

LSC Redbook

Analysis of the Executive Budget Proposal

Ohio Facilities Construction 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 Facilities Construction Commission (OFCC), which includes the following three sections.

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

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Ohio Facilities Construction Commission

- Consolidates oversight and management of state agency, state-supported universities and community colleges, and public K-12 school capital facilities projects
- Over 95% of total recommended appropriation for OFCC in the next biennium supports debt service payments

OVERVIEW

Agency Overview

The Ohio Facilities Construction Commission (OFCC), established by H.B. 487 of the 129th General Assembly, provides oversight of and construction guidelines for capital projects for state agencies, state-supported universities and community colleges, and public K-12 schools. OFCC currently combines the operations of the former State Architect's Office and Office of Energy Services (both formerly under the Department of Administrative Services) and the Ohio School Facilities Commission (SFC). The executive budget proposes to also merge the Cultural Facilities Commission (AFC) and certain capital project oversight from the Department of Natural Resources (DNR) to OFCC. SFC remains an independent commission under OFCC and is responsible for oversight and management of public K-12 school facilities projects. Both OFCC and SFC, and their respective duties and programs, are discussed below in more detail.

OFCC is governed by a three-member commission, which consists of the Director of Budget and Management, the Director of Administrative Services, and a member appointed by the Governor. Members are appointed for three-year terms. The Executive Director, who is appointed by the Commission, oversees OFCC's daily operations. OFCC's current GRF funding is largely used for debt service on bonds issued for K-12 school building capital projects. OFCC and SFC's operating expenses are supported from project fees charged for services on state agency and university projects and from interest earnings from SFC capital accounts, respectively.

Staffing Levels

Currently, OFCC has about 86 employees, although it is budgeted for 98 positions. Since the H.B. 487 merger took place in September 2012, OFCC has been assessing staff needs for the newly combined organization. According to OFCC, they are moving forward to hire nine more individuals to assist with the agency's additional duties under the merger. The remaining available positions will remain open and be re-assessed after the effects of the proposed budget are realized. OFCC expects to hire two

individuals for duties under the cultural facilities program, which is merged into OFCC under the budget. Overall, OFCC expects that the current funded 98 positions will be sufficient to cover these proposed additional responsibilities.

In addition to its regular staff, OFCC hires private contractors to deliver various services, such as educational planning, enrollment projections, building assessments, claims analysis, and construction management for its K-12 school building programs. SFC's project planners and managers oversee these private contractors.

Appropriation Overview

Table 1, below, shows OFCC's executive recommended appropriations by fund group. As mentioned previously, OFCC's GRF appropriations are mostly used for debt service on the bonds issued to finance the state share of school facilities projects. This continues under the executive proposal as GRF appropriation item 230908, Common Schools General Obligation Debt Services, receives appropriations of \$351.8 million and \$377.4 million in FY 2014 and FY 2015, respectively. With the proposed addition of the Cultural Facilities Commission (AFC) duties to OFCC, described below in more detail, OFCC will also absorb debt service payments used for the costs of capital improvement and construction projects for cultural, sports, and state historic facilities. Combined debt service appropriations make up over 95% of OFCC's total recommended budget in the next biennium. The remaining GRF appropriation of \$2.5 million and \$2.3 million in FY 2014 and FY 2015, respectively, support OFCC's staff that provide certain tools and services, including the OAKS Capital Improvements Module (OAKS-CI), to state agency, university, and K-12 public school projects. Although GRF support for these OFCC staff decreases over the biennium, OFCC expects that efficiencies gained from the H.B. 487 merger, especially in the IT application area, will permit OFCC to absorb some of the current GRF costs into its State Special Revenue (SSR) funding support.

