School Facilities Commission

Senate Education Committee

Edward Millane, Budget Analyst

Legislative Service Commission

May 4, 2005

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TABLE OF CONTENTS

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- 293 new or renovated buildings assisted by the SFC have opened across the state
- Additional funding is provided to hire an additional 10 staff members over the biennium for oversight and coordination of the growing number of school construction/renovation projects

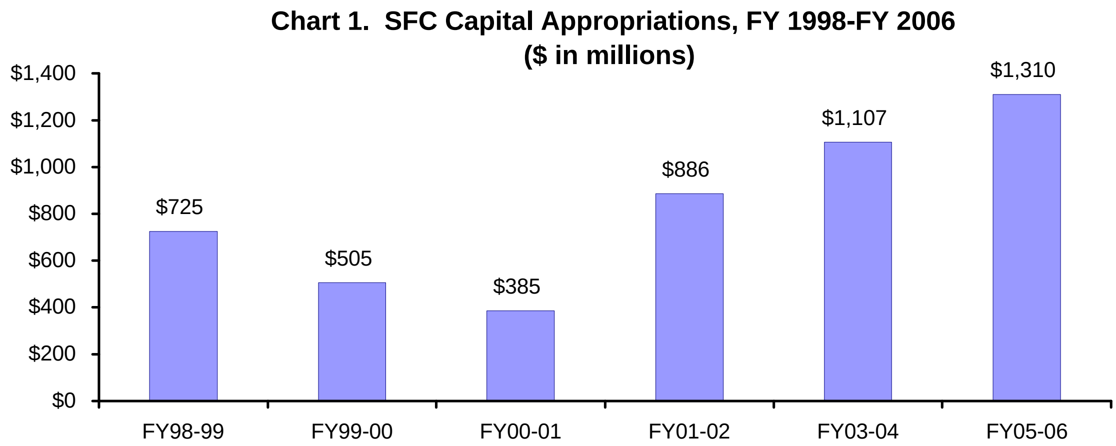
OVERVIEW

The Ohio School Facilities Commission (SFC) was created in 1997 by S.B. 102 of the 122nd General Assembly to provide funding, management oversight, and technical assistance to school districts in the construction and renovation of classroom facilities. In FY 2001 Governor Taft unveiled a plan to rebuild all of Ohio's schools within 12 years. Since its inception, the SFC has received approximately $4.92 billion in capital appropriations. Through December 2004, approximately 236 school districts have been served by or approved to participate in one of SFC's major programs; 293 new or renovated buildings across Ohio school districts have opened as a result.

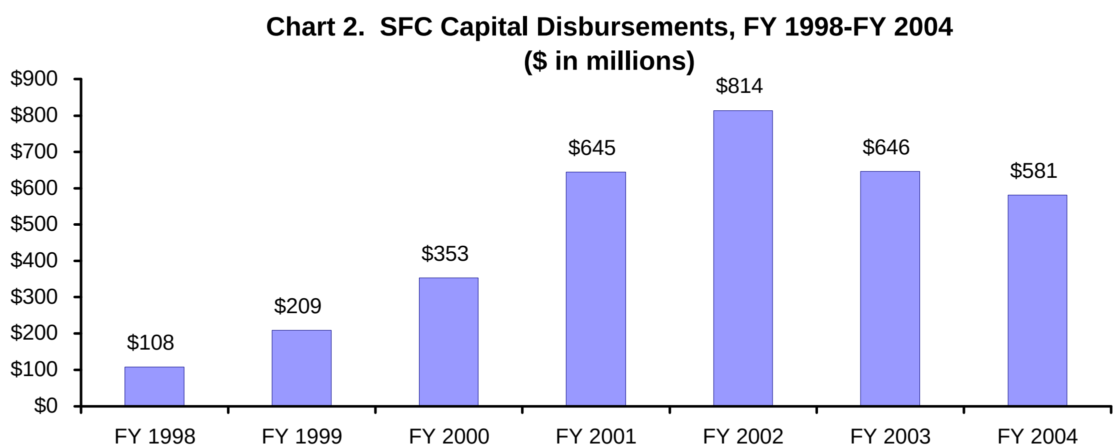
The SFC is governed by a seven-member commission, which consists of three voting members (the Director of Budget and Management, the Director of Administrative Services, and the Superintendent of Public Instruction) and four nonvoting legislative members. The executive director, who is appointed by the Commission, oversees the SFC's daily operations. While it receives GRF funding for debt service on bonds issued for capital projects, the operating cost of the SFC is entirely funded through investment earnings from its capital accounts. Currently, the SFC employs 53 staff members administering 13 different programs with an annual operating budget of approximately $5.4 million in FY 2004. Its capital expenditures totaled almost $581.0 million in the same year. The SFC uses a large number of private contractors to deliver various services, such as enrollment projections, assessments of existing buildings, and claim analysis. It also contracts with construction management companies to directly manage school district projects. The SFC's employees (project planners, coordinators, and administrators) oversee the private contractors.

Capital Appropriations and Disbursements since FY 1998

As indicated earlier, the SFC has received approximately $4.92 billion in capital appropriations since FY 1998. Of this amount, 62.3% comes from bond moneys, 23.9% from cash, 13.7% from tobacco settlement moneys, and 0.1% from lottery profits. The state General Revenue Fund cash appropriations largely ended in FY 2002. Since then capital appropriations for the SFC mainly consist of bond and tobacco settlement moneys. Chart 1, below, shows SFC's capital appropriations since FY 1998.



From FY 1998 to FY 2004, the SFC disbursed approximately $3.35 billion in capital funds. Of this amount, 56.9% came from bond moneys, 35.3% from cash, and 7.8% from tobacco settlement moneys. Chart 2 shows SFC's capital disbursements since FY 1998. As can be seen from the chart, capital disbursements increased from $108 million in FY 1998 to a peak of $814 million in FY 2002 and then declined to $646 million in FY 2003 and $581 million in FY 2004. The decreases in FY 2003 and FY 2004 are largely due to acceptance of six major urban districts (Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo) into the program. The size and complexity of these large urban district projects require a longer lead time before building construction starts and funds are disbursed. Capital disbursements are expected to increase again as the six urban district projects move from the design stage into construction and as more districts will be accepted into the programs. The year-to-date disbursements in FY 2005 are approximately $270.5 million.



