LSC Redbook

Analysis of the Executive Budget Proposal

Ohio Cultural Facilities Commission

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READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Ohio Cultural Facilities Commission (OCFC), which includes the following four sections.

1. Overview: Provides a brief description of OCFC and an overview of the provisions of the executive budget that affect the agency.
2. Analysis of Executive Proposal: Provides a brief analysis of the executive budget recommendations for OCFC, including funding for each appropriation line item.
3. Requests Not Funded: Compares OCFC's budget request with the executive budget recommendations.
4. Attachments: Includes the Catalog of Budget Line Items (COBLI) for OCFC, which briefly describes each line item that supports the agency's operations, and the LSC budget spreadsheet summarizing the recommended appropriations.

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March 2009

Ohio Cultural Facilities Commission

- Total appropriations of $28.0 million in FY 2010 and $29.8 million in FY 2011
- 95% of OCFC budget is for debt service payments
- Will fund the administration of 218 active capital projects

OVERVIEW

Agency Overview

The Ohio Cultural Facilities Commission (OCFC) administers the development of arts and sports facilities statewide using a combination of capital and operating dollars. The responsibilities of the Commission include funding oversight for projects at theaters, music venues, museums, local historical facilities, arts education facilities, and publicly owned professional sports venues. The Commission is also responsible for administering the capital funding and debt service for projects at state historic sites managed by the Ohio Historical Society (OHS).

The Commission has acted as the steward of over $528 million in state capital improvement funds appropriated by the General Assembly and the Governor for planning, construction, renovation, and expansion at over 300 projects in 72 counties statewide since 1988. The General Assembly and Governor assign projects to the Commission in the state's biennial capital appropriations bills. Once 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, administration of capital dollars, and contract oversight.

The Commission consists of nine 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 staff of 13 full-time employees and one part-time employee includes the executive, administrative, and fiscal staff, as well as project managers who oversee the progress of funded projects.

Appropriation Overview

Total appropriations for the Cultural Facilities Commission under the executive proposal are approximately $28.0 million in FY 2010 and $29.8 million in FY 2011. The decrease of 28.3% from FY 2009 adjusted appropriations and the increase of 6.6% in FY 2011 are attributable largely to changes in debt service payments from the GRF that are set by the Office of Budget and Management and not by OCFC itself. GRF appropriations of $26.6 million in FY 2010 and $28.3 million in FY 2011 consist mostly of

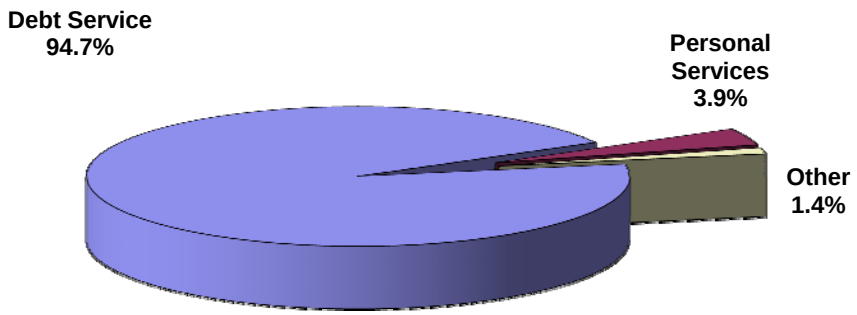
debt service, along with some operating costs that are not provided through State Special Revenue appropriations.

Table 1. Executive Budget Recommendations by Fund Group, FY 2010-FY 2011					
Fund Group	**FY 2009***	**FY 2010**	**% change, FY 2009-FY 2010**	**FY 2011**	**% change, FY 2010-FY 2011**
General Revenue	$37,613,623	$26,595,809	-29.3%	$28,301,600	6.9%
State Special Revenue	$1,383,866	$1,383,866	0.0%	$1,383,866	0.0%
TOTAL	**$38,997,489**	**$27,979,675**	**-28.3%**	**$29,826,375**	**6.6%**

*FY 2009 figures represent adjusted appropriations.

