

School Facilities Commission

- Support debt service obligations through general obligation debt service
- Maintain an adequate administrative structure to support state school construction programs

OVERVIEW

The Ohio School Facilities Commission was created in Amended Substitute Senate Bill 102 of the 122nd General Assembly and charged with providing funding, management oversight, and assistance for the construction and renovation of public school facilities. Since its inception, the Commission has received nearly \$3.0 billion in capital appropriations and now manages four school construction and renovation programs. Capital project funds have come from two sources: 1) GRF surplus funds for respective fiscal years; and 2) bond proceeds, with appropriations for these purposes made in both operating and capital bills. Presently, the Commission employs 54 full-time equivalent staff (FTE's) who will have provided support in disbursing a projected \$200 million in renovation and construction assistance by the end of FY 1999.

In the FY 2002/2003, there will be three major areas of operational expenditures for the Commission. These areas are supported by three line items. Line item 230-428, Lease Rental Payments, and line item 230-908, Common Schools General Obligation Debt Service, are funded via the General Revenue Fund. Line item 230-908 is a new line item authorized by a 1999 constitutional amendment that permits general obligation debt for the purpose of paying the costs of capital facilities for a system of common schools throughout the state. Operating expenses for the Commission are located in line item 230-644, which is funded through Fund 5E3, Ohio School Facilities Commission Fund. Fund 5E3 is supported by various streams of revenues, with the most notable being interest generated from Fund 021, the Public School Building Fund and Fund 032, the School Building Assistance Fund.

Under the executive recommendation, the Commission would receive appropriations of \$84,160,621 in FY 2002 and \$99,400,366 in FY 2003. Of the proposed appropriations, the overwhelming majority (92.8 percent in FY 2002 and 93.6 percent in FY 2003) would be dedicated to debt service payments appropriated through the Lease Rental Payments and Common Schools General Obligation Debt Service line items. Specifically, based on the recommendation, Lease Rental Payment appropriations would be set at \$41,645,300, a decrease of 0.3 percent from FY 2001, and \$37,654,300 in FY 2003, a decrease of 9.6 percent from FY 2002. Common School General Obligation Debt Service appropriations would be set at \$36,418,800 in FY 2002 and \$55,336,300 in FY 2003, a 51.9 percent increase over FY 2002. The

Operating Expenses line item meanwhile would receive \$6,096,521 in FY 2002 and \$6,409,766 in FY 2003, an increase of 16.6 and 5.1 percent respectively. Moneys appropriated to the Operating Expenses would support the cost of administering the various school construction programs placed under the supervision of the Commission including additional staffing, material, and office space. Funding in this line item would also allow the Commission to grant pay raises at up to 5 percent per employee.

Operating Priorities for the Biennium

The main priority of the Commission for the upcoming biennium focuses on maintaining an adequate administrative structure to implement the numerous state school construction and renovation programs. In maintaining what the executive believes would be an adequate administrative structure for the Commission, proposed funding would support the addition of two project administrators to assist in the implementation of the Expedited Local Partnership Program, and one project administrator and one project coordinator to assist in the implementation of the Accelerated Urban Program.

New Initiatives

The Governor announced in September 2000 that, within the next 12 years, every Ohio school district will have its facility needs fully addressed. This plan was enacted in Amended Substitute Senate Bill 272 of the 123rd General Assembly, which amended and expanded the Classroom Facilities Assistance Program (CFAP). Even though this act did not become effective until September 2000, the Commission began developing guidelines for the program in summer 2000. Some of the major provisions of the act include:

1. Amending the existing Expedited Local Partnership Program by opening eligibility to all districts that would not be served under the CFAP during the next two years;
2. Requiring the Commission to begin assessing the six urban districts not yet eligible for assistance under CFAP in FY 2001;
3. Permitting the Commission to set aside up to 25 percent of moneys appropriated to it to assist low wealth school districts that would not be served by CFAP prior to June 30, 2002 with urgently needed classroom facility improvements; and
4. Permitting districts to use the proceeds from any of the following sources to support their local share of basic project costs: 1) existing general ongoing improvements levy; 2) school district income tax; 3) ending year operating balances or letter of credit, with the approval of the Commission in consultation with the Department of Education; 4) local donations; or 5) combination of any of the above.

