# LSC Redbook

## Analysis of the Executive Budget Proposal

# School Facilities Commission

*Edward Millane, Budget Analyst*
*Legislative Service 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 School Facilities Commission (SFC), which includes the following three sections.

1. Overview: Provides a brief description of SFC, an overview of its recommended appropriations, and a description of SFC programs.
2. Analysis of Executive Proposal: Provides a detailed analysis of the executive budget recommendations for SFC, including funding for each appropriation line item.
3. Attachments: Includes the catalog of budget line items (COBLI) for SFC, which briefly describes each line item, and the LSC budget spreadsheet for SFC.

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- Operational funding increases 10.2% in FY 2010 and 2.5% in FY 2011

## OVERVIEW

### Agency Overview

The Ohio School Facilities Commission (SFC) provides funding, management oversight, and technical assistance to school districts for the construction and renovation of classroom facilities. SFC was created in 1997 by S.B. 102 of the 122nd General Assembly to implement a plan to rebuild all of Ohio's schools. Since its inception through December 2008, SFC has received about $10.25 billion in capital appropriations and disbursed about $7.0 billion. Approximately $4.10 billion (40%) of the $10.25 billion in SFC capital appropriations are from proceeds of the tobacco securitization authorized in Am. Sub. H.B. 119, the main operating appropriations act of the 127th General Assembly. As of the end of 2008, approximately 593 new or renovated buildings have opened across Ohio, 166 buildings are under construction, and 116 buildings are in design.

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 SFC's daily operations. SFC's GRF funding is only used for debt service on bonds issued for capital projects. SFC's operating expenses are entirely funded through investment earnings from its capital accounts. In FY 2009, SFC has an estimated operating budget of nearly $9.0 million, while its capital expenditures are expected to total approximately $1.10 billion.

#### Staffing Levels

To accommodate the increased workload as a result of the securitization of tobacco revenues in the fall of 2007, SFC's total authorized staffing level rose by seven positions over the FY 2008-FY 2009 biennium to a total of 70. Five of these additional positions were for project administrators, one was for a "green building" administrator, and one was for a finance specialist. As of February 2009, SFC had 68 of the 70 authorized positions filled. The remaining two positions are expected to be filled by the end of this fiscal year.

The executive budget increases SFC's operational funding by 10.2% in FY 2010 and 2.5% in FY 2011. According to a spokesperson from SFC, this will enable the agency to hire up to seven additional employees over the FY 2010-FY 2011 biennium. According to SFC, most of these seven new employees will be hired to oversee its recently established quality assurance program. This program, one of SFC's major initiatives in the current and next biennium, provides close oversight of the building and contracting process to ensure that quality schools are built.

In addition to its regular staff, SFC hires private contractors to deliver various services, such as enrollment projections, building assessments, claims analysis, and construction management. SFC project planners and managers oversee these private contractors.

## Appropriation Overview

The following table shows the executive recommended appropriations for SFC by fund group. As mentioned previously, SFC's GRF appropriations are for debt service on the bonds issued to finance the state share of school facilities projects. SFC's State Special Revenue appropriations are for the operating expenses of the agency. As can be seen from the table, although the executive budget provides increases of 10.2% in FY 2010 and 2.5% in FY 2011 for SFC's operating appropriations, total appropriations for the agency decrease significantly. The large decrease in SFC's appropriations for debt service (43.3% in FY 2010 and 14.1% in FY 2011) are a result of the executive's debt restructuring plan, which is described below.

| Executive Recommended Appropriations by Fund Group, FY 2010 and FY 2011 | | | | | |
|---|---|---|---|---|---|
| **Fund Group** | **FY 2009 Adjusted Appropriations** | **FY 2010** | **% change, FY 2009-FY 2010** | **FY 2011** | **% change, FY 2010-FY 2011** |
| General Revenue | $339,648,300 | $192,559,200 | -43.3% | $165,510,500 | -14.1% |
| State Special Revenue | $8,969,942 | $9,885,436 | 10.2% | $10,132,034 | 2.5% |
| **TOTAL** | **$348,618,242** | **$202,444,636** | **-41.9%** | **$175,642,534** | **-13.2%** |