As seen in Chart 1, debt service makes up the vast majority of OCFC's budget (94.7%). The amount of debt service is dependent on the number and value of outstanding bond-funded capital improvement projects in OCFC's portfolio. Approximately 3.9% of OCFC's budget consists of personal services costs, which cover the payroll and fringe benefits for staff who manage the projects under OCFC's jurisdiction. Equipment, maintenance, and other costs account for the remaining 1.4% of OCFC expenses.

Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2010-FY 2011



Major Initiatives

Project Administration

OCFC will continue to administer its portfolio of 218 active projects, appropriations for which total approximately $253.0 million in state capital funds. Under the most recent capital appropriations bill, Am. Sub. H.B. 562 of the 127th General Assembly, the Commission was appropriated $43.1 million for 108 community projects. Of these 108 projects, 59 are brand new to the Commission, 34 are current

OCFC projects that received additional appropriations, and 15 are Ohio Historical Society projects that receive capital funding through OCFC but are managed by OHS. The table below shows the total number of active projects by type that are currently being administered by OCFC, as well as a breakdown of the capital appropriations for these projects.

Table 2. Cultural Facilities Commission – Total Active Projects by Type

Category	No. of Projects	Total Appropriations
State Historical Facilities	31	$46,362,018
Cultural Facilities	184	$191,748,332
Sports Facilities	3	$14,900,000
General Revenue Fund Capital Projects	4	$243,719
Total	**218**	**$253,010,350**

Model Process for Community Capital Improvements

OCFC intends to continue pursuing efforts to implement its proposed Model Process for Community Capital Improvements to the extent that it is feasible under the proposed appropriation levels. According to OCFC, the Model Process would institute a more defined structure for assessing, evaluating, assigning, and overseeing community projects that are funded by state capital dollars. OCFC has indicated that at the proposed appropriation levels, any work performed to implement the Model Process would be limited in scope.

ANALYSIS OF EXECUTIVE PROPOSAL

This section provides an analysis of the Governor's recommended funding for each appropriation item in OCFC's budget. OCFC's four line items are presented in the order in which they appear in the budget bill. A narrative for each appropriation item describes how the funds are used as well as any changes affecting the appropriations that are proposed by the Governor. OCFC's appropriations provide for the administration of capital improvement projects at cultural, historical, and sports facilities statewide, as well as the debt service payments made to retire the bonds issued to fund the projects.

Governor's Recommended Amounts for the Ohio Cultural Facilities Commission				
Fund	**ALI and Name**		**FY 2010**	**FY 2011**
General Revenue Fund				
GRF	371321	Operating Expenses	$140,909	$140,909
GRF	371401	Lease Rental Payments	$26,454,900	$28,301,600
		General Revenue Fund Subtotal	***$26,595,809***	***$28,442,509***
State Special Revenue Fund Group				
4T80	371601	Riffe Theatre Equipment Maintenance	$81,000	$81,000
4T80	371603	Project Administration Services	$1,302,866	$1,302,866
		State Special Revenue Fund Group Subtotal	***$1,383,866***	***$1,383,866***
Total Funding: Ohio Cultural Facilities Commission			**$27,979,675**	**$29,826,375**

Operating Expenses (371321)

This line item supports the portion of the costs of payroll and supplies for OCFC that do not directly relate to the management of cultural and sports facilities capital projects. Funds are appropriated through the GRF at a level of $140,909 in each fiscal year under the executive proposal. These proposed appropriations are 10.9% below FY 2009 adjusted appropriations.

Lease Rental Payments (371401)

Appropriations for this line item are $26.5 million in FY 2010 and $28.3 million in FY 2011 under the executive proposal. Funds in this line item are used for the repayment of bonds issued by the Treasurer of State, the proceeds of which go toward the costs of capital improvement and construction projects for cultural, sports, and state historic facilities. These debt service payments account for approximately 95% of OCFC's total budget.

Riffe Theatre Equipment Maintenance (371601)

This line item receives appropriations of $81,000 under the executive proposal. These funds are used by OCFC pursuant to a contract with the Columbus Association for the Performing Arts (CAPA), under which OCFC provides support for repairs and equipment at the theaters in the Vern Riffe Center for Government and the Arts. This line item is supported by rebates from a CAPA ticket surcharge that are deposited in the Cultural Facilities Commission Administration Fund (Fund 4T80).