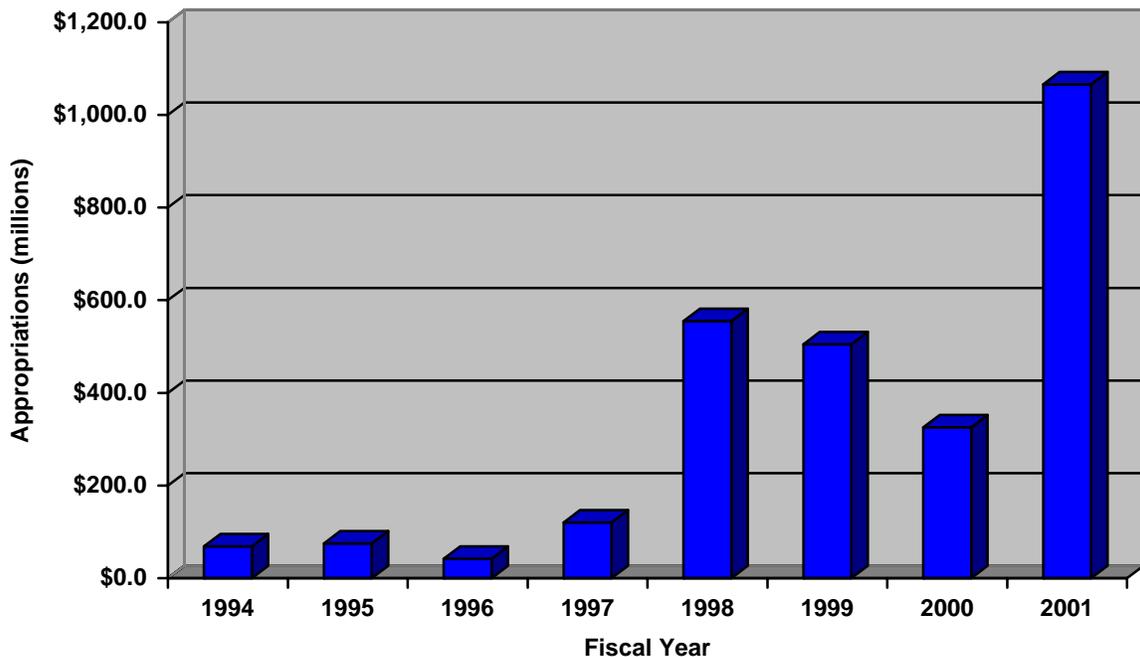
The act also included large expenditures in Fund 021, Public School Buildings Fund, over the next several years (ranging from \$19,000,000 to \$25,000,000).

ADDITIONAL FACTS AND FIGURES

School Facilities Commission Staffing Levels						
Type	1998	1999	2000	2001	Estimated	
					2002	2003
Administration/Finance/IT	7.5	8.5	7	9	9	9
Support Staff	4	5	6	14	14	14
Planning and Project Management	7	8	15	31	36	36
Totals	18.5	21.5	28	54	59	59

The Commission currently employs 54 FTE's and requests the addition of five positions in FY 2002. Prior to the creation of the Commission in late FY 1998, the scale of the state's school facilities program was much smaller and was administered by five employees within the Department of Education.