The FY 2006-2007 Biennial Budget Recommendations

The executive budget proposes total funding of $229,736,017 in FY 2006, an increase of 22.5% over the estimated FY 2005 expenditure level, and $266,206,185 in FY 2007, an increase of 15.9% over the FY 2006 appropriation level. The majority of these increases are due to increased debt service appropriations for GRF appropriation item 230-908, Common Schools G.O. Debt Service, which receives an increase of 33.2% in FY 2006 and an increase of 19.4% in FY 2007. The executive proposal also transfers the Career-Tech School Building Assistance program from the Department of Education to the SFC and provides $2,000,000 in each fiscal year from lottery profits for the program. These funds are used to provide interest-free loans to eligible school districts and joint vocational school districts for the construction and renovation of vocational classroom facilities or for the purchase of vocational education equipment. The executive budget makes two changes to the program. First, it generally limits eligibility for a loan to a school district that has not yet been served by one of the SFC's programs and may not be served in the next three years. Second, an eligible district must agree to comply with all applicable design specifications and policies of the SFC. The increases in debt service and the career-technical education loan program are somewhat offset by the phase-out of the one-time federal school facilities grant.

As indicated earlier, the SFC's operating costs are entirely funded by investment earnings of its capital accounts. Fund 5E3 appropriation item 230-644, Operating Expenses, receives an increase of 4.4% in FY 2006 and an increase of 5.1% in FY 2007 under the executive proposal. According to the SFC, these increases will enable them to fill the current six vacancies and hire an additional five staff members in FY 2006 and another five in FY 2007. The vast majority of these additional staff will be responsible for oversight of the increasing number of school facilities projects.

The SFC is a single program series agency and has seven programs. The table below summarizes the executive budget by these programs. As can be seen in Table 1, the Classroom Facilities Assistance Program, the SFC's largest program, makes up nearly 86.0% of the budget at $426.5 million for the biennium. The second largest program, the Exceptional Needs Program, is at 7.1% followed by the General School Facilities Assistance Program at 5.5%. The other four programs account for a combined 1.4% of the total biennial budget. Note that the General School Facilities Assistance Program includes several smaller SFC programs.

Table 1. Executive Recommendations by Program

Program	Executive Recommendations FY 2006	Executive Recommendations FY 2007	Total Biennial Funding	Percentage of Total Biennial Budget
P1: Classroom Facilities Assistance	$197,644,181	$228,827,085	$426,471,266	85.99%
P2: Exceptional Needs	$16,016,269	$18,926,294	$34,942,563	7.05%
P3: Expedited Local Partnership	$1,345,940	$1,333,973	$2,679,913	0.54%
P4: Joint Vocational Facilities Assistance	$2,125,782	$2,124,340	$4,250,122	0.86%
P5: Energy Conservation	$35,049	$34,472	$69,521	0.01%
P6: Community School Guaranteed Loans	$31,201	$31,201	$62,402	0.01%
P7: General School Facilities Assistance	$12,537,595	$14,928,820	$27,466,415	5.54%
TOTAL	$229,736,017	$266,206,185	$495,942,202	100.00%

Half-Mill Maintenance Equalization

The executive budget creates a new Half-Mill Maintenance Equalization Program within the Department of Education in FY 2007. The funds will be used to provide equalized subsidies to school districts that have passed the one-half mill maintenance requirement for participation in the Classroom Facilities Assistance Program. Only school districts with below statewide average valuation per pupil are eligible for this funding. In FY 2007, the executive budget provides $10.7 million in Fund 5BJ appropriation item

200-626, Half-Mill Maintenance Equalization, in the Department of Education for this program. The program ensures a school district with below the state average property value per pupil has the same amount of per pupil maintenance revenue for its SFC-assisted project as the average wealth district in the state. This equalized subsidy is also available to a school district that has been served by the SFC before FY 2007 if its valuation per pupil is below the state average. Equalization payments can only be used for maintaining SFC-assisted facilities. The executive budget creates the Half-Mill Equalization Fund (5BJ) to receive excess funds from the School District Property Tax Replacement Fund (053). Under current law, excess funds in Fund 053 are to be distributed to school districts and joint vocational school districts on a per pupil basis for capital improvements. Under the executive budget, excess funds are to be used for equalization payments and the school facilities assistance program. The first priority is given to equalization payments.

Staffing Levels

Prior to the SFC's creation in 1997, five employees within the Department of Education administered a much smaller school facilities assistance program. The SFC has received approximately $4.92 billion in capital appropriations since its inception in FY 1998. In contrast, state funding for school facilities only amounted to approximately $500 million before the establishment of the SFC. As the state committed more funding to school facilities, staffing levels at the SFC grew from 18.5 FTE's in FY 1998 to 53 FTE's in FY 2005. Of the 53 staff persons currently at the SFC, approximately 27 serve as planners and administrators providing oversight of school district facility projects.

As mentioned earlier, the executive budget provides funding for the SFC to fill the current six vacancies and hire an additional five staff members in FY 2006 and another five in FY 2007. These 10 new positions would largely be responsible for joining the other project planners and coordinators in providing appropriate levels of planning, administration, and oversight of on-going and new school district facility projects.

Table 2. School Facilities Commission Staffing Levels

					Estimated	
Division	**2002**	**2003**	**2004**	**2005**	**2006***	**2007***
Administration/Finance/IT	13	14	15	15	15	15
Support Staff	10	10	11	11	11	11
Planning and Project Management	27	28	29	27	38	43
Totals	50	52	55	53	64	69

*Total positions in FYs 2006 and 2007 reflect additional funded positions, plus filling of the six current vacancies.

Major Building Programs

The four major SFC programs are the Classroom Facilities Assistance Program, the Exceptional Needs Program, the Expedited Local Partnership Program, and the Vocational Facilities Assistance Program.