### Debt Restructuring Plan

Debt restructuring is accomplished by issuing new bonds and using the proceeds to pay the debt service on the old bonds. By restructuring debt in this way debt service is lowered in the short term. In future years, debt service is higher since it must be paid on the new bonds as well as the old. According to the Office of Budget and Management (OBM), the executive plan lowers debt service in FY 2009 by about $0.9 million and in the FY 2010-FY 2011 biennium by about $400.3 million. The total cost of the new bonds from FY 2012 to FY 2021, when they will all be retired, is about $491.1 million. The net cost of the restructuring is about $89.9 million ($491.1 million –

$401.2 million), which will be paid out over the ten years from FY 2012 to FY 2021. According to OBM calculations, the present value of this net cost is about $7.3 million.

### Transfer from the Education Facilities Trust Fund (Fund N087) to the GRF

The executive proposal requires the Director of Budget and Management to transfer $200.0 million cash from the Education Facilities Trust Fund (Fund N087) to the GRF in either FY 2010 or FY 2011. In addition, $200.0 million cash is to be deposited into Fund N087, or another SFC capital fund, by June 30, 2013.

## School Facilities Commission Programs

### Classroom Facilities Assistance Program (CFAP)

CFAP, which was created by S.B. 102 of the 122nd General Assembly, is SFC's main program. It addresses school districts' entire facilities needs. Of the $7.0 billion in capital funding disbursed through December 2008, approximately 87.7% ($6.14 billion) was disbursed through this program. As discussed in greater detail below, under 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 Accelerated Urban Initiative

Included in the districts served by CFAP are the six major urban districts (Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo) that were accepted into 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 segments; although districts generally start projects in different segments simultaneously. 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 $4.75 billion, with a combined state share over the lifetime of these projects estimated at approximately $2.39 billion. From FY 2003 through FY 2008, SFC disbursed over $938.1 million to these six districts and helped build or renovate 75 buildings. All of the six urban districts have secured all or part of their required local shares. Cincinnati and Dayton have reached their final scheduled segments, Cleveland has reached segment four of ten projected segments, Toledo is nearing its fifth and final segment, and Akron and Columbus have reached phase two of six and seven projected segments, respectively.

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

### CFAP's Eligibility and State and Local Share Determinations

Under CFAP, a lower wealth district is generally served earlier and receives a greater share of state funding than a higher wealth school district will receive when it is its 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.

#### *Determining the Eligibility Ranking List*

By September 1st of each fiscal year, the Department of Education (ODE) is required to certify to SFC a list ranking all districts in the state according to their three-year average adjusted valuations per pupil. Adjusted valuation per pupil is a measure of each district's property wealth with a small adjustment based on the income level of the residents of each district. The formula used by ODE is given below.

| **Adjusted Valuation Per Pupil =** |
| --- |
| **Taxable Property Valuation/ADM - [$30,000 x (1-Income Factor)]** |
| ADM = Average Daily Membership (a measure of student enrollment) |
| Income Factor = District's Median Income/State's Median Income |

The income adjustment is applied to a uniform valuation per pupil ($30,000) in order to standardize its effect, so that two districts with the same median income will have the same adjustment regardless of their property valuations per pupil. For a district with a median income below the state median, the income adjustment makes its first $30,000 in valuation per pupil appear to be lower, thus making the district appear to be poorer. Conversely, for a district with a median income above the state median, the income adjustment makes the district appear to be richer. On average, approximately 23% of property valuation is subject to the income adjustment. This income adjustment is intended to measure a district's ability to pay for education services while a district's property wealth is generally considered as a measurement of a district's capacity to pay.

The three-year average adjusted valuation per pupil is the average adjusted valuation per pupil for the current and preceding two fiscal years. ODE ranks the school districts from lowest to highest based on three-year average adjusted valuation per pupil and then divides them into percentiles (i.e., divides them into 100 approximately equal groups). Each percentile contains about six districts, with the 1st percentile having the lowest wealth districts and the 100th percentile having the highest wealth districts. SFC uses the percentile rankings certified by ODE to determine which school districts are next in line for funding as well as to determine the local and state shares of each district's basic project cost. This determination is described below.

