

Greenbook
LSC Analysis of Enacted Budget

Transportation Budget Bill

(H.B. 26 of the 132nd General Assembly)

Public Works Commission

Tom Middleton, Senior Budget Analyst

Legislative Service Commission

July 2017

TABLE OF CONTENTS

OVERVIEW	1
ANALYSIS OF ENACTED BUDGET	2
Local Transportation Improvement Program	2
Overview of LTIP	2
LTIP Grants (150701)	2
LTIP Operating Costs (150402)	4
H.B. 26 Provisions	4
MFT Distributions for LTIP	4
LTIP – Financial Management	4
SCIP Allocations.....	5
SCIP Bond Issuance Authority.....	5

ATTACHMENT:

Budget in Detail – Public Works Commission

Public Works Commission

- Transportation budget bill funding of \$124.6 million for the Local Transportation Improvement Program (LTIP) in the biennium
- LTIP grants are 99.5% of the appropriations, with the remaining 0.5% for PWC's LTIP operating costs

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 infrastructure bonds, while LTIP is funded by a portion of revenue from the Ohio motor fuel tax. In addition to these infrastructure financing programs, the Commission administers a third funding initiative that provides grants to local governments and nonprofits for the conservation of green space under the Clean Ohio Conservation Program (COCP), which is funded by general obligation (GO) bonds. PWC's administrative costs are paid for using interest income and some revenue from bond proceeds. As of April 2017, the Commission employed a staff of nine.

Because the revenue source that funds LTIP is a portion of the state's motor fuel tax, the money generated for that program is appropriated under the transportation budget. Money for the two bond-funded programs overseen by PWC, the SCIP and COCP initiatives, is appropriated under the capital budget, while the debt service on the bonds and funding for administering SCIP and COCP is appropriated under the main operating budget. The table below indicates the budget bills and time periods of funding associated with each of PWC's programs.

PWC Programs and the Budget Bills that Fund Them				
Program	Use of Funding	Budget Bill		
		Transportation (FY 2018-FY 2019)	Main Operating (FY 2018-FY 2019)	Capital (FY 2017-FY 2018)
LTIP	Program/Administration	✓		
SCIP	Program			✓
	Debt Service/Administration		✓	
COCP	Program			✓
	Debt Service/Administration		✓	

The capital budget bill for the FY 2017-FY 2018 biennium, S.B. 310 of the 131st General Assembly, was enacted in May 2016. The main operating budget bill is H.B. 49 of the 132nd General Assembly, enacted at the end of June 2017.

ANALYSIS OF ENACTED BUDGET

Local Transportation Improvement Program

PWC's appropriations under H.B. 26 provide funding for the Local Transportation Improvement Program (LTIP). Altogether, H.B. 26 provides funding of approximately \$62.3 million in each fiscal year of the FY 2018-FY 2019 biennium for this purpose. Of the total, around 99.5% in each fiscal year is for grants, while the remaining 0.5% covers PWC's costs for operating the program.

H.B. 26 Appropriations for LTIP				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
7052	150701	Local Transportation Improvement Program	\$62,000,000	\$62,000,000
7052	150402	Local Transportation Improvement Program – Operating	\$297,076	\$298,340
Dedicated Purpose Fund Group Subtotal			\$62,297,076	\$62,298,340
Total Funding: LTIP			\$62,297,076	\$62,298,340

Overview of LTIP

LTIP is funded by a portion of the revenue generated by the Ohio motor fuel tax (MFT). The Ohio Constitution requires that all revenue from the Ohio MFT be spent on road and bridge construction, maintenance, and related costs. As such, LTIP provides grant funding to local governments for road and bridge projects. PWC's share of MFT revenue is deposited into the Local Transportation Improvement Program Fund (Fund 7052). Total FY 2016 receipts into Fund 7052 were \$61.5 million.

LTIP Grants (150701)

Although the number of projects funded by LTIP varies from year to year, PWC anticipates that funding under H.B. 26 will provide financing for approximately 330 projects over the course of the FY 2018-FY 2019 biennium. This encompasses program year (PY) 31 and PY 32 of LTIP. The transportation budget bill funds this line item at \$62 million in each year of the FY 2018-FY 2019 biennium, a 6.9% increase over the \$58 million appropriation for FY 2017, the current fiscal year. Since FY 2011, Fund 7052 has maintained a balance above \$100 million to be carried over to the next fiscal year.