Classroom Facilities Assistance Program (CFAP). The CFAP, the main program operated by the SFC and created in S.B. 102 of the 121st General Assembly, addresses school districts' entire facilities' needs. Of $3.35 billion disbursed through the end of FY 2004, approximately 83.4% (or $2.80 billion) was disbursed through this program. Under the CFAP, school districts with the lowest wealth are served first and receive a greater share of state assistance than the higher wealth school districts will receive when it is their turn to be served. A school district's wealth level is measured by its three-year average adjusted valuation per pupil. Each district's percentile ranking based on this wealth measure largely determines the order in which the district is served and the state share of the basic project cost for the district. Through FY 2004, the CFAP had served 129 districts. In July 2004, 16 additional school districts were approved for funding in FY 2005 under the CFAP. The total cost for these 16 projects is approximately $612.6 million, with a state share of over $468.2 million (or 76.4%) and a local share of approximately $144.4 million (or 23.6%). For the FY 2006-2007 biennium, the SFC estimates that they may be serving districts at the 26th, 27th, or 28th percentile ranking (each percentile includes approximately six districts).

The Accelerated Urban Initiative. Included in the 129 districts served by the CFAP are the six major urban districts (Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo) that were accepted into the CFAP in FY 2003 under the Accelerated Urban Initiative, which was created in S.B. 272 of the 123rd General Assembly.[1] Due to size and complexity, these six district projects are divided into multiple phases. These six districts have approximately 500 school buildings and their combined enrollment represents approximately 15.4% of the total student enrollment in the state. Total project costs in these six urban districts are estimated at $5.74 billion. The combined state share over the lifetime of these multiple-phased projects is estimated at approximately $2.96 billion. All of the six urban districts have secured either the full or part of their required local shares. Currently, Toledo has entered phase three of the project. Cincinnati, Cleveland, and Columbus have reached phase two while Akron and Dayton are still in phase one. Some of these districts start projects in different phases simultaneously. The SFC anticipates the completion of phase one projects in all six urban districts by the end of the FY 2006-2007 biennium. The SFC also expects the phase two projects will be well under way with some of these urban districts moving into phase three or four projects by the end of the FY 2006-2007 biennium. The Rockdale Academy Elementary School in Cincinnati, the first CFAP building in these six urban districts, has opened recently.

The Next Ten List. Am. Sub. H.B. 524 of the 124th General Assembly required that, in every fiscal year, the SFC determine the ten school districts next in line for acceptance into the CFAP according to their percentile rankings in adjusted valuation per pupil. These next ten districts have priority for funding over all other school districts in the next fiscal year, even if their percentile rankings change in the future.

In July 2004, the SFC approved the next ten districts to be served in FY 2006. They are (county and FY 2005 rank in parentheses): Rolling Hills Local, (Guernsey – 157); Sandy Valley Local, (Stark – 149); Hillsboro City, (Highland – 165); Central Local, (Defiance – 154); West Liberty-Salem Local, (Champaign – 168); La Brae Local, (Trumbull – 155); Fairfield Union Local, (Fairfield – 166); Bucyrus City, (Crawford – 171); Hicksville Ex Vill, (Defiance – 163); and Tri-Valley Local, (Muskingum – 186).

The Exceptional Needs Program (ENP). The ENP, created in H.B. 850 of the 122nd General Assembly, is designed to assist school districts in addressing the health and safety needs associated with a specific building. Unlike the CFAP, the ENP is not intended to address the entire classroom facilities needs of a school district. School districts with below statewide average wealth or with a territory larger than 300 square miles are eligible for participation in the program. Twenty-seven[2] school districts had been approved to participate in the program through FY 2004, with 25 of them opting to participate. These 25 districts received a total state funding of $293.6 million. The SFC expects to serve another five districts under this program in FY 2005 with a total project cost of $145.6 million. The state share of

[1] The other two major urban districts, Canton and Youngstown, had already been served by the CFAP prior to FY 2003.

[2] Three districts participate in both the Exceptional Needs Program and the Expedited Local Partnership Program. These three districts are included in both programs' districts' counts.

these five projects is approximately $92.1 million (or 63.3%), and the local share is approximately $53.5 million (or 36.7%).

The Expedited Local Partnership Program (ELPP). The ELPP, created in S.B. 272 of the 123rd General Assembly, permits a school district not yet eligible for the CFAP to enter into an agreement with the SFC that will allow the district to spend local resources to construct new classroom facilities or to make major renovations to the district's existing classroom facilities. The local resource spent by the districts will then be applied to the district's share of the basic project cost when it becomes eligible for assistance under the CFAP. Currently, 122 school districts have approved master plans to participate in this program. Since the ELPP requires participating districts to use local resources first, the SFC had not disbursed any state funds under this program through the end of FY 2004. These 122 participating districts, however, have accumulated a total credit of approximately $2.8 billion against state funds. Some of these ELPP districts have recently become eligible for the CFAP. According to the SFC, three districts that had been accepted into the CFAP in FY 2005 have a combined ELPP credit of $41.3 million. The three districts are: Galion City, Crawford County; Logan-Hocking Local, Hocking County; and, Trotwood-Madison Local, Montgomery County. In fact, many school districts that will be eligible for the CFAP assistance in the next few years will be ELPP districts.

The Vocational Facilities Assistance Program (VFAP). Pursuant to Sub. H.B. 675 of the 124th General Assembly, the SFC has developed the VFAP to assist the state's 49 joint vocational school districts. The VFAP operates similarly to the CFAP. The program begins with the poorest joint vocational school districts and ends with the wealthiest ones. The state share is greater for a lower wealth joint vocational school district than that for a higher wealth one. The SFC has the authority to spend up to 2% of its annual appropriations for the VFAP projects. According to the SFC, three joint vocational school districts have been approved for participating in the VFAP in FY 2005. The state and local shares for these three projects are estimated to be $32.8 million (or 75.1%) and $10.9 million (or 24.9%), respectively, for a total project cost of $43.7 million. As of this writing, none of these three joint vocational school districts has secured their required local share. The joint vocational school districts are also eligible for participating in a slightly modified version of the ELPP program under which they will be able to use local resources for new construction or renovations prior to being eligible for the VFAP.

Other Programs Administered by the SFC. In addition to the four major programs, several other programs exist in aiding the SFC's goal of developing safe and energy efficient school facilities. The Extreme Environmental Contamination Program, which continues to be authorized under the executive budget, allows a school district experiencing extreme environmental contamination to participate in the Exceptional Needs Program. The Emergency Assistance Program provides state grants to help defray the costs of replacing any damaged facilities for any school district that suffers a natural disaster due to an act of God.