### *State and Local Share Determination*

After receiving the ranking list, SFC identifies the school districts next in line for funding, and then assesses these districts' facilities needs to determine the total basic project cost for each of these districts. Each school district is responsible for financing a portion of its project cost with local resources. The district's local share is the greater of the local shares calculated according to the following two methods, except that it cannot be more than 95% of the district's total basic project cost.

(1) The district's required percentage of the basic project cost. This is calculated for each district as follows:

| |
|---|
| **District's Required Project % =** |
| **0.01 x (District's Percentile Ranking)** |
| **Local Share = District's Required Project % x Basic Project Cost** |

(2) The district's required level of indebtedness. A district's required level of indebtedness can range from 5.00% to 6.98% of its total taxable valuation, depending on the district's percentile ranking. The district's required level of indebtedness includes its local share plus its current debt that qualifies for the calculation. This is calculated for each district as follows:

| |
|---|
| **District's Required Indebtedness % =** |
| **0.05 + .0002 x [(District's Percentile Ranking) - 1]** |
| **Local Share = (District's Required Indebtedness % x District's Taxable Valuation) -<br>Current Qualifying Debt** |

Once a district's local share is determined, the state share, generally, is the difference between the total basic project cost and the district's local share as follows:

| |
|---|
| **State Share = Total Basic Project Cost - Local Share** |

### *Examples of Local Share Determination*

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

#### *1. School District A*

District A has an adjusted valuation per pupil of $66,000, ranking it 150th in the state and placing it in the 25th percentile. The district's total taxable valuation is $112.9 million and it currently has no debt that qualifies for the required indebtedness calculation. District A's total basic project cost is estimated at $26.0 million. District A's local share is equal to the greater of the following two calculations:

| District A's Required Project % = |
| --- |
| 0.01 x (District A's Percentile Ranking) = 0.01 x 25 = 0.25 = 25% |
| Local Share = Required Project % x Basic Project Cost |
| = 25% x $26.0 million = $6.5 million |

| District A's Required Indebtedness % = |
| --- |
| 0.05 + .0002 x [(District A's Percentile Ranking) - 1] = 0.05 + .0002 x [25 - 1] = 0.0548 = 5.48% |
| Local Share = (Required Indebtedness % x Taxable Valuation) |
| = 5.48% x $112.9 million = $6.2 million |

The greater of these two amounts is $6.5 million, which is the local share based on District A's required percentage of the basic project cost. The state share for District A's project is equal to $19.5 million ($26.0 million - $6.5 million).

### 2. *School District B*

District B has an adjusted valuation per pupil of $180,000, ranking it 560th in the state and placing it in the 92nd percentile. The district's total taxable valuation is $201.0 million and it currently has no debt that qualifies for the required indebtedness calculation. District B's total basic project cost is estimated at $14.5 million. District B's local share is equal to the greater of the following two calculations:

| District B's Required Project % = |
| --- |
| 0.01 x (District B's Percentile Ranking) = .01 x 92 = 0.92 = 92% |
| Local Share = Required Project % x Basic Project Cost |
| = 92% x $14.5 million = $13.3 million |

| District B's Required Indebtedness % = |
| --- |
| 0.05 + .0002 x [(District B's Percentile Ranking) - 1] = 0.05 + .0002 x [92 - 1] = 0.0682 = 6.82% |
| Local Share = (Required Indebtedness % x Taxable Valuation) |
| = 6.82% x $201.0 million = $13.7 million |

The greater of these two amounts is $13.7 million, which is the local share based on District B's required level of indebtedness. The state share for District B's project is equal to $0.8 million ($14.5 million - $13.7 million).

While most school districts' state and local shares have been and will continue to be determined by the "required percentage of project cost" method (Example 1), higher wealth school districts and school districts with small projects are more likely to have their state and local shares determined by the "required level of indebtedness" method (Example 2).