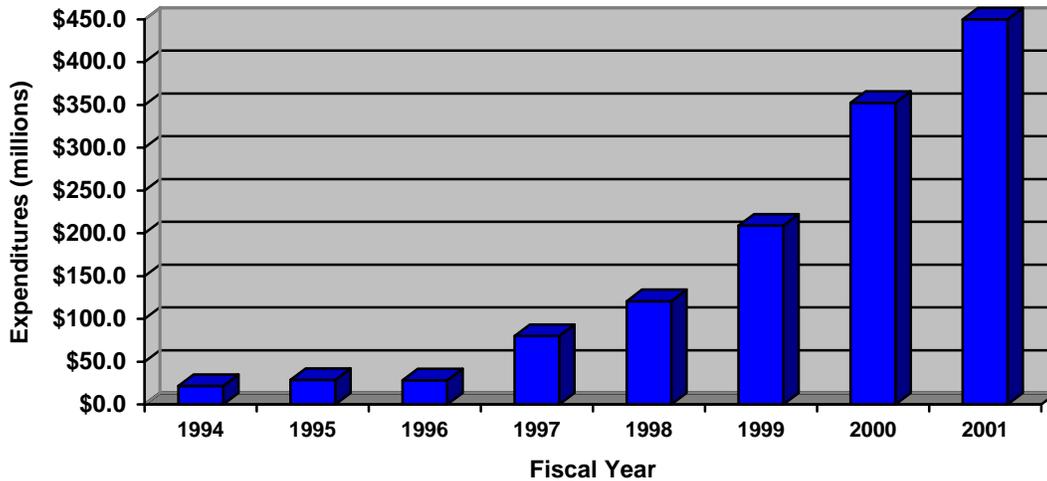
School Facilities Capital Appropriations



- Since FY 1994 the state has appropriated nearly \$3 billion in capital assistance for primary and secondary school facilities. This amount includes \$462.8 million appropriated in FY 2001 from the tobacco budget. During the period of fiscal years 1957 to 1993, the state appropriated nearly \$194.2 million in capital assistance and addressed facilities in 95 school districts.

- Prior to the creation of the Commission in Amended Substitute Senate Bill 102 of the 122nd General Assembly, the state's various school construction programs were administered by the Ohio Department of Education. Since the creation of the Commission in 1998, the state has appropriated more than \$2.7 billion in capital funding for school repair, renovation, and construction.

School Facilities Capital Expenditures



- While the state has appropriated approximately \$2.7 billion since fiscal year 1994, approximately \$1.3 billion (48.1 percent of that amount) has actually been spent. During FY 2001, the Commission anticipates disbursing approximately \$450 million in facilities assistance to eligible school districts. As of February 2001, the Commission has disbursed \$274 million in facilities assistance.

ANALYSIS OF EXECUTIVE PROPOSAL

School Facilities Commission

Purpose Provide funding, management, oversight, and assistance for the construction and renovation of Ohio's public school facilities.

The following table shows the line items that are used to fund the School Facilities Commission, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
GRF	230-428	Lease Rental Payments	\$41,645,300	\$37,654,300
GRF	230-908	Common Schools G.O. Debt Service	\$36,418,800	\$55,336,300
5E3	230-644	Operating Expenses	\$6,096,521	\$6,409,766
Total funding: School Facilities Commission			\$84,160,621	\$99,400,366

Specific line items within the School Facilities Commission that this analysis will focus on include:

- **Lease Rental Payments**
- **Common Schools General Obligation Debt Service**
- **Operating Expenses**

Lease Rental Payments

Program Description: Appropriations for Lease Rental Payments represent the amounts anticipated to be needed to satisfy debt service obligations incurred by the state from the issuing of bonds for school building construction and renovation. The legal authority for Lease Rental Payments is provided in sections 3318.01 to 3318.20 of the Ohio Revised Code.

Funding Source: GRF

Line Item: 230-428, Lease Rental Payments

Implication of the Executive Recommendation: The executive recommendation permits the Commission to meet debt service obligations incurred from bonds issued to construct and renovate school facilities. The executive recommendation for FY 2002 is \$41,645,300, a 0.3 percent decrease from FY 2001, and for FY 2003 is \$37,654,300, a 9.6 percent decrease from FY 2002. Funding for this line item is decreasing because no new debt is being issued. New debt will be repaid by line item 230-908, Common Schools G.O. Debt Service.