The Energy Conservation Program allows school districts with older facilities to borrow funds, without a vote of the public, to make energy-saving facilities improvements. The cost of the improvements may not exceed the savings in energy, operating, and maintenance costs over a 15-year period. This program has been used for 893 projects in approximately 542 school districts, with savings to Ohio's school districts of over $89.7 million since the program began in 1985. Prior to its approval of a district's plan, the SFC largely relies on the Department of Development to conduct the cost-benefit analysis.

Finally, the Community School Facility Loan Guarantee Program, created in H.B. 94 of the 124th General Assembly, provides loan guarantees to community schools to assist them in acquiring, improving, or replacing classroom facilities. H.B. 94 appropriated $10 million for the program. Under the program, the SFC may guarantee for a maximum of 15 years up to 85% of the principal and interest on a loan made to the governing authority of a community school by a financial institution regulated by the federal government or the state of Ohio. The maximum loan guarantee amount is $1 million. At the end of FY 2004, the SFC granted conditional approval for guarantees to 14 community school facilities projects totaling approximately $7.6 million. The average guarantee amount is $150,000, according to the SFC.

Facts and Figures

Classroom Facilities Assistance Program – State and Local Share

Under the CFAP, a qualifying school district is responsible for financing a portion of the project cost with local resources and must contribute the greater amount yielded by the following formulas:

(a) The amount necessary to increase the net bonded indebtedness of the school district to within $5,000 of its required level of indebtedness. Depending on the district's adjusted valuation per pupil, a school district's required level of indebtedness, ranging from 5.0% to 6.98% of its total assessed valuation, is determined as follows.

RANK ACCORDING TO DISTRICT'S VALUATION PER PUPIL	REQUIRED LEVEL OF INDEBTEDNESS AS A PERCENTAGE OF VALUATION
First Percentile	5%
Subsequent Percentiles	.05 + .0002 [(percentile rank) – 1]

(b) The district's required percentage of the basic project cost. Depending on the district's percentile ranking in its adjusted valuation per pupil, the required percentage of the local share of the basic project cost is computed as follows.

Local Share = .01 X (District Percentile Rank)

Examples

Two examples are provided below to demonstrate calculations of the local share for two fictitious school districts.

School District A

School District A has an adjusted valuation per pupil of $66,707, ranking it 152nd in the state and placing it in the 25th percentile. The district's required level of indebtedness is, therefore, 5.48% (0.05 + 0.0002 x (25-1)). The district's total assessed valuation is $112,947,910.

Total Assessed Valuation	$112,947,910
Total Estimated Basic Project Cost	$26,098,528

Local Share Equals the Greater of:

(a) Required level of indebtedness:	5.48% of assessed valuation	$6.2 million
(b) **Required percentage of project cost:**	**25% of project costs**	**$6.5 million**

School District B

School District B has an adjusted valuation per pupil of $69,187, ranking it 173rd in the state and placing it in the 29th percentile. The district's required level of indebtedness is, therefore, 5.56% (0.05 + 0.002 x (29-1)). The district's total assessed valuation is $123,362,380.

Total Assessed Valuation	**$123,362,380**
Total Estimated Basic Project Cost	$26,899,928

Local Share Equals the Greater of:

(a) Required level of indebtedness:	5.56% of assessed valuation	$6.9 million
(b) **Required percentage of project cost:**	**29% of project costs**	**$7.8 million**

While both districts in the examples above would be responsible for a local share based on the required percentage of basic project cost method, both examples assume that cost estimates as part of its spending plan are accurate. In the event the actual district facility needs are lower than that stated here, there comes a point at which the greater local share would be generated using the required level of indebtedness method. This is tied to the fact that as the basic project cost increases so does the likelihood that the local share would be determined using the required percentage of basic project cost method. Since the dollar amount provided by a district will increase proportionately with the overall cost of the project, the relationship between project size and the method of calculating the local share acts as a built in incentive for districts to hold down costs. For example, if School District B's actual project cost is $23,448,276 instead of $26,899,928, it's local share under the required percentage of basic project cost method would be approximately $6.8 million ($23,448,276 X 29%), which is lower than the $6.9 million calculated under the required level of indebtedness method. The required local share for School District B would, therefore, be $6.9 million instead of $7.8 million in this case.

ANALYSIS OF EXECUTIVE PROPOSAL

School Facilities Commission

Purpose: To provide school facilities construction assistance to school districts, joint vocational school districts, and qualifying community schools throughout the state.

The SFC has only one program series, which consists of seven programs. The following table shows the line items that are used to fund these seven programs, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	230-428	Lease Rental Payments	$31,691,700	$31,603,200
GRF	230-908	Common Schools G.O. Debt Service	$188,724,700	$224,911,500
		General Revenue Fund Subtotal	**$220,416,400**	**$256,514,700**
State Special Revenue Fund				
5E3	230-644	Operating Expenses	$7,319,617	$7,691,485
		State Special Revenue Fund Subtotal	**$7,319,617**	**$7,691,485**
Lottery Profits/Education Fund				
020	230-620	Career-Tech School Building Assistance	$2,000,000	$2,000,000
		Lottery Profits/Education Fund Subtotal	**$2,000,000**	**$2,000,000**
Total Funding: School Facilities Commission			**$229,736,017**	**$266,206,185**

Of $455.9 million total biennial funding for the SFC, 96.2% comes from the General Revenue Fund and will be used to pay for debt service for bonds issued for school facilities projects. Three percent comes from the state special revenue fund group, which will be used to pay SFC's operating expenses. The remaining 0.8% lottery profits money will be used for the career-technical education loan program.

The executive budget includes a temporary law provision limiting the aggregate amount of payment from item 230-428 to $63,924,900, which is the biennial appropriation amount for the item. Another temporary law provision specifies that funds from item 230-908 be used to pay obligations under sections 151.01 and 151.03 of the Revised Code. The Office of the Sinking Fund or the Director of Budget and Management is required to effectuate payments by an intrastate transfer voucher.

The executive proposal authorizes the Director of Budget and Management to transfer investment earnings of the Education Facilities Trust Fund (Fund N87) to the SFC to pay operating costs. Continuing law allows the SFC to use investment earnings of the Public School Building Fund (Fund 021) and the School Building Program Assistance Fund (Fund 032) to pay the operating costs.

The executive budget also continues to authorize the Director of Budget and Management to cancel encumbrances for school district projects from the previous biennium if the district has not raised its required local share within one year of receiving Controlling Board approval.