It should be noted that, under the current method, 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 required local share 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 $23.0 million, instead of $14.5 million, its local share under the "required percentage of basic project cost" method would be approximately $21.2 million ($23.0 million x 92%), which is higher than the $13.7 million calculated under the "required level of indebtedness" method. In this case, the required local share for School District B would, therefore, be $21.2 million instead of $13.7 million.

#### Segmenting of Facilities Projects

Am. Sub. H.B. 562, the capital appropriations act of the 127th General Assembly, permits school districts that have not participated in a CFAP project prior to September 23, 2008 or that received only partial assistance prior to May 20, 1997 to segment their CFAP projects. Prior to H.B. 562, only the six urban school districts participating in the Accelerated Urban Initiative were permitted to segment their CFAP projects, while the other school districts had to complete all of their facilities' needs at once. Through December 2008, approximately 11 school districts had opted to segment their projects.

#### Leadership in Energy and Environmental Design (LEED)

In September 2007, SFC launched the Green School Initiative by adopting the LEED for Schools rating system as part of its school design standards. All school buildings assisted by SFC after September 2007 will be required to attain at least silver certification. In order to obtain a silver certification, a project must receive a minimum of 37 of 79 possible points. Prior to the establishment of the Green School Initiative, the SFC's school design standards had aligned with 20 to 28 of those 37 points. Created by the U.S. Green Building Council, LEED is a third-party certification program and a widely used benchmark for the design, construction, and operation of high performance green buildings. LEED for Schools, which was launched in April 2007, recognizes the unique nature of K-12 school design and construction and addresses issues such as classroom acoustics, master planning, mold prevention, and environmental site assessment. According to SFC, Ohio currently leads the nation with 95 school buildings registered for a silver LEED certification.

### Exceptional Needs Program (ENP)

ENP, which was created by 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 instead of addressing the entire classroom facilities needs of the district as under CFAP. School districts ranked up to the 75th percentile in wealth or with a territory larger than 300 square miles are eligible for participation in the program. An ENP school district's state and local shares are the same as they would have been under CFAP. Through December 2008, 34 school districts have been approved for ENP funding and have received a total of $555.5 million in state funding. Seven additional districts have been offered ENP funding in FY 2009.

#### Extreme Environmental Contamination Program

This program, which continues to be authorized under the executive budget, allows a school district experiencing extreme environmental contamination to participate in ENP. River Valley Local (Marion) and Gorham-Fayette Local (Fulton) have received assistance under this program.

### Expedited Local Partnership Program (ELPP)

ELPP, which was created by S.B. 272 of the 123rd General Assembly, permits a school district that is not yet eligible for CFAP to enter into an agreement with 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 district will then be applied to the district's share of the basic project cost when it becomes eligible for assistance under CFAP. Through FY 2008, 95 school districts have approved master plans to participate in this program and have spent or are eligible to spend a total of $2.0 billion that will later be applied to the local shares of future CFAP projects. Of these 95 districts, 76 have completed their projects while the remaining 19 have projects still in design or construction.

### Vocational Facilities Assistance Program (VFAP)

VFAP, which was created by H.B. 675 of the 124th General Assembly, provides classroom facilities assistance to the state's 49 joint vocational school districts (JVSDs). Similar to CFAP, VFAP generally serves low wealth joint vocational school districts first and provides them with greater state shares. SFC has the authority to spend up to 2% of its annual capital appropriations for VFAP projects. It has disbursed $69.9 million in capital funding and served nine joint vocational school districts since the program's creation in 2003. Two additional joint vocational school districts have been offered funding in FY 2009.

Joint vocational school districts may participate in a slightly modified version of the ELPP program called the Vocational Expedited Local Partnership Program (VELPP). VELPP, which was authorized by H.B. 675 of the 124th General Assembly and created by SFC rule, allows joint vocational school districts to use local resources for new construction or renovations prior to being eligible for VFAP. Through December 2008, two joint vocational school districts have been approved for participating in this program; they are eligible to spend a total of $7.7 million that will later be applied to the local shares of future VFAP projects.

