

# Cultural Facilities Commission

House Higher Education Subcommittee

*Kerry Sullivan, Budget Analyst  
Legislative Service Commission*

*February 22, 2005*

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# **LSC Redbook for the Cultural Facilities Commission**

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*February 22, 2005*

# Cultural Facilities Commission

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- The name of the agency changed from the Arts and Sports Facilities Commission to the Cultural Facilities Commission
- The bond issuer changed from the Ohio Building Authority to the Treasurer of State
- Total membership on the Commission increases from ten to twelve

## OVERVIEW

The Ohio Cultural Facilities Commission was established in 1988, as the Ohio Arts Facilities Commission, to provide for the development, performance, and presentation of the arts in Ohio. Over the years, the responsibilities of the Commission have been expanded by the legislature to include funding oversight for projects at science and technology museums, local historical facilities, state historical sites, arts education facilities, and publicly owned professional sports venues.

The Commission's mission is to ensure wise stewardship of state capital improvement funds appropriated by the General Assembly and the Governor for planning, construction, renovation, and expansion projects. The General Assembly and Governor assign projects to the Commission in the state's biennial capital appropriations bills. The Commission reports to the Governor and General Assembly on the need for any additional facilities, and conducts reviews to ensure that uses of Ohio cultural facilities are consistent with statewide interests and the Commission's purposes. After a project is assigned to the Commission, the staff works with communities and local project sponsors to assist them through required processes. These include project management assistance, funding administration, and contract oversight. Over the last 16 years, more than \$440 million in capital spending authority has been appropriated for over 200 projects of various sizes and complexities.

The Commission consists of seven members appointed by the Governor and three nonvoting members, consisting of one member each from the Senate and the House of Representatives and the Executive Director of the Ohio Arts Council. The Commission's full-time staff of nine employees includes the Executive Director, Finance Director (currently vacant), Community Relations Director, Information Systems Director, three project managers, an executive assistant, and an administrative assistant.

Executive recommended funding for FY 2006 totals \$39,326,454 (an increase of 0.3% above estimated FY 2005 spending levels). Recommended funding for FY 2007 is \$39,506,502 (0.5% above FY 2006 appropriation levels).

## **Summary of FYs 2006-2007 Budget Issues**

### **Project Portfolio**

At the end of FY 2004, the Cultural Facilities Commission's project portfolio consisted of approximately 146 projects, appropriations for which total more than \$360 million. Under the most recent capital appropriations bill, Am. Sub. H.B. 16 of the 126th General Assembly, the Commission was appropriated another \$43.6 million for 86 community projects (nearly half of the total appropriation made for all community projects under the bill). Of these 86 projects, 57 are brand new to the Commission.

In recent years, the agency has completed project oversight on 25 arts facilities, 20 historical facilities, and 3 sports facilities projects. Among these were 12 Appalachian regional grants, the Akron Civic Theatre, the Aronoff Center for the Arts, Carillon Historical Park, Columbus Museum of Art, COSI Columbus, COSI Toledo, Dayton Art Institute, John and Annie Glenn Historic Site, Southern Theatre, Valentine Theatre, The Works, Fallen Timbers State Memorial, forts Amanda, Ancient, Hill, Jefferson, and Meigs State Memorials, Grant's Birthplace State Memorial, Quaker Meeting House State Memorial, Canal Park in Akron, Cleveland Browns Stadium, and Fifth Third Field in Lucas County.

### **Legislative Changes**

Recent legislative changes that affect operations at the Cultural Facilities Commission include:

#### ***Agency Name Change***

Upon the recommendation of the legislative Sunset Review Committee, which met during the 125th General Assembly, the name of the agency was changed from the Arts and Sports Facilities Commission to the Cultural Facilities Commission to more accurately reflect the broad nature of the Commission's responsibilities and the types of projects the agency oversees. The change was enacted under Am. Sub. H.B. 516 of the 125th General Assembly.

#### ***Change in Definition of State Historical Sites***

Until the effective date of Am. Sub. H.B. 16 of the 126th General Assembly, the definition of a state historical site is a site or facility of "archaeological, architectural, environmental, or historical interest or significance, or a facility ... appurtenant to the operations of such a site or facility, that is owned by or is located on real property owned by the state or by a cultural organization ..." The bill changes this definition to a site or facility that is "created, supervised, operated, protected, maintained, and promoted by the Ohio Historical Society," the title to which must reside wholly or in part with the state or with the society (or both), and that is managed directly by, or is subject to a cooperative agreement with, the Ohio Cultural Facilities Commission and is used for or in connection with the activities of the Commission. The change in law was requested by the Cultural Facilities Commission in order to simplify the definition and to allow facilities owned by the Ohio Historical Society to be funded through state appropriations regardless of whether they are adjacent to state property.