Permanent and Temporary Law: Temporary law limits the amount of all lease payments required to be made during the period from July 1, 2001 to June 30, 2003 to \$76,299,600.

Common Schools General Obligation Debt Service

Program Description: State Issue 1 in November 2000 created general obligation funds for education. The debt service for school construction projects is paid via an intrastate transfer from the Commissioners of the Sinking Fund (Fund 078, line item 155-908, Common Schools Bond Retirement Fund).

Funding Source: GRF

Line Item: 230-908, Common Schools G.O. Debt Service

Implication of the Executive Recommendation: The executive recommendation for FY 2002 is \$36,418,800 and in FY 2003 is \$55,336,300 (a 51.9 percent increase over FY 2002 funding). This is a new line item for this biennium and it supports debt service for debt now being issued under State Issue 1.

Permanent and Temporary Law: Temporary law requires the Office of the Sinking Fund or the Director of Budget and Management to effectuate required debt service and financing costs between July 1, 2001 and June 30, 2003 via an intrastate transfer voucher.

Operating Expenses

Program Description: The Operating Expenses line item supports implementation and administration of the Commission's school building repair, renovation, and construction programs. Specifically, Operating Expenses supports the evaluation of public school facilities, the preparation of building design specifications, the provision of project management services, and other purposes deemed necessary and consistent with the statutorily defined mission of the Commission.

Funding Source: Fund 5E3

Line Item: 230-644, Operating Expenses

Implication of the Executive Recommendation: The executive fully funds the Commission's request for this line item. The executive recommends funding in the amount of \$6,096,521 in FY 2002, a 16.6 percent increase over FY 2001, and \$6,409,766 in FY 2003, a 5.1 percent increase over FY 2002. This will allow the Commission to add 4 new positions to staff the Expedited Local Partnership and Accelerated Urban School Building Assistance Programs. It will also support pay raises and space needs for the upcoming biennium.

Permanent and Temporary Law: Temporary law requires the Executive Director of the Commission to certify the amount of cash to be transferred from Fund 032, School Building Assistance Fund, or Fund 021, Public School Building Fund, to Fund 5E3, Ohio School Facilities Commission Fund.

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the Commission's activities and spending decisions during the next biennium.

Permanent Law Provisions

There are no permanent law provisions with fiscal effects on this agency.

Temporary Law Provisions

Lease Rental Payments (section 10)

This provision limits the aggregate amount of all lease payments required to be made during the period from July 1, 2001 to June 30, 2003 to \$79,299,600.

Common Schools General Obligation Debt Service (section 10)

This provision requires the Office of the Sinking Fund or the Director of Budget and Management to effectuate required debt service and financing costs between July 1, 2001 and June 30, 2003. Payment of the debt service is to be made through an intrastate transfer voucher from the Commissioners of the Sinking Fund budget. The line item from which the funds are to be transferred is 155-908, Common Schools Bond Retirement Fund.

Operating Expenses (section 10)

This provision requires the Executive Director of the Commission to certify the amount of cash to be transferred from Fund 032, School Building Assistance Fund, or Fund 021, Public School Building Fund, to Fund 5E3, Ohio School Facilities Commission Fund.

School Facilities Encumbrances and Reappropriation (section 10)

This provision states that the Executive Director of the Commission can request that the Director of Budget and Management cancel encumbrances for school district projects from a previous biennium if the local district has not raised its share of the project within one year of Controlling Board approval.

Disability Access Projects (section 10)

This provision requires the Commission to adopt rules that award grants to school districts with a valuation per pupil of less than \$200,000 to be used for construction, reconstruction, renovation projects in classroom facilities for the purpose of improving access to such facilities by physically handicapped persons. Each grant is limited to \$100,000. In this biennium, the Executive has recommended that the funding for this line item be eliminated.