Program 1.01: Classroom Facilities Assistance

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	230-428	Lease Rental Payments	$31,691,700	$31,603,200
GRF	230-908	Common Schools G.O. Debt Service	$161,038,786	$191,916,983
		General Revenue Fund Subtotal	**$192,730,486**	**$223,520,183**
State Special Revenue Fund				
5E3	230-644	Operating Expenses	$4,913,695	$5,306,902
		State Special Revenue Fund Subtotal	**$4,913,695**	**$5,306,902**
Total Funding: Classroom Facilities Assistance			**$197,644,181**	**$228,827,085**

The Classroom Facilities Assistance Program (CFAP) is the largest program operated by the SFC. Under the CFAP, school districts with the lowest wealth are served first and receive a greater share of state assistance than the higher wealth school districts will receive when it is their turn to be served. The SFC evaluates the entire district's needs and provides the state share of funding for necessary construction and renovation. The SFC also provides standard contracting and design guidance as well as managerial oversight during design and construction phases. Through FY 2004, the CFAP had served 129 districts.

The portion of funds from appropriation item 230-644, Operating Expenses, will support approximately 44 staff in FY 2006 and 49 staff in FY 2007 in oversight of the CFAP program. These funds represent 67.1% and 69.0% of the total appropriation amounts for this line item in FY 2006 and FY 2007, respectively. The operating costs of the SFC are entirely funded through investment earnings from its capital accounts.

The portions of funds from GRF appropriation items 230-908, Common Schools G.O. Debt Service, and 230-428, Lease Rental Payments, provide debt service payments to retire general and non-general obligation bonds issued to finance CFAP projects, respectively. The state has no longer issued non-general obligation bonds for school facilities assistance projects since FY 2000. All existing non-general obligation bonds are expected to be retired in 2008.

Program 1.02: Exceptional Needs

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	230-908	Common Schools G.O. Debt Service	$15,211,211	$18,127,867
		General Revenue Fund Subtotal	**$15,211,211**	**$18,127,867**
State Special Revenue Fund				
5E3	230-644	Operating Expenses	$805,058	$798,427
		State Special Revenue Fund Subtotal	**$805,058**	**$798,427**
Total Funding: Exceptional Needs			**$16,016,269**	**$18,926,294**

The Exceptional Needs Program (ENP) is designed to assist school districts in addressing the health and safety needs associated with a specific building. Unlike the CFAP, the ENP is not intended to address the entire classroom facilities needs of a school district. School districts with below statewide average wealth or with a territory larger than 300 square miles are eligible for participation in the program. Twenty-seven[3] school districts had been approved to participate in the program through FY 2004, with 25 of them opting to participate.

The portion of funds from appropriation item 230-644, Operating Expenses, will support approximately seven staff persons in FY 2006 and FY 2007 in oversight of the ENP program. The portion of funds from appropriation item 230-908, Common Schools G.O. Debt Service, provides the payment of debt service to retire general obligation bonds issued to finance ENP projects.

The executive proposal continues to allow school districts to participate in the ENP if the district is experiencing extreme environmental contamination.

Program 1.03: Expedited Local Partnership

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
5E3	230-644	Operating Expenses	$1,345,940	$1,333,973
		State Special Revenue Fund Subtotal	**$1,345,940**	**$1,333,973**
Total Funding: Expedited Local Partnership			**$1,345,940**	**$1,333,973**

The Expedited Local Partnership Program (ELPP) permits a school district not yet eligible for the CFAP to enter into an agreement with the SFC that will allow the district to spend local resources to construct new classroom facilities or to make major renovations to the district's existing classroom facilities. The local resources spent by the districts will then be applied to the district's share of the basic project cost when it becomes eligible for assistance under the CFAP. While participating school districts receive no state money under this program, approximately 11 SFC staff members assess, plan, and provide approval and oversight of facilities construction. The portion of funds from appropriation item 230-644, Operating

[3] Three districts participate in both the Exceptional Needs Program and the Expedited Local Partnership Program. These three districts are included in both programs' districts' counts.

Expenses, provides support for the 11 staff overseeing the program as well as funding for information technology, equipment, and other general support services. As indicated in the Overview section, three districts that have been accepted into the CFAP in FY 2005 have a combined ELPP credit of $41.3 million. Many school districts that will be served by the CFAP in the next few years will be ELPP districts.

Program 1.04: Joint Vocational Facilities Assistance

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
5E3	230-644	Operating Expenses	$125,782	$124,340
		General Revenue Fund Subtotal	**$125,782**	**$124,340**
Lottery Profits/Education Fund				
020	230-620	Career-Tech School Building Assistance	$2,000,000	$2,000,000
		Lottery Profits/Education Fund Subtotal	**$2,000,000**	**$2,000,000**
Total Funding: Joint Vocational Facilities Assistance			**$2,125,782**	**$2,124,340**

The Joint Vocational Facilities Assistance Program (VFAP) provides classroom facilities assistance to the state's 49 joint vocational school districts. The VFAP operates similarly to the CFAP. The program begins with the poorest joint vocational school districts and ends with the wealthiest ones. The state share is greater for a lower wealth joint vocational school district than that for a higher wealth one. The SFC has the authority to spend up to 2% of its annual appropriations for the VFAP projects. According to the SFC, three joint vocational school districts have been approved for participating in the VFAP in FY 2005. However, none has yet secured funding for their respective projects. The portion of funds from appropriation item 230-644, Operating Expenses, supports one staff person overseeing the program as well as funding for information technology, equipment, and other general support services.

As indicated earlier, the executive budget transfers the Career-Tech School Building Assistance Program from the Department of Education to the SFC. The program provides interest-free loans to eligible school districts and joint vocational school districts to assist in financing the construction and renovation of vocational classroom facilities or the purchase of vocational education and equipment. The executive budget also makes two changes to the program. First, it generally limits eligibility for a loan to a school district that has not yet been served by one of the SFC's programs and may not be served in the next three years. Second, an eligible district must agree to comply with all applicable design specifications and policies of the SFC. Historically, one to two loans are made per year. This program was previously known as the Vocational School Building Assistance Program funded through Fund 020 appropriation item 200-620, Vocational School Building Assistance, of the Department of Education.