### Energy Conservation Program

The Energy Conservation Program allows school districts with older facilities to borrow funds to make energy-saving facilities improvements without seeking voter approval. 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 952 projects in approximately 557 school districts, with estimated savings of over $100.1 million since the program began in 1985. Prior to its approval of a district's plan, SFC largely relies on the Department of Development to conduct a cost-benefit analysis.

### Emergency Assistance Program

The Emergency Assistance Program allows any school district that has suffered a natural disaster "due to an act of God" to receive state grants to help defray the cost of replacing damaged facilities. Assistance under this program is limited to any costs not covered by insurance or other public or private relief money. Additionally, any damage caused by age or lack of timely maintenance is not compensable. There is no local share requirement under this program. Through December 2008, only Findlay City (Hancock) has been approved for funding under this program.

### Community School Loan Guarantee Program

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 this program, SFC may guarantee for a maximum of 15 years and for up to 85% of the principal and interest 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. Through December 2008, SFC has granted conditional approval of guarantees for 15 community school facilities projects totaling approximately $8.5 million. The loans for seven of these projects, totaling $4.8 million, have been paid off. Seven of the remaining eight community schools with approved guarantees are in good standing with their loan payments. One community school, however, closed down in December 2008 with an outstanding loan balance, of which the state has guaranteed $1.0 million. SFC has begun making payments on the interest from this loan pending a potential sale of the property and a final calculation of the state's total liability.

### Half-Mill Maintenance Equalization Program

The Half-Mill Maintenance Equalization Program, created in H.B. 66 of the 126th General Assembly, provides equalized subsidies to school districts that have per pupil valuations less than the statewide average valuation per pupil and that have passed their half-mill maintenance tax levies as required by the Classroom Facilities Assistance Program (CFAP). These subsidies pay the difference between what each district could raise per pupil with one-half mill and what the district with the state average valuation per pupil could raise per pupil with one-half mill at the time each district enters into its CFAP project agreement with the state. Districts that had already entered into project agreements with SFC prior to H.B. 66 also receive payments as long as their per pupil valuations are lower than the state average. The executive proposal appropriates $10.7 million for this program in both FY 2010 and FY 2011 in the Department of Education's budget.

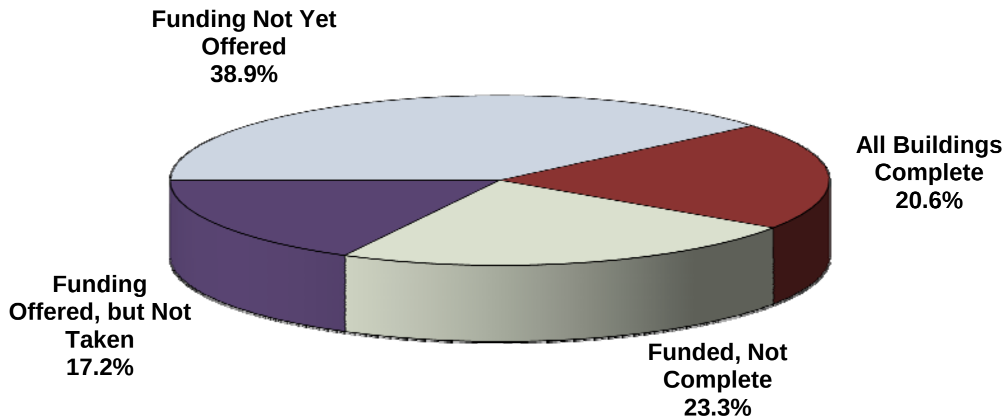
### Half-Mill Maintenance Levy for the Accelerated Urban Districts

Currently, all districts participating in a state-assisted project with SFC are required to obtain approval of a half-mill maintenance levy for a period of 23 years. Except for the six urban districts participating in the Accelerated Urban Initiative, the 23-year period begins at the onset of a district's project, even for districts that now segment their projects. For the six urban participants, however, current law requires that the 23-year period begin as the district's last segment is undertaken. The executive budget eliminates this requirement for accelerated urban districts and, instead, requires that the 23-year period begin at the date the initial segment is undertaken. It also requires that SFC amend the project agreement with any of the six accelerated urban districts in order to comply with these changes.