Extreme Environmental Contamination of School Facilities (section 10.01)

This provision allows the Commission to provide assistance under the Exceptional Needs Pilot Program to any school district, regardless of wealth, for the purpose of the relocation or replacement of school

facilities required as a result of extreme environmental contamination. If any restitution funds are provided to the school district (either federal funds or private funds), then the school district must use those funds in excess of its share to refund the state for the state's contribution to the environmental contamination portion of the project. This provision was also contained in Section 10.02 H.B. 282 of the 123rd General Assembly (the education budget bill).

Canton City School District (section 10.02)

This provision allows the Commission to commit up to \$35,000,000 to the Canton City School District for construction of a facility in lieu of a high school that would otherwise be authorized under Chapter 3318. of the Revised Code. This facility is to serve both secondary and postsecondary instructional purposes. This provision was also contained in Section 36 H.B. 282 of the 123rd General Assembly (the education budget bill).

REQUESTS NOT FUNDED

Disability Access Project						
Fund Line Item	FY 2002 Requested	FY 2002 Recommended	Difference	FY 2003 Requested	FY 2003 Recommended	Difference
018 230-649	\$71,280	\$0	(\$71,280)	\$73,062	\$0	(\$73,062)

The School Facilities Commission requested funding that would be used for capital improvements related to disability access projects. The Commission uses funds from two separate line items to fund these projects, 230-649, Disability Access Projects, and CAP-777, Disability Access Projects. The bulk of the funding for these projects comes from line item CAP-777.

LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	Revised Estimated 2001	As Introduced 2002	House Passed 2002	% Change Est. 2001 to House 2002	As Introduced 2003	House Passed 2003	% Change House 2002 to House 2003
SFC School Facilities Commission									
GRF	230-428	Lease Rental Payments	\$41,750,000	\$ 41,645,300	\$ 41,645,300	-0.3%	\$ 37,654,300	\$ 37,654,300	-9.6%
GRF	230-908	Common Schools G. O. Debt Service	\$0	\$ 36,418,800	\$ 36,418,800	N/A	\$ 55,336,300	\$ 55,336,300	51.9%
General Revenue Fund Total			\$ 41,750,000	\$ 78,064,100	\$ 78,064,100	87.0%	\$ 92,990,600	\$ 92,990,600	19.1%
5E3	230-644	Operating Expenses	\$5,228,277	\$ 6,096,521	\$ 6,096,521	16.6%	\$ 6,409,766	\$ 6,409,766	5.1%
State Special Revenue Fund Group Total			\$ 5,228,277	\$ 6,096,521	\$ 6,096,521	16.6%	\$ 6,409,766	\$ 6,409,766	5.1%
018	230-649	Disability Access Project	\$69,746	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
Lottery Profits/Education Fund Group Total			\$ 69,746	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
Total All Budget Fund Groups			\$ 47,048,023	\$ 84,160,621	\$ 84,160,621	78.9%	\$ 99,400,366	\$ 99,400,366	18.1%

General Revenue Fund

GRF 230-428 Lease Rental Payments

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$23,289,696	\$58,472,048	\$41,689,513	\$41,750,000	\$41,645,300	\$37,654,300
	151.1%	-28.7%	0.1%	-0.3%	-9.6%

Source: GRF

Legal Basis: ORC 3318.01 to ORC 3318.20

Purpose: These funds are used to pay for any debt service incurred by the Treasurer of State from the issuance of non-general obligation bonds to fund school building improvements. Debt service paid from this line item must have been issued prior to FY 2000.

GRF 230-908 Common Schools G. O. Debt Service

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$0	\$0	\$36,418,800	\$55,336,300
	N/A	N/A	N/A	N/A	51.9%

Source: GRF

Legal Basis: 1999 constitutional amendment

Purpose: A 1999 constitutional amendment authorized general obligation debt, in amounts authorized by the General Assembly, to be issued for the purpose of paying costs of capital facilities for a system of common schools throughout the state. The debt service is paid via an intrastate transfer from the Commissioners of the Sinking Fund (Fund 078, line item 155-908, Common Schools Bond Retirement Fund).