Grant Application Process

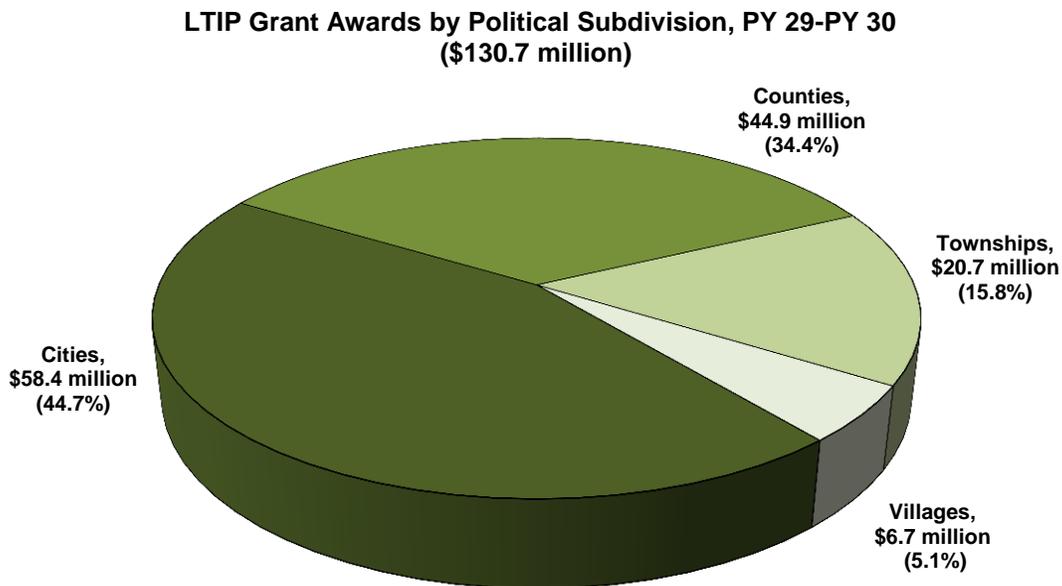
LTIP funding is allocated annually by statutory formula outlined under R.C. 164.14 on a per capita basis to each of the 19 district public works integrating committees (DPWICs) across the state, and may cover up to 100% of project costs.

DPWICs consist of local officials representing all levels of government. 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. Then, each application is reviewed for completeness and project eligibility. After all requirements are met on the district level and the application is approved, 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.

Grant Awards in Recent Years

The chart below shows the distribution of LTIP grants to political subdivisions during the PY 29 and PY 30 period, which corresponds with the FY 2016-FY 2017 budget biennium. Overall LTIP grant awards during this span totaled \$130.7 million. Cities received the highest share of grants, at 44.7% (\$58.4 million) of the total, while counties followed with 34.4% (\$44.9 million). Townships and villages together made up the remaining 20.9% (\$27.3 million) awarded.



Broken down by project type, about \$107.1 million (81.9%) of the grant funding during these two program years is for road projects, and approximately \$23.6 million (18.1%) is for bridge projects. In all, there were 350 LTIP projects awarded over the two-year period, averaging about \$373,000 per project.

LTIP Operating Costs (150402)

Appropriation item 150402 supports LTIP's administrative expenses, which are funded by investment income generated by receipts in Fund 7052. H.B. 26 includes appropriations of \$297,076 and \$298,340 in FY 2019 to cover these costs, including project monitoring, processing disbursement requests, maintaining PWC's information systems, and preparing financial reports. Overall, LTIP comprises about 20% of the Commission's total administrative costs among the three infrastructure programs under its purview, the others being the State Capital Improvement Program (SCIP) and the green space component under the Clean Ohio Conservation Program (COCP). At any given time, PWC maintains an active portfolio of approximately 350 ongoing LTIP projects. Under H.B. 26, PWC expects to approve around 330 LTIP projects for PY 31 and PY 32.