Program 1.05: Energy Conservation

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
5E3	230-644	Operating Expenses	$35,049	$34,472
		State Special Revenue Fund Subtotal	**$35,049**	**$34,472**
Total Funding: Energy Conservation			**$35,049**	**$34,472**

The Energy Conservation Program allows school districts with older facilities to borrow funds, without a vote of the public, to make energy-saving facilities improvements. The cost of the improvements may not exceed the savings in energy, operating, and maintenance costs over a 15-year period. This program has been used for 893 projects in approximately 542 school districts, with savings to Ohio's school districts of over $89.7 million since the program began in 1985. Prior to its approval of a district's plan, the SFC largely relied on the Department of Development to conduct the cost-benefit analysis. The portion of funds from appropriation item 230-644, Operating Expenses, supports the SFC coordination with the Department of Development in the review and recommendation of the proposed projects under this program.

Program 1.06: Community School Guaranteed Loans

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
5E3	230-644	Operating Expenses	$31,201	$31,201
		State Special Revenue Fund Subtotal	**$31,201**	**$31,201**
Total Funding: Community School Guaranteed Loans			**$31,201**	**$31,201**

The Community School Loan Guarantee Program provides loan guarantees to community schools to assist them in acquiring, improving, or replacing classroom facilities. H.B. 94 of the 124th General Assembly appropriated $10 million for the program. Under the program, the SFC may guarantee for a maximum of 15 years up to 85% of the principal and interest on a loan made to the governing authority of a community school by a financial institution regulated by the federal government or the state of Ohio. The maximum loan guarantee amount is $1 million. At the end of FY 2004, the SFC granted conditional approval for guarantees to 14 community school facilities projects totaling approximately $7.6 million. The average guarantee amount is $150,000, according to the SFC. The portion of funds from appropriation item 230-644, Operating Expenses, supports funding for purchased services and other miscellaneous expenses for the program including the loan guarantee application and review process.

Program 1.07: General School Facilities Assistance

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	230-908	Common Schools G.O. Debt Service	$12,474,703	$14,866,650
		General Revenue Fund Subtotal	**$12,474,703**	**$14,866,650**
State Special Revenue Fund				
5E3	230-644	Operating Expenses	$62,892	$62,170
		State Special Revenue Fund Subtotal	**$62,892**	**$62,170**
Total Funding: General School Facilities Assistance			**$12,537,595**	**$14,928,820**

This program provides support of several smaller SFC programs, of which many are being phased out. Among these smaller SFC programs are the Federal Emergency Repair Program (FERP –federal grant program intended to provide emergency repair to qualifying school districts), the Emergency Assistance Program (which provides facility assistance to school districts to carry out emergency repairs resulting from "Acts of God"), and the Big Eight program (which provided matching state funds in the eight large urban districts for major building repairs). With the exception of the Emergency Assistance Program, the other programs should come to an end at some point during the FY 2006-2007 biennium. The portion of funds from appropriation item 230-644, Operating Expenses, is used to support the staff time required to close out some of these programs and maintain the operations of the Emergency Assistance Program, if needed.

The portion of funds from appropriation item 230-908, Common Schools G.O. Debt Service, supports debt service on bonds that were previously sold to support the capital costs of these programs. Specifically, these bonds were used primarily to support $100 million in capital appropriations for the Big Eight Program and $50 million for the state Emergency Repair Program.

REQUESTS NOT FUNDED

This section describes requests not funded in the executive budget and the effects on the School Facilities Commission's activities and spending decisions during the next biennium.

Lease Rental Payments						
Fund Line Item	FY 2006 Requested	FY 2006 Recommended	Difference	FY 2007 Requested	FY 2007 Recommended	Difference
GRF 230-428	$31,704,700	$31,691,700	$13,000	$31,704,700	$31,603,200	$101,500

Funds from GRF appropriation item 230-428, Lease Rental Payments, are used to pay for any debt service incurred from the issuance of revenue bonds prior to FY 2000 that funded school facility projects under the SFC's programs. This debt is expected to be retired completely in 2008. The difference in this line item simply reflects the declining need and has no impact on the SFC's programs.

Operating Expenses						
Fund Line Item	FY 2006 Requested	FY 2006 Recommended	Difference	FY 2007 Requested	FY 2007 Recommended	Difference
5E3 230-644	$7,402,886	$7,319,617	$83,269	$7,796,006	$7,691,485	$104,521

Funds from Fund 5E3 appropriation item 230-644, Operating Expenses, are used to pay SFC employees who oversee and manage various school district projects under the Classroom Facilities Assistance Program, the Exceptional Needs Program, the Expedited Local Partnership Program, the Joint Vocational Facilities Assistance Program, and various other programs. The executive proposal does not fully fund the SFC's request for either FY 2006 or FY 2007. The SFC, however, still expects to hire its ten requested new employees, therefore, bringing its total staff to 64 in FY 2006 and to 69 staff in FY 2007.

General Revenue Fund

GRF 230-428 Lease Rental Payments

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
$41,615,833	$37,642,524	$31,765,182	$31,704,700	**$31,691,700**	**$31,603,200**
	-9.5%	-15.6%	-0.2%	**0.0%**	**-0.3%**

Source: GRF

Legal Basis: ORC 3318.01 through 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 was for revenue bonds issued prior to the end of FY 2000. It is unlikely that new revenue bonds will be issued because they carry a higher interest rate than general obligation debt. The appropriations for this line item will continue to decline until 2008, when all of the debt is scheduled to be retired.

GRF 230-908 Common Schools General Obligation Debt Service

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
$30,014,488	$41,903,405	$91,859,332	$141,712,490	**$188,724,700**	**$224,911,500**
	39.6%	119.2%	54.3%	**33.2%**	**19.2%**

Source: GRF

Legal Basis: Section 97 of Am. Sub. H.B. 95 of the 125th G.A. (originally authorized by Article VIII, Section 2n of the Ohio Constitution)

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 for these bonds is paid via an intrastate transfer from the Commissioners of the Sinking Fund (Fund 078, line item 155-908, Common Schools Bond Retirement Fund).

Federal Special Revenue Fund Group

3X9 230-601 Federal School Facilities Grant

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
$0	$4,613,891	$16,489,008	$7,111,162	**$0**	**$0**
	N/A	257.4%	-56.9%	**-100.0%**	**N/A**

Source: FED: CFDA 84.352, School Renovation, IDEA, and Technology Grants Program

Legal Basis: Discontinued line item (originally established by Controlling Board on October 29, 2001)

Purpose: This line item funded competitive grants to local education agencies to make emergency renovations and repairs necessary to ensure the health and safety of students and staff. The School Facilities Commission no longer receives federal funding under these grants.