State Special Revenue Fund Group

5E3 230-644 Operating Expenses

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$2,064,392	\$1,906,073	\$2,385,980	\$5,228,277	\$6,096,521	\$6,409,766
	-7.7%	25.2%	119.1%	16.6%	5.1%

Source: SSR: Transfers of moneys authorized by the GA, grants and other revenues per ORC 3318.31 and investment earnings.

Legal Basis: ORC 3318.

Purpose: To evaluate school facilities, prepare building design specifications, provide project management services, and other purposes deemed necessary by the commission, consistent with ORC 3318.

Lottery Profits/Education Fund Group

018 230-649 Disability Access Project

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$74,580	\$2,292,594	\$2,563,080	\$69,746	\$0	\$0
	2974.0%	11.8%	-97.3%	-100.0%	N/A

Source: LPE: Lottery Profits Education Reserve Fund

Legal Basis: Created in Am. Sub. 215, 122nd G.A., transferred to School Facilities Commission in Am. Sub. H.B. 650, 122nd G.A.

Purpose: This line item funds the awarding of grants to school districts with valuations-per-pupil of less than \$200,000. Moneys are used for construction, reconstruction or renovation projects in classroom facilities in order to improve access to such facilities by physically handicapped persons. For this biennium, the Executive has recommended to eliminate funding for this line item.

As Introduced

As Passed by the House

Permanent Law Changes**Subject: School District Debt Ceiling for School Facilities Assistance****section: 133.06**

No provision.

Permits a school district to exceed the 9% debt limitation if the additional debt is necessary to raise the district's share of a building project under the state's School Facilities Assistance Program. The Ohio School Facilities Commission must notify the state Superintendent of Public Instruction whenever a school district exceeds the 9% limit.

As Introduced

As Passed by the House

Permanent Law Changes**Subject: School Facilities Assistance - Maintenance Levy Requirements****sections: 3318.04, 3318.05, 3318.052, 3318.055, 3318.06
3318.06, 3318.08, 3318.081, 3318.12, 3318.13,
3318.14, 3317.17, 3318.36, 3318.361, 3318.362
3318.37, 3318.38**

No provision.

Repeals the requirement that a district generate any specific moneys for the maintenance of the facilities acquired under the project to acquire classroom facilities. Currently, under most of the programs providing state assistance to school districts to acquire classroom facilities, a school district must provide a calculated local share of the project costs through the issuance of bonds or dedication of other school district resources for that purpose. In addition, a district must either levy an additional 23-year half-mill tax or earmark other existing taxes in an amount equal to that tax to pay for maintenance of the facilities acquired under the district's project. The bill also permits any district for which the voters have already approved the maintenance tax to use the proceeds from such tax for the maintenance of any district classroom. These provisions apply to the Classroom Facilities Assistance Program, the Expedited Local Partnership Program, the Exceptional Needs Program, and the Accelerated Urban Program.

As Introduced

As Passed by the House

Permanent Law Changes**Subject: Additional Work Under the Classroom Facilities Assistance Program****section: 3318.04**

No provision.

Permits a district whose project is under construction and that meets prescribed conditions related to the discovery of oversights or deficiencies in the initial assessment or plan to receive additional assistance to correct those conditions.

If a school district is unable to meet its portion of the additional cost, then the School Facilities Commission will enter into an agreement with the school district whereby the state will pay the portion of the increase (interest-free). The school district will then be required to reimburse the state within five years.

Subject: Ohio School Facilities Commission Executive Director and Other Employees**section: 3318.31**

Requires the Commission to employ and fix the compensation of an executive director who in turn is authorized to employ and fix the compensation of subordinate employees who serve at the pleasure of the director. This provision has no fiscal effect.

No change.

As Introduced

As Passed by the House

Permanent Law Changes**Subject: Expedited Local Partnership Program****section: 3318.363**

No provision.