## SFC Progress in Rebuilding Ohio's Schools

According to the FY 2009 eligibility ranking list from the fall of 2008, 133 regular school districts (21.7%) and three JVSDs (6.1%) have completed all buildings on their master facility plans. An additional 146 school districts (23.9%) and eight JVSDs (16.3%) have projects that have been funded, but not completed. Finally, 107 school districts (17.5%) and seven JVSDs (14.3%) have been offered funding, but have either deferred the offer or allowed the offer to lapse because they were unable to secure the local share. These districts will be eligible for funding in the future. This leaves 226 school districts (36.9%) and 31 JVSDs (63.3%) that have not yet been offered funding. These statistics are summarized in the following chart.

**Chart 1: Status of School Districts and JVSDs in Completing Master Facility Plans, Fall 2008**




According to SFC's project status report from December 2008, the total project cost for all projects that have been completed or are in progress is $15.13 billion. This amount includes a state share of $9.85 billion (65.1%) and a local share of $5.28 billion (34.9%).

## ANALYSIS OF EXECUTIVE PROPOSAL

The following table shows the appropriation in the executive proposal for each appropriation item in SFC's budget in each fiscal year of the biennium.

| Governor's Recommended Amounts for the School Facilities Commission | | | | |
|---|---|---|---|---|
| **Fund** | | **ALI and Name** | **FY 2010** | **FY 2011** |
| **General Revenue Fund** | | | | |
| GRF | 230908 | Common Schools G.O. Debt Service | $192,559,200 | $165,510,500 |
| | | ***General Revenue Fund Subtotal*** | ***$192,559,200*** | ***$165,510,500*** |
| **State Special Revenue Fund Group** | | | | |
| 5E30 | 230644 | Operating Expenses | $9,885,436 | $10,132,034 |
| | | ***State Special Revenue Fund Group Subtotal*** | ***$9,885,436*** | ***$10,132,034*** |
| **Total Funding: School Facilities Commission** | | | **$202,444,636** | **$175,642,534** |

### Common Schools G.O. Debt Service (230908)

This line item is used to pay the debt service on general obligation (G.O.) bonds issued to raise funds for the state share of school facilities project costs. Historically, two types of bonds have been issued for SFC funded programs: special revenue bonds and G.O. bonds. After Ohio voters approved a constitutional amendment in November 1999, however, the state has issued only G.O. bonds for school facilities assistance. G.O. bonds are backed by the full faith and credit of the state. As a result, G.O. bonds generally can be issued at lower interest rates than special revenue bonds, which are not backed by the full faith and credit of the state. The last remaining special revenue bonds for school facilities assistance were retired in 2008.

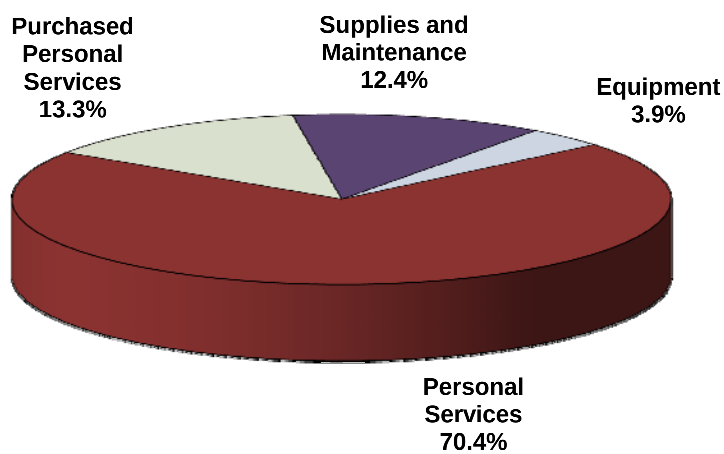
The executive budget recommends a 43.3% decrease in FY 2010 and a 14.1% decrease in FY 2011 for this item. The decreases are a result of the executive's debt restructuring plan, which is described in the Overview section.