#### ***Change in the Issuer of Bonds for Use by the Commission***

Also under Am. Sub. H.B. 16 of the 126th General Assembly, the authority to issue bonds for capital costs associated with cultural and sports facilities was transferred from the Ohio Building Authority (OBA) to the Treasurer of State. Bonds issued by the OBA for Commission projects required that the

state enter into long-term leases with property owners for the time periods under which the bonds were being repaid. According to the Commission, some project sponsors had concerns with this requirement. Bonds issued by the Treasurer of State, however, do not require a similar lease agreement. As a result, the Commission will now be permitted to enter into Cooperative Use Agreements with property owners, rather than long-term leases, and is currently taking steps to implement this new procedure.

Cooperative Use Agreements will allow the Commission to expend bond funds for community projects without having a leasehold interest in the property. Although this change will result in the state being a general creditor, and not being in a primary position with respect to the real property, the Cooperative Use Agreement is similar in nature to the Joint Use Agreement currently used by higher education institutions. The state, therefore, already takes a certain amount of risk entering into these agreements every time a community capital project receives an appropriation through higher education.

The Commission anticipates that the use of Cooperative Use Agreements will result in fewer incidents of what it terms "venue shopping." Venue shopping occurs when local project sponsors seek to have their capital appropriation moved from the Commission to another funding agency in order to avoid certain requirements. For project sponsors that object only to the former requirement that property owners lease their facilities to the state, Cooperative Use Agreements may help to alleviate this concern.

Other statutory requirements under which the Commission continues to operate, however, are still in effect and will not change under Cooperative Use Agreements. For example, cultural projects receiving state funding are required to match \$0.50 for every \$1.00 of state funding received. Also, the Commission is statutorily required to determine that there is a need for a project prior to releasing state funds for the project. The Commission accomplishes this by determining that the property will be used for the presentation or making available of culture to the public. Project sponsors are required to demonstrate, through a project financial review, that they possess adequate resources to fund the project in its entirety, and through an organizational financial review, that they will have an open and operable facility at the completion of project construction (and beyond) so that the property will present or make culture available to the public.

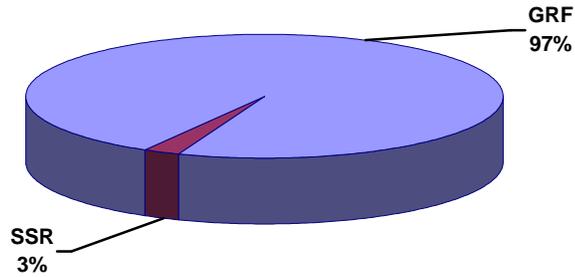
### ***Changes in Membership of the Ohio Cultural Facilities Commission***

The Main Appropriations Bill of the 126th General Assembly proposes to increase the number of members on the Commission from ten to twelve, in turn increasing the number of voting members from seven to nine, and the number needed for a quorum from four to five. The initial terms of the two new members are set to expire December 31, 2007 and December 31, 2008.

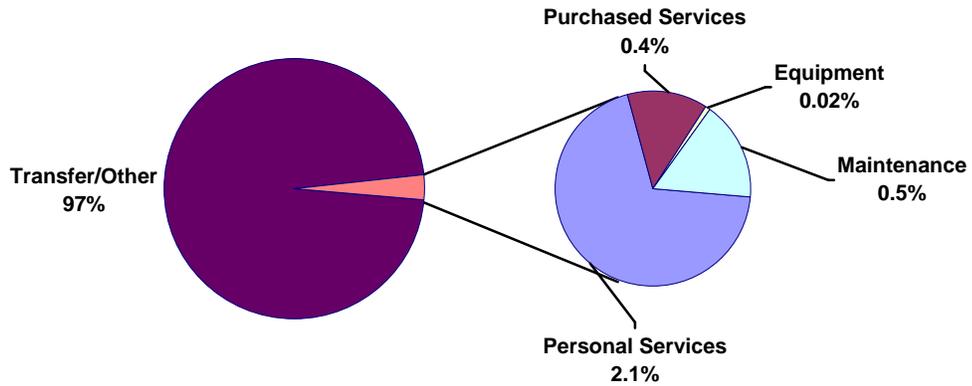
Staffing Levels

Ohio Cultural Facility Commission Staffing Levels						
Program Series/Division	2002	2003	2004	2005	Estimated	
					2006	2007
OCFC Operations	9	9	9	9	9	9
<b>Totals</b>	9	9	9	9	9	9