Project Administration Services (371603)

This line item is funded at approximately $1.3 million in each fiscal year under the executive proposal, unchanged from FY 2009 levels. These funds support the majority of OCFC's payroll and other operating costs related to the administration of capital improvement and construction projects for cultural and sports facilities. The revenue that supports this appropriation consists of interest earnings on the cultural facilities bonds issued by the Treasurer of State that are deposited into the Cultural Facilities Commission Administration Fund (Fund 4T80). Supplemental funding for other administrative activities is provided through GRF line item 371321, Operating Expenses.

REQUESTS NOT FUNDED

This section describes OCFC requests that are not funded in the executive budget. As shown in the table below, OCFC requested a total of $464,225 in FY 2010 and $537,225 in FY 2011 that would have been used for its two primary operating line items, 371321, Operating Expenses, and 371603, Project Administration Services. These requests would have provided additional resources for the administration of OCFC's capital project portfolio.

OCFC Administration						
Fund Line Item	FY 2010 Recommended	FY 2010 Requested	Difference	FY 2011 Recommended	FY 2011 Requested	Difference
GRF 371321	$140,909	$158,522	$17,613	$140,909	$158,522	$17,613
4T80 371603	$1,302,866	$1,749,478	$446,612	$1,302,866	$1,822,478	$519,612

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General Revenue Fund

GRF 371321 Operating Expenses

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$193,175	$205,385	$138,135	$158,123	**$140,909**	**$140,909**
	6.3%	-32.7%	14.5%	**-10.9%**	**0.0%**

Source: GRF

Legal Basis: ORC 3383.04; Section 257.10 of Am. Sub. H.B. 119 of the 127th 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 that are not directly associated with administering capital projects.

GRF 371401 Lease Rental Payments

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$37,628,894	$37,662,272	$36,496,250	$37,455,500	**$26,454,900**	**$28,301,600**
	0.1%	-3.1%	2.6%	**-29.4%**	**7.0%**

Source: GRF

Legal Basis: ORC 3383.07; Section 257.10 of Am. Sub. H.B. 119 of the 127th General Assembly

Purpose: Funding to this line item is used to retire debt for revenue bonds, issued by the Treasurer of State, for cultural projects and sports facilities throughout the state.

State Special Revenue Fund Group

4T80 371601 Riffe Theatre Equipment Maintenance

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$4,863	$10,943	$55,996	$81,000	**$81,000**	**$81,000**
	125.0%	411.7%	44.7%	**0.0%**	**0.0%**

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 Theatres, 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 theatres.

4T80 371603 Project Administration Services

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$858,094	$865,561	$1,327,831	$1,302,866	**$1,302,866**	**$1,302,866**
	0.9%	53.4%	-1.9%	**0.0%**	**0.0%**

Source: SSR: Interest earnings from revenue bonds

Legal Basis: ORC 3383.09

Purpose: This line item receives earnings from investments of revenue bonds, issued by the Ohio Building Authority and 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 2010 - FY 2011

Fund	ALI	ALI Title	2008	2009	As Introduced 2010	% Change 2009 to 2010	As Introduced 2011	% Change 2010 to 2011
AFC Ohio Cultural Facilities Commission								
GRF	371321	Operating Expenses	$ 138,135	$ 158,123	$ 140,909	-10.9%	$ 140,909	0.0%
GRF	371401	Lease Rental Payments	$ 36,496,250	$ 37,455,500	$ 26,454,900	-29.4%	$ 28,301,600	7.0%
General Revenue Fund Total			**$ 36,634,385**	**$ 37,613,623**	**$ 26,595,809**	**-29.3%**	**$ 28,442,509**	**6.9%**
4T80	371601	Riffe Theatre Equipment Maintenance	$ 55,996	$ 81,000	$ 81,000	0.0%	$ 81,000	0.0%
4T80	371603	Project Administration Services	$ 1,327,831	$ 1,302,866	$ 1,302,866	0.0%	$ 1,302,866	0.0%
State Special Revenue Fund Group Total			**$ 1,383,827**	**$ 1,383,866**	**$ 1,383,866**	**0.0%**	**$ 1,383,866**	**0.0%**
Total All Budget Fund Groups			***$ 38,018,212***	***$ 38,997,489***	***$ 27,979,675***	***-28.3%***	***$ 29,826,375***	***6.6%***