OFCC's General Services appropriations support the operations of the Office of Energy Services and other OFCC staff who provide capital project management, contract management, and competitive selection services to state agencies and universities. This support increases by 6.5% in FY 2014 to assist OFCC in adding staff positions to fulfill the needs that accompanied the merger and the needs that may arise from the proposed merger with certain DNR responsibilities. SSR appropriations currently support the operating expenses of SFC. This funding remains flat at \$8.6 million in each fiscal year of the next biennium. However, with the proposed addition of AFC duties, OFCC's SSR total appropriation increases by \$200,000, or 2.3%, in FY 2014. The additional funds will support payroll and other operating costs related to the administration of capital improvement and construction projects for cultural, sports, and historical facilities.

Finally, School Building Assistance funds supported payments to schools for school entrance improvements in FY 2013. The executive proposal does not appropriate funds for payments under this program in the next biennium.

Table 1. Executive Recommended Appropriations by Fund Group, FY 2014 and FY 2015

Fund Group	FY 2013	FY 2014	% change, FY 2013-FY 2014	FY 2015	% change, FY 2014-FY 2015
General Revenue	\$332,587,358	\$387,408,251	16.5%	\$409,464,951	5.7%
General Services	\$8,886,076	\$9,463,342	6.5%	\$9,463,342	0.0%
State Special Revenue	\$8,550,000	\$8,750,000	2.3%	\$8,750,000	0.0%
School Building Assistance	\$510,000	\$0	-100.0%	\$0	0.0%
TOTAL	\$350,533,434	\$405,621,593	15.7%	\$427,678,293	5.4%

*FY 2013 figures represent estimated expenditures.

OFCC and Executive Proposal Recommendations

As mentioned above, OFCC is currently comprised of the former State Architect's Office (SAO), the Office of Energy Services (OES) under DAS, and SFC, which remains an independent entity under OFCC. OFCC provides construction management services for the capital projects of state agencies and universities. This includes assessing a customer's facility requirements, long-range facility master planning, total cost estimation at various stages throughout the project, and project budgeting. OFCC provides guidance and support to state agencies in the competitive selection of architects, engineers, and construction managers. Similarly, OFCC develops and maintains contracts for design services, construction, and construction management to ensure that capital projects are completed according to specifications and required timelines. OFCC also oversees the alternative methods of construction delivery, including manager-at-risk, design-build, and general contractor, established by H.B. 153 of the 129th General Assembly.

During FY 2012, the former SAO managed more than 100 active projects with combined budgets of \$275 million, including a \$40 million expansion at the Northeast Ohio Medical University and a \$60 million behavioral healthcare consolidation for the Ohio Department of Mental Health. SAO also processed payments to contractors exceeding \$29 million and nearly \$8 million to architects and engineers.

OES facilitates the cost effective use of energy resources in state facilities and public school buildings, conducts reviews of existing energy systems in state buildings, and makes recommendations in the design and construction of new systems that result in energy savings. According to OFCC, OES is also managing the school energy conservation program and the Leadership in Energy and Environmental Design (LEED) program, both formerly under SFC oversight. OES recently completed its largest energy performance contract to date. The project, which was completed at the Orient complex

of the Ohio Department of Rehabilitation and Correction, is guaranteed to save \$1.3 million per year in energy costs over ten years.

The provisions below are executive proposal recommendations that generally apply to OFCC or OES. Those recommendations that are K-12 school program specific are discussed below, where applicable, in the "**SFC Programs and Executive Proposal Recommendations**" section.

OFCC Executive Director Powers

The executive proposal makes several changes to the powers of OFCC and OFCC's executive director. These changes include specifying that the OFCC executive director serve as the executive director of SFC; transferring from DAS to the OFCC executive director the power to take and use lands, materials, and other property necessary for the maintenance, protection, or repair of the public works during a public exigency; transferring from DAS to the OFCC executive director the ability to contract for the design and implementation of energy and water conservation programs; authorizing SFC to permit OFCC to make and enter into contracts and to execute all corresponding instruments on SFC's behalf; and transferring from DNR to OFCC, with certain exceptions, the authority to administer DNR's capital facilities projects.