### Operating Expenses (230644)

This line item provides funding for administrative support for all of SFC's programs. SFC's operating costs are primarily driven by the amount of capital appropriations SFC receives annually. Generally, SFC's operating budget is less than 1.0% of its annual capital funding. As indicated in the Overview, the executive budget recommends increases of 10.2% in FY 2010 and 2.5% in FY 2011, which will enable SFC to hire up to seven additional employees over the next biennium.

Chart 2 shows the executive recommended appropriations for SFC's operating expenses broken down by expense category. As can be seen from the chart, personal services and purchases personal services together make up approximately 83.7% of the recommended appropriations followed by supplies and maintenance (12.4%) and equipment at 3.9%. The purchased personal services category includes contracts for technical support and consulting services with private construction management contractors who directly manage school district projects.

**Chart 2: Executive Recommended Biennial Appropriations for SFC Operating Expenses, by Expense Category**




SFC's operating expenses are supported entirely by investment earnings from the School Buildings Assistance Fund (Fund 7032), the Public School Building Fund (Fund 7021), and the Education Facilities Trust Fund (Fund N087). The investment earnings are transferred quarterly to Fund 5E30 to cover the projected disbursements for the quarter.

### Study of Shared Community Spaces Included in SFC Projects

The executive budget requires the Executive Director of SFC to conduct a study of spaces included in state-assisted classroom facilities projects that are used for activities, services, and programs shared between schools and other public and private entities in their communities. The report is to be submitted to SFC members with written recommendations from the study by December 31, 2009.

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# General Revenue Fund

### GRF 230428 Lease Rental Payments

| 2006 | 2007 | 2008 | 2009 | 2010 Executive Proposal | 2011 Executive Proposal |
|---|---|---|---|---|---|
| $31,684,689 | $31,286,432 | $22,692,653 | $0 | **$0** | **$0** |
| | -1.3% | -27.5% | | | |

***Source:*** GRF

***Legal Basis:*** ORC 3318.01 through 3318.20

***Purpose:*** This line item provides debt service payments to retire special revenue bonds issued for state-supported school facilities projects. These special revenue bonds were issued before 2000; all of them were retired in 2008. A 1999 constitutional amendment authorized the state to issue general obligation bonds for the purpose of financing capital needs of primary and secondary education. In contrast with special revenue bonds, which are paid by a dedicated revenue source (in this case, GRF), general obligation bonds are backed by the full faith and credit of the state. Because of this additional backing, general obligation bonds can generally be issued at lower interest rates than special revenue bonds. Since 2000, the state has issued only general obligation bonds for state-supported school facilities projects.

### GRF 230908 Common Schools General Obligation Debt Service

| 2006 | 2007 | 2008 | 2009 | 2010 Executive Proposal | 2011 Executive Proposal |
|---|---|---|---|---|---|
| $171,455,309 | $210,563,506 | $263,080,401 | $339,648,300 | **$192,559,200** | **$165,510,500** |
| | 22.8% | 24.9% | 29.1% | **-43.3%** | **-14.0%** |

***Source:*** GRF

***Legal Basis:*** Article VIII, Section 2n of the Ohio Constitution; Section 391.10 of Am. Sub. H.B. 119 of the 127th G.A.

***Purpose:*** This line item provides debt service payments to retire general obligation bonds issued for state supported school facilities projects. A 1999 constitutional amendment authorized the state to issue general obligation bonds for the purpose of financing capital needs of primary and secondary education. In contrast with special revenue bonds, which are paid by a dedicated revenue source, general obligation bonds are backed by the full faith and credit of the state. Because of this additional backing, general obligation bonds can generally be issued at lower interest rates than special revenue bonds. Since 2000, the state has issued only general obligation bonds for state-supported school facilities projects.