Total Budget by Fund Group



Total Budget by Object Code



## ANALYSIS OF EXECUTIVE PROPOSAL

### Ohio Cultural Facilities Commission Operations

**Purpose:** The Ohio Cultural Facilities Commission is charged with protecting state capital investments by determining the need for facilities and determining that there is sufficient local/regional support prior to making expenditures for a facility. The Commission enters into long-term leases and management agreements (for projects funded with bonds issued in 2004 or prior) or cooperative-use agreements (for projects funded with bonds issued after July 1, 2005) with the owners of facilities and local project sponsors, and is charged with managing and assessing these projects.

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

Fund	ALI	Title	FY 2006	FY 2007
<b>General Revenue Fund</b>				
GRF	371-321	Operating Expenses	\$198,406	\$195,707
GRF	371-401	Lease Rental Payments	\$38,126,600	\$38,246,500
<b>General Revenue Fund Subtotal</b>			<b>\$38,325,006</b>	<b>\$38,442,207</b>
<b>State Special Revenue Fund</b>				
4T8	371-601	Riffe Theatre Equipment Maintenance	\$81,000	\$81,000
4T8	371-603	Project Administration	\$920,448	\$983,295
<b>State Special Revenue Fund Subtotal</b>			<b>\$1,001,448</b>	<b>\$1,064,295</b>
<b>Total Funding: OCFC Operations</b>			<b>\$39,326,454</b>	<b>\$39,506,502</b>

### Ohio Cultural Facilities Commission Operations

**Program Description:** The Ohio Cultural Facilities Commission oversees capital improvement funds appropriated by the General Assembly and Governor for planning, construction, renovation, and expansion projects at Ohio's nonprofit theatres, museums, historical sites, and publicly owned professional sports venues. In the past 16 years, more than \$440 million has been appropriated for over 200 projects of various sizes and complexities. The Commission partners with nonprofit organizations and local governments to administer these community projects.

**Funding Source:** General Revenue Funds, equipment and theatre ticket fees, and revenue bond interest

**Line Items:** 371-321, Operating Expenses; 371-401, Lease Rental Payments; 371-601, Riffe Theatre Equipment Maintenance; and 371-603, Project Administration

**Implication of Executive Recommendation:** Decreased funding to the GRF line item 371-321 may result in the Commission outsourcing some of the higher-level financial analysis formerly conducted by the Finance Director (a position that is currently vacant), abolition of a part-time project assistant position, and reductions in purchased goods and services. The Commission also relies upon interest earnings from bond sales for operating revenue, which are deposited to Fund 4T8 (line item 371-603, Project Administration). Revenue to this fund is partially dependent on the timing of bond issuances (determined by the Office of Budget and Management), the total amount of capital appropriation authority assigned to

the Commission, and interest rates. Although the overall operating expenses of the Commission have not varied significantly over the years, revenue and appropriations to these two line items have fluctuated somewhat.

***Temporary and Permanent Law Provisions:*** The Main Appropriations Bill increases the number of members on the Commission from ten to twelve. This change is not expected to result in higher operating costs for the Commission, however, because Commission members serve without compensation.

## REQUESTS NOT FUNDED

Ohio Cultural Facilities Commission Operations						
Fund Line Item	FY 2006 Requested	FY 2006 Recommended	Difference	FY 2007 Requested	FY 2007 Recommended	Difference
371-321	\$495,706	\$198,406	(\$297,300)	\$495,706	\$195,707	(\$299,999)

The total FY 2006 appropriation to GRF item 371-321, Operating Expenses, decreases by 60% compared to FY 2005 estimated spending. As a result of decreased appropriations to this GRF line item, and in light of the current vacancy that exists within the position of Finance Director, the Commission is considering changing the nature of this position and outsourcing some of the higher-level financial analysis the person in this position used to perform in order to cut costs. The Commission is also planning other cuts to purchased goods and services in order to operate within the Administration's budget proposal.