School District Energy Conservation Measures

As mentioned above, OES currently manages the school district energy conservation program according to OFCC. The 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.

The executive proposal makes numerous changes with regard to SFC's approval of these conservation measures, including requiring that SFC approve a district's board request for approval only after SFC determines that the request for approval is complete, and the installations, modifications, or remodeling are consistent with a project being completed under an SFC program. The executive proposal also authorizes SFC, in consultation with the Auditor of State, to deny a request from a district declared to be in state fiscal watch if they determine that the expenditure of funds is not in the best interest of the district, prohibits a district declared to be in fiscal emergency from submitting a request without providing certain evidence that the proposed measures have been approved by the district's financial planning and supervision commission, and prohibits a district for which the Superintendent of Public Instruction is required to establish an academic distress commission from submitting a request without receiving approval from the academic distress commission.

Abolition of the Ohio Cultural Facilities Commission

The executive proposal recommends the abolition of the Ohio Cultural Facilities Commission (AFC) and transfers its construction administration duties to OFCC. The executive also recommends that OFCC administer AFC's portfolio of active projects. As of the end of January 2013, there were 114 active projects, including historical sites managed by the Ohio Historical Society as well as theaters, music venues, museums, local historical facilities, arts education facilities, science and technology museums, and publicly owned professional sports venues. Of the 114 active projects, 38 have not yet been approved by AFC because the project sponsors are currently defining scope, developing business plans, or raising local funds. Appropriations for these projects total approximately \$162.8 million in state capital funds. The table below shows the total number of active projects by type that are currently administered by AFC, as well as a breakdown of the capital appropriations for these projects.

Category	No. of Projects	Total Appropriations
State Historical Facilities	30	\$46,503,718
Cultural Facilities	80	\$109,464,500
Sports Facilities	1	\$5,800,000
General Revenue Fund Capital Projects	3	\$1,000,000
Total	114	\$162,768,218

SFC Programs and Executive Proposal Recommendations

SFC, an independent commission under OFCC, provides funding, management oversight, and technical assistance to school districts, to STEM (science, technology, engineering, and math) and college-preparatory boarding schools, and to the Ohio State School for the Blind and Ohio School for the Deaf 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 June 2012, SFC has received about \$11.57 billion in capital appropriations and disbursed about \$10.00 billion. Approximately \$4.10 billion (35%) of the \$11.57 billion in SFC capital appropriations are from proceeds of the tobacco securitization authorized in H.B. 119 of the 127th General Assembly. As of the end of FY 2012, approximately 920 new or renovated buildings had opened across Ohio and another 127 were in design or construction.

SFC provides state funding and assistance through a variety of programs including its four major ones: the Classroom Facilities Assistance Program, the Exceptional Needs Program, the Expedited Local Partnership Program, and the

Vocational Facilities Assistance Program. SFC's programs, and any executive proposed provisions affecting SFC or these programs, are discussed below.

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 \$10.00 billion in capital funding disbursed through June 2012, approximately 88.3% (\$8.83 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 \$4.96 billion, with a combined state share over the lifetime of these projects estimated at approximately \$2.63 billion. From FY 2003 through FY 2012, SFC disbursed over \$1.76 billion to these six districts and helped build or renovate 206 buildings. All of the six urban districts have secured all or part of their required local shares. In FY 2012, Dayton became the first urban school district to complete its project. Cincinnati and Toledo have reached their final scheduled segments, Cleveland has reached segment five of ten projected segments, and Akron and Columbus have reached phase three of six and seven projected segments, respectively.

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.