# Federal Special Revenue Fund Group

### 3X90 230601 Federal School Facilities Grant

| 2006 | 2007 | 2008 | 2009 | 2010 Executive Proposal | 2011 Executive Proposal |
|---|---|---|---|---|---|
| $889,532 | $761,943 | $0 | $0 | **$0** | **$0** |
| | -14.3% | | | | |

***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 provided competitive grants to local education agencies to make emergency renovations and repairs necessary to ensure the health and safety of students and staff. In 2001, the U.S. Department of Education awarded a one-time grant to Ohio for the School Renovation, IDEA, and Technology Program in the amount of $37.6 million with the Department of Education as the grantee and the SFC and SchoolNet Commission as sub-grantees. The Controlling Board last established appropriation for this line item on August 14, 2006. The program has ended.

# State Special Revenue Fund Group

### 5E30 230644 Operating Expenses

| 2006 | 2007 | 2008 | 2009 | 2010 Executive Proposal | 2011 Executive Proposal |
|---|---|---|---|---|---|
| $6,458,322 | $7,348,637 | $7,373,078 | $8,969,942 | **$9,885,436** | **$10,132,034** |
| | 13.8% | 0.3% | 21.7% | **10.2%** | **2.5%** |

***Source:*** SSR: Transfers of investment earnings from the School Building Assistance Fund (Fund 7032), the Public School Building Fund (Fund 7021), and the Education Facilities Trust Fund (Fund N087)

***Legal Basis:*** ORC 3318

***Purpose:*** This line item is used for the personnel, purchased service, equipment, and maintenance costs of the SFC. These operating funds enable the SFC to perform its duties specified in ORC 3318, such as evaluating school facilities, preparing building design specifications, and providing project management services.

# Lottery Profits/Education Fund Group

## 7020 230620 Career-Tech School Building Assistance

| 2006 | 2007 | 2008 | 2009 | 2010 Executive Proposal | 2011 Executive Proposal |
|---|---|---|---|---|---|
| $0 | $150,000 | $850,000 | $0 | **$0** | **$0** |
| | N/A | 466.7% | | | |

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

**Legal Basis:** Discontinued line item (originally established in ORC 3318.47; transferred to School Facilities Commission in Am. Sub. H.B. 66 of the 126th G.A.)

**Purpose:** This line item provided school districts, including joint vocational school districts, with interest-free loans for the construction or renovation of vocational classroom facilities or purchase of vocational equipment. Prior to FY 2006, this program was called the Vocational School Building Assistance Program and was funded under the Department of Education's Fund 7020 appropriation item 200620, Vocational School Building Assistance. The program was abolished in Am. Sub. H.B. 119 of the 127th G.A., with any outstanding balances in Fund 7020 and loan repayments being transferred to the Public School Building Fund (Fund 7021).

# 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 |
|---|---|---|---|---|---|---|---|---|
| **SFC** | **School Facilities Commission** | | | | | | | |
| GRF | 230428 | Lease Rental Payments | $ 22,692,653 | $0 | $0 | N/A | $0 | N/A |
| GRF | 230908 | Common Schools General Obligation Debt Service | $ 263,080,401 | $ 339,648,300 | $ 192,559,200 | -43.3% | $ 165,510,500 | -14.0% |
| **General Revenue Fund Total** | | | **$ 285,773,054** | **$ 339,648,300** | **$ 192,559,200** | **-43.3%** | **$ 165,510,500** | **-14.0%** |
| 5E30 | 230644 | Operating Expenses | $ 7,373,078 | $ 8,969,942 | $ 9,885,436 | 10.2% | $ 10,132,034 | 2.5% |
| **State Special Revenue Fund Group Total** | | | **$ 7,373,078** | **$ 8,969,942** | **$ 9,885,436** | **10.2%** | **$ 10,132,034** | **2.5%** |
| 7020 | 230620 | Career-Tech School Building Assistance | $ 850,000 | $0 | $0 | N/A | $0 | N/A |
| **Lottery Profits/Education Fund Group Total** | | | **$ 850,000** | **$0** | **$0** | **N/A** | **$0** | **N/A** |
| ***Total All Budget Fund Groups*** | | | ***$ 293,996,132*** | ***$ 348,618,242*** | ***$ 202,444,636*** | ***-41.9%*** | ***$ 175,642,534*** | ***-13.2%*** |