## General Revenue Fund

### GRF 371-321 Operating Expenses

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$126,192	\$80,851	\$106,546	\$495,706	<b>\$198,406</b>	<b>\$195,707</b>
	-35.9%	31.8%	365.3%	<b>-60.0%</b>	<b>-1.4%</b>

**Source:** GRF

**Legal Basis:** ORC 3383.04; Section 18 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 694 of the 114th G.A.)

**Purpose:** This line item supports agency operations by providing funds for payroll, maintenance, equipment, and related expenses.

### GRF 371-401 Lease Rental Payments

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$32,373,918	\$32,633,749	\$34,343,559	\$37,617,700	<b>\$38,126,600</b>	<b>\$38,246,500</b>
	0.8%	5.2%	9.5%	<b>1.4%</b>	<b>0.3%</b>

**Source:** GRF

**Legal Basis:** ORC 3383.07

**Purpose:** This line item provides the funds to retire the debt for revenue bonds, issued by the Ohio Building Authority, for the renovation and construction of arts and sports facilities.

## State Special Revenue Fund Group

### 4T8 371-601 Riffe Theatre Equipment Maintenance

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$1,723	\$1,478	\$40,281	\$23,194	<b>\$81,000</b>	<b>\$81,000</b>
	-14.2%	2625.4%	-42.4%	<b>249.2%</b>	<b>0.0%</b>

**Source:** SSR: Rebates from CAPA from a graduated ticket surcharge (facility fee)

**Legal Basis:** ORC 3383.02(I)

**Purpose:** As part of a management contract with the Columbus Association for the Performing Arts (CAPA) for the management of the Riffe Theaters, the Cultural Facilities Commission receives rebates from CAPA from a graduated ticket surcharge (facility fee). These funds are used for needed repairs and equipment at the theaters.

**Ohio Cultural Facilities Commission - Catalog of Budget Line Items**

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**4T8 371-603 Project Administration**

<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005 Estimate</b>	<b>2006 Executive Proposal</b>	<b>2007 Executive Proposal</b>
\$791,146	\$901,856	\$828,746	\$1,074,339	<b>\$920,448</b>	<b>\$983,295</b>
	14.0%	-8.1%	29.6%	<b>-14.3%</b>	<b>6.8%</b>

**Source:** SSR: Interest earnings from revenue bonds

**Legal Basis:** ORC 3383.09; Section 18 of Am. Sub. H.B. 95 of the 125th G.A.

**Purpose:** This line item receives earnings from investments of revenue bonds, issued by the Ohio Building Authority (and in the future, by the Treasurer of State) for the renovation and construction of cultural and sports facilities, to support agency operations. The earnings provide funds for payroll, maintenance, equipment, and related expenses. The operations supported include all activities related to agency management of projects funded by the revenue bonds.

## LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

Fund	ALI	ALI Title	2004	Estimated 2005	Executive 2006	% Change 2005 to 2006	Executive 2007	% Change 2006 to 2007
<b>AFC Ohio Cultural Facilities Commission</b>								
GRF	371-321	Operating Expenses	\$ 106,546	\$495,706	\$ 198,406	-60.0%	\$ 195,707	-1.4%
GRF	371-401	Lease Rental Payments	\$ 34,343,559	\$37,617,700	\$ 38,126,600	1.4%	\$ 38,246,500	0.3%
<b>General Revenue Fund Total</b>			<b>\$ 34,450,105</b>	<b>\$ 38,113,406</b>	<b>\$ 38,325,006</b>	<b>0.6%</b>	<b>\$ 38,442,207</b>	<b>0.3%</b>
4T8	371-601	Riffe Theatre Equipment Maintenance	\$ 40,281	\$23,194	\$ 81,000	249.2%	\$ 81,000	0.0%
4T8	371-603	Project Administration	\$ 828,746	\$1,074,339	\$ 920,448	-14.3%	\$ 983,295	6.8%
<b>State Special Revenue Fund Group Total</b>			<b>\$ 869,027</b>	<b>\$ 1,097,533</b>	<b>\$ 1,001,448</b>	<b>-8.8%</b>	<b>\$ 1,064,295</b>	<b>6.3%</b>
<b>Total All Budget Fund Groups</b>			<b>\$ 35,319,132</b>	<b>\$ 39,210,939</b>	<b>\$ 39,326,454</b>	<b>0.3%</b>	<b>\$ 39,506,502</b>	<b>0.5%</b>