Requires the School Facilities Commission to calculate or recalculate a district's share by determining the percentile rank in which the district would be located if such ranking was made using the adjusted valuation per pupil applicable to the current year for districts that have experienced a 10% or greater decrease in tax valuation due to a decrease in the assessment rate of taxable property of an electric company (as provided in Am. Sub. S.B. 3 of the 123rd General Assembly). Under the School Building Assistance Expedited Local Partnership Program, school districts that are not yet eligible for state assistance are permitted to apply the expenditure of local resources on the acquisition of classroom facilities approved by the Commission toward their portion of their districtwide projects when they eventually become eligible for state assistance. Current law provides that the Commission must determine the cost of the district's total classroom facilities needs and then calculate the school district portion of that cost using a "required level of indebtedness," based on the district's debt, or its "required percentage," based on a district's percentile rank according to three-year average adjusted valuation per pupil.

As Introduced

As Passed by the House

Permanent Law Changes**Subject: Loan Guarantee Program for Start-Up Community Schools****section: 3318.50**

No provision.

Creates a loan guarantee program to be administered by the School Facilities Commission (SFC) so that start-up community schools may apply for loan guarantees from SFC for up to 15 years to assist in the acquisition of classroom facilities. SFC is required to adopt, in consultation with the Department of Education Office of School Options, specifications for community school facilities.

SFC is required to set aside \$10,000,000 of its capital appropriations in fiscal year 2002 to be deposited into a special fund that is established for this program.

As Introduced

As Passed by the House

Temporary Law Changes**Subject: Lease Rental Payments****Section: 10****ALI: 230-428**

Limits the aggregate amount of all lease payments required to be made during the period from July 1, 2001 to June 30, 2003 to \$79,299,600.

Section: 100

No change.

Subject: Common Schools General Obligation Debt Service**Section: 10****ALI: 230-908**

Requires the Office of the Sinking Fund or the Director of Budget and Management to effectuate required debt service and financing costs between July 1, 2001 and June 30, 2003. This payment shall be made via an intrastate transfer voucher.

Section: 100

No change.

As Introduced

As Passed by the House

Temporary Law Changes**Subject: Operating Expenses****Section: 10****ALI: 230-644**

Requires the Executive Director of the School Facilities Commission to certify to the Director of Budget and Management the amount of cash to be transferred from Fund 032, School Building Assistance Fund or Fund 021, Public School Building Fund, to Fund 5E3, Ohio School Facilities Commission Fund within 10 days of the effective date of the section.

Section: 100

No change.

Subject: School Facilities Encumbrances and Reappropriation**Section: 10**

Allows the Director of Budget and Management, at the request of the Executive Director of the School Facilities Commission, to cancel encumbrances for school district projects from a previous biennium if the district has not raised its local share of project costs within one year of Controlling Board approval. The Executive Director of the Commission shall certify the amounts of the canceled encumbrances to the Director of Budget and Management on a quarterly basis.

Section: 100

No change.

As Introduced

As Passed by the House

Temporary Law Changes

Subject: Disability Access Projects

Section: 10

Section: 100

ALI: 230-649

Reappropriates the unencumbered and unallotted balances of this appropriation item as of June 30, 2001. For disability access grants received prior to January 1, 1999, the Commission is authorized to transfer a portion of appropriation item CAP-622, Public School Buildings, to CAP-777, Disability Access Projects.

No change.

Subject: Extreme Environmental Contamination of School Facilities

Section: 10.01

Section: 163

Allows the School Facilities Commission to provide assistance under the Exceptional Needs Pilot Program to any school district, regardless of wealth, for the purpose of the relocation or replacement of school facilities required as a result of extreme environmental contamination.

No change.

As Introduced

As Passed by the House

Temporary Law Changes

Subject: Canton City School District

Section: 10.02

Allows the School Facilities Commission to commit up to \$35,000,000 to the Canton City School District for construction of a facility in lieu of a high school that would otherwise be authorized under Chapter 3318. of the Revised Code.

Section: 164

No change.