H.B. 26 Provisions

MFT Distributions for LTIP

H.B. 26 alters the way that proceeds from the overall 28 cents per gallon MFT are distributed to various state entities and political subdivisions effective January 1, 2018. Nevertheless, these changes are ultimately revenue neutral and will not affect the amounts distributed, including the amounts designated for PWC. Under current law there are five levies that make up the state's 28 cents per gallon MFT. Each of these five levies distributes the MFT to various state entities and political subdivisions in different increments. H.B. 26 consolidates this distribution of revenue under one levy, effective January 1, 2018. Until the change made in H.B. 26, the share designated for LTIP was one cent per gallon. That share is now calculated as a percentage of the overall levy under the language set out in R.C. 5735.051. The practical fiscal effect of these changes for PWC is minimal because given current estimates of the distributions under the new, consolidated levy, the share for PWC appears to be very nearly 3.6% of all MFT revenue, an amount equivalent to one cent of the overall 28 cents/gallon MFT as established under the prior revenue distribution method.

LTIP – Financial Management

Temporary law in H.B. 26 authorizes the reappropriation of appropriations for local infrastructure projects in the Local Transportation Improvement Program Fund (Fund 7052) that remain unencumbered at the end of both FY 2017 and FY 2018 to the following fiscal year. Additionally, the bill allows the Director of PWC to request that

the Director of Budget and Management temporarily transfer funds from 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 temporary transfers only if they are needed for capital outlays involving bonds or notes that are to be issued under the SCIP and COCP programs. The bill requires any transfers to be reported to the Controlling Board.

SCIP Allocations

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 15% of PY funding in current law to 10%, beginning in PY 32 (coinciding with FY 2019). This would free up additional funding for grants under SCIP, with offsetting decreases in loan funding under the program. In FY 2019, PWC will have up to \$175 million per year available for SCIP awards, pending capital appropriations for the FY 2019-FY 2020 capital biennium. If the full \$175 million were available each year starting in FY 2019, this provision would enable another \$8.75 million to be awarded in grants annually. Additionally, starting in FY 2022 and going through FY 2026, up to \$200 million will be available for SCIP annually; thus \$10 million in extra SCIP grant funding could be awarded because of this provision.

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.

SCIP Bond Issuance Authority

The bill amends section 245.20 of S.B. 310 of the 131st General Assembly, the capital budget bill for the FY 2017-FY 2018 biennium, to increase the amount of general obligation (GO) bond debt that may be issued to support SCIP, from \$332 million plus any prior amounts authorized, to \$350 million plus any prior amounts authorized. This provision enables the state to issue the full amount of debt allowed under the Ohio Constitution for FY 2017 and FY 2018, which equals \$175 million per fiscal year, plus the amount of debt in prior years that could have been, but was not, issued.

FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2016	Estimate FY 2017	Appropriations FY 2018	FY 2017 to FY 2018		Appropriations FY 2019	FY 2018 to FY 2019	
						\$ Change	% Change		\$ Change	% Change
Report For Transportation Budget			Version: As Enacted							
PWC	Public Works Commission									
7052	150402	Local Transportation Improvement Program - Operating	\$ 233,139	\$ 283,323	\$ 297,076	\$ 13,753	4.85%	\$ 298,340	\$ 1,264	0.43%
7052	150701	Local Transportation Improvement Program	\$ 67,647,190	\$ 58,000,000	\$ 62,000,000	\$ 4,000,000	6.90%	\$ 62,000,000	\$ 0	0.00%
Sub-Total Dedicated Purpose Fund Group			\$ 67,880,329	\$ 58,283,323	\$ 62,297,076	\$ 4,013,753	6.89%	\$ 62,298,340	\$ 1,264	0.00%
Public Works Commission Total			\$ 67,880,329	\$ 58,283,323	\$ 62,297,076	\$ 4,013,753	6.89%	\$ 62,298,340	\$ 1,264	0.00%
Grand Total			\$ 67,880,329	\$ 58,283,323	\$ 62,297,076	\$ 4,013,753	6.89%	\$ 62,298,340	\$ 1,264	0.00%