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

Determining the Eligibility Ranking List

By September 1st of each fiscal year, the Ohio 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 + 0.0002 x [(District's Percentile Ranking) - 1]
Local Share = (District's Required Indebtedness % x District's Taxable Valuation) - 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 % =
$0.05 + 0.0002 \times [(District\ A's\ Percentile\ Ranking) - 1] = 0.05 + 0.0002 \times [25 - 1] = 0.0548 = 5.48\%$
Local Share = (Required Indebtedness % x Taxable Valuation)
$= 5.48\% \times \\$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 % =
$0.01 \times (District\ B's\ Percentile\ Ranking) = 0.01 \times 92 = 0.92 = 92\%$
Local Share = Required Project % x Basic Project Cost
$= 92\% \times \\$14.5\ million = \\$13.3\ million$

District B's Required Indebtedness % =
$0.05 + 0.0002 \times [(District\ B's\ Percentile\ Ranking) - 1] = 0.05 + 0.0002 \times [92 - 1] = 0.0682 = 6.82\%$
Local Share = (Required Indebtedness % x Taxable Valuation)
$= 6.82\% \times \\$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 × 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.

Design Standards

Under current law, SFC must consider the extent to which its design standards support and facilitate smaller classes and the trend towards smaller schools. The executive proposal replaces this requirement with one that requires SFC to consider the extent to which the design standards support the "trends in educational delivery methods, including digital access and blended learning."

Next Ten List

Under current law, SFC is required to identify and give priority to the next ten school districts for funding in future fiscal years, based on the wealth eligibility rankings mentioned above, when it conditionally approves projects for which it plans to provide assistance in a fiscal year. The executive proposal repeals this requirement.

Disposal of School District Property

Under continuing law, SFC must enter into a written agreement with a school district board for the construction of a state-assisted classroom facilities project. These agreements contain numerous stipulations specified under continuing law. The executive proposal requires that an agreement contain stipulations ensuring that SFC will not release project funds or approve demolition of a facility unless and until the district complies, and remains in compliance, with the provision of continuing law requiring districts to offer unused property for sale or lease to community schools and college-preparatory schools.

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. S.B. 316 of the 129th General Assembly removed any qualifications for school districts to participate in ENP. Prior to S.B. 316, participation in ENP had been limited to school districts ranked up to the 75th percentile in wealth or with a territory larger than 300 square miles. An ENP school district's state and local shares are the same as they would have been under CFAP. Through June 2012, 47 school districts have been approved for ENP funding and have received a total of \$671.0 million in state funding.

Extreme Environmental Contamination Program

This program allows a school district experiencing extreme environmental contamination to participate in ENP. River Valley Local (Marion), Gorham-Fayette Local (Fulton), and Three Rivers Local (Hamilton) have received assistance under this program. H.B. 153 of the 129th General Assembly codified the 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 2012, 99 school districts have approved master plans to participate in this program and have spent or are eligible to spend a total of \$2.10 billion that will be applied to the local shares of ongoing or future CFAP projects.

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 JVSDs 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. The executive proposal notwithstanding this provision and instead permits SFC to provide VFAP assistance to at least one JVSD each year. SFC has disbursed \$186.9 million in capital funding and served 15 JVSDs since the program's creation in 2003.

Vocational Expedited Local Partnership Program (VELPP)

JVSDs may participate in a slightly modified version of ELPP 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 JVSDs to use local resources for new construction or renovations prior to being eligible for VFAP. Through June 2012, five JVSDs have been approved for participating in this program; they are eligible to spend a total of \$17.5 million that will later be applied to the local shares of future VFAP projects.

College-Preparatory Boarding School Facilities Program

H.B. 153 of the 129th General Assembly permitted the establishment of college-preparatory boarding schools to serve at-risk middle and high school students. To support the schools, it also established the College-Preparatory Boarding School Facilities Program, which requires SFC to provide assistance for the acquisition of

classroom facilities to these schools. To be eligible for assistance, the school must secure at least \$20 million of private money to satisfy its share of facilities acquisition. In December 2012, the Controlling Board approved funding for a project with the SEED School of Cincinnati in Hamilton County.

STEM School Facilities Assistance Program

H.B. 153 of the 129th General Assembly also established a facilities assistance program for certain STEM schools. Specifically, it authorized SFC, with Controlling Board approval, to provide funding to any STEM