program - Operating	\$ 243,873	\$ 296,555	\$ 289,020	-2.54%	\$ 291,269	0.78%
7052	150701	Local Transportation Improvement Program	\$ 61,778,883	\$ 52,000,000	\$ 56,000,000	7.69%	\$ 58,000,000	3.57%
Dedicated Purpose Fund Group Total			\$ 62,022,756	\$ 52,296,555	\$ 56,289,020	7.63%	\$ 58,291,269	3.56%
7038	150321	State Capital Improvements Program - Operating Expenses	\$ 779,826	\$ 909,665	\$ 899,507	-1.12%	\$ 905,807	0.70%
Capital Projects Fund Group Total			\$ 779,826	\$ 909,665	\$ 899,507	-1.12%	\$ 905,807	0.70%
Public Works Commission Total			\$ 62,802,582	\$ 53,206,220	\$ 57,188,527	7.48%	\$ 59,197,076	3.51%