State Special Revenue Fund Group

5E3 230-644 Operating Expenses

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
$4,963,293	$5,549,472	$5,426,340	$7,009,766	**$7,319,617**	**$7,691,485**
	11.8%	-2.2%	29.2%	**4.4%**	**5.1%**

Source: SSR: Transfers of moneys authorized by the G.A.; grants and other revenues per ORC 3318.31; investment earnings

Legal Basis: ORC 3318

Purpose: These moneys are used by the School Facilities Commission to evaluate school facilities, prepare building design specifications, provide project management services, and other purposes deemed necessary by the Commission, consistent with ORC 3318. These moneys also fund all other operating expenses of the Commission.

School Building Assistance Fund

5S6 230-602 Community School Loan Guarantee

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
$0	$10,000,000	$0	$0	**$0**	**$0**
	N/A		N/A	**N/A**	**N/A**

Source: SBA: Proceeds of obligations issued; investment earnings

Legal Basis: ORC 3318.50 and 3318.52

Purpose: This line item funds the Community School Loan Guarantee Program, which provides loan guarantees to community schools to assist them in acquiring, improving, or replacing classroom facilities. H.B. 94 of the 124th General Assembly appropriated $10 million for the program. Under the program, the School Facilities Commission may guarantee for a maximum of 15 years up to 85% of the principal and interest on a loan made to the governing authority of a community school by a financial institution regulated by the federal government or the state of Ohio. The maximum loan guarantee amount is $1 million.

Lottery Profits/Education Fund Group

020 230-620 Career-Tech School Building Assistance

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
$0	$0	$0	$0	**$2,000,000**	**$2,000,000**
	N/A	N/A	N/A	**N/A**	**0.0%**

Source: LPE: Funds are transferred by the Controlling Board, as needed

Legal Basis: Proposed in the Main Operating Appropriations Bill of the 126th General Assembly

Purpose: This line item is used to provide school districts, including joint vocational school districts, with interest-free loans for the construction, renovation, or purchase of vocational classroom facilities. School districts that have already received state facilities assistance or are reasonably expected to receive assistance within three fiscal years are generally not eligible for a loan under the program, unless the loan is for the purchase of equipment not covered under the Commission's programs. An eligible district must meet all applicable design specifications and policy of the Commission. Previously, the program was called the Vocational School Building Assistance Program and was funded under the Department of Education's Fund 020 appropriation item 200-620, Vocational School Building Assistance.

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

Fund	ALI	ALI Title	Estimated 2005	As Introduced 2006	House Passed 2006	% Change Est. 2005 to House 2006	As Introduced 2007	House Passed 2007	% Change House 2006 to House 2007
SFC		**School Facilities Commission**							
GRF	230-428	Lease Rental Payments	$31,704,700	$ 31,691,700	$ 31,691,700	0.0%	$ 31,603,200	$ 31,603,200	-0.3%
GRF	230-908	Common Schools General Obligation Debt Service	$141,712,490	$ 188,724,700	$ 188,724,700	33.2%	$ 224,911,500	$ 224,911,500	19.2%
General Revenue Fund Total			**$ 173,417,190**	**$ 220,416,400**	**$ 220,416,400**	**27.1%**	**$ 256,514,700**	**$ 256,514,700**	**16.4%**
3X9	230-601	Federal School Facilities Grant	$7,111,162	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
Federal Special Revenue Fund Group Total			**$ 7,111,162**	**$ 0**	**$ 0**	**-100.0%**	**$ 0**	**$ 0**	**N/A**
5E3	230-644	Operating Expenses	$7,009,766	$ 7,319,617	$ 7,319,617	4.4%	$ 7,691,485	$ 7,691,485	5.1%
State Special Revenue Fund Group Total			**$ 7,009,766**	**$ 7,319,617**	**$ 7,319,617**	**4.4%**	**$ 7,691,485**	**$ 7,691,485**	**5.1%**
020	230-620	Career-Tech School Building Assistance	$0	$ 2,000,000	$ 2,000,000	N/A	$ 2,000,000	$ 2,000,000	0.0%
Lottery Profits/Education Fund Group Total			**$ 0**	**$ 2,000,000**	**$ 2,000,000**	**N/A**	**$ 2,000,000**	**$ 2,000,000**	**0.0%**
Total All Budget Fund Groups			***$ 187,538,118***	***$ 229,736,017***	***$ 229,736,017***	***22.5%***	***$ 266,206,185***	***$ 266,206,185***	***15.9%***

As Introduced (Executive)	As Passed by the House
(CD-397-SFC) Half-Mill Maintenance Equalization	
R.C. ***3318.111, 5727.84, 5727.85***	**R.C.** ***3318.111, 5727.84, 5727.85***
Creates the Half-Mill Equalization Program, beginning in FY 2007, to be jointly administered by the School Facilities Commission (SFC) and the Department of Education (ODE). The program provides an equalized payment to a school district that raises less local revenue per pupil than the average district in the state for the required half-mill maintenance levy. The equalized payment is equal to the district's formula ADM (average daily membership) multiplied by the difference between the state average revenue yield per pupil and the district's revenue yield per pupil. Requires that the comparison of a district's revenue yield per pupil with the state average revenue yield per pupil be made at a single point in time, when the district first becomes eligible for assistance and enters its project agreement with the SFC. From that time forward until the 23-year maintenance levy expires, no update of a district's revenue yield per pupil is made. An eligible district will, therefore, receive the same amount of annual payment for 23 years. Requires the ODE, beginning in FY 2007, to compute the state average revenue yield per pupil and each district's revenue yield per pupil and provides these data to the SFC by July 1 of every year. The SFC is then required to determine the amount of payment for each eligible district. School districts receiving these payments are required to deposit the money in their Classroom Maintenance	Same as the Executive.

As Introduced (Executive) **As Passed by the House**

Facilities Fund and use the money only for maintaining SFC-assisted facilities.

Makes the equalized payment available to those districts that have been served by the SFC before FY 2007 if their revenue yield per pupil is below the state average. For these districts, the comparison of the district's revenue yield per pupil and the state average revenue yield per pupil will be made on September 1, 2006.

Creates the Half-Mill Equalization Fund (Fund 5BJ) to receive excess funds from the School District Property Tax Replacement Fund (Fund 053). The money from Fund 5BJ will be used to fund the Half-Mill Maintenance Equalization Program described above. Requires excess balances in Fund 053 to be used for equalization payments and the school facilities assistance program, with first priority being given to equalization payments. Under current law, excess funds in Fund 053 are distributed to school districts and joint vocational school districts on a per pupil basis for capital improvements.

Fiscal effect: The executive proposal recommends funding of $10.7 million in FY 2007 for appropriation item 200-626, Half-Mill Maintenance Equalization, (Fund 5BJ) in the state special revenue fund group in the ODE for this program. The changes made in the use of excess of funds in the School District Property Tax Replacement Fund (Fund 053) would provide more money to some districts and less money to some other districts.

See also the item entitled "Half-Mill Maintenance Equalization" in the Department of Education.

As Introduced (Executive)	As Passed by the House

(CD-305-SFC) Investment Earnings of Education Facilities Trust Fund

R.C. ***3318.33***	**R.C.** ***3318.33***
Authorizes the Director of Budget and Management to transfer investment earnings of the Education Facilities Trust Fund (Fund N87) to the Ohio School Facilities Commission Fund (Fund 5E3) to pay the SFC's operating expenses. Fiscal effect: Allows investment earnings of the Education Facilities Trust Fund (Fund N87), along with investment earnings of the School Building Assistance Fund (Fund 032) and the Public School Building Fund (Fund 021), to be used for the SFC's operating expenses.	Same as the Executive.

(CD-332-SFC) Career-Technical School Building Assistance Loan Program

R.C. ***3318.47, 3318.48, 3318.49, Section 315.06***	**R.C.** ***3318.47, 3318.48, 3318.49, Section 315.06***
Renames the Vocational School Building Assistance Fund (Fund 020) the Career-Technical School Building Assistance Fund. Moneys in Fund 020 are used to provide school districts with interest-free loans for the construction, renovation, or purchase of vocational education equipment or facilities. Fiscal effect: None	Same as the Executive.
Transfers responsibility of the loan program from the ODE to the SFC and places two new restrictions on eligibility for the loans. First, it limits eligibility in the loan program to school districts that have not yet been served by one of the SFC's programs or will not be reasonably expected to be served in the next three years, unless the loan is for the	

As Introduced (Executive)	As Passed by the House
purchase of equipment not covered by the SFC's programs. Second, an eligible district must agree to comply with all applicable design specifications and policies of the SFC, unless waived by the SFC. The SFC must develop and approve a transition plan, in consultation with the ODE, to transfer all materials, assets, liabilities, and records related to the program. These transfers must occur within 120 days after the bill's effective date. The ODE is required to continue to administer the program until the program is transferred. Fiscal effect: The executive budget appropriates $2 million in each fiscal year for appropriation item 230-620, Career-Tech School Building Assistance, (Fund 020) in the lottery profits/education fund group for the program.	

As Introduced (Executive)	As Passed by the House
(CD-234-SFC) Lease Rental Payments	
Section: *209.90.03*	**Section: *209.90.03***
Specifies that GRF appropriation item 230-428, Lease Rental Payments, be used to meet all leases and agreements made by the SFC pursuant to section 3318.26 of the Revised Code. Limits the aggregate amount of all lease payments made during the period from July 1, 2005 to June 30, 2007 to $63,294,900.	Same as the Executive.
(CD-244-SFC) Common Schools General Obligation Debt Service	
Section: *209.90.03*	**Section: *209.90.03***
Specifies that GRF appropriation item 230-908, Common Schools Obligation Debt Service, be used to pay all debt service and related financing costs between July 1, 2005 and June 30, 2007 pursuant to sections 151.01 and 153.03 of the Revised Code. Requires the Office of the Sinking Fund or the Director of Budget and Management to effectuate required payments via an intrastate transfer voucher.	Same as the Executive.
(CD-251-SFC) Operating Expenses	
Section: *209.90.03*	**Section: *209.90.03***
Specifies that appropriation item 230-644, Operating Expenses, (Fund 5E3) in the state special revenue fund group be used by the SFC to carry out its duties under this section and Chapter 3318. of the Revised Code.	Same as the Executive.

As Introduced (Executive)	As Passed by the House
Requires the Executive Director of the SFC to certify, on a quarterly basis in each fiscal year, to the Director of Budget and Management the amount of cash to be transferred from the School Buildings Assistance Fund (Fund 032), the Public School Building Fund (Fund 021), and the Educational Facilities Trust Fund (Fund N87) to the Ohio School Facilities Commission (Fund 5E3). The amount transferred may not exceed investment earnings credited to the School Building Assistance Fund (Fund 032), less any amount required to be paid for federal arbitrage rebate purposes.	

(CD-252-SFC) School Facilities Encumbrances and Reappropriation

Section: ***209.90.03***	**Section:** ***209.90.03***
Authorizes the Director of Budget and Management, at the request of the Executive Director of the SFC, 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 is required to certify the amounts of the canceled encumbrances to the Director of Budget and Management on a quarterly basis. The amounts of the canceled encumbrances are appropriated to the CFAP. Fiscal effect: The canceled encumbrances would be made available to serve other school districts.	Same as the Executive.

As Introduced (Executive)	As Passed by the House

(CD-259-SFC) Extreme Environmental Contamination of School Facilities

Section: ***209.90.06***	**Section:** ***209.90.06***
Authorizes the SFC to provide assistance under the Exceptional Needs School Facilities 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. Fiscal effect: Allows a school district experiencing extreme environmental contamination to receive state assistance under the Exceptional Needs program. This provision authorizes the continuation of the current program.	Same as the Executive.

(CD-263-SFC) Canton City School District Project

Section: ***209.90.09***	**Section:** ***209.90.09***
Authorizes the SFC to commit up to $35,000,000 to the Canton City School District for construction of a combined secondary and post-secondary facility in lieu of a high school that would otherwise be authorized under Chapter 3318. of the Revised Code. Fiscal effect: None. It authorizes the continuation of the current program and does not change the state share of the school facilities project in the Canton City School District.	Same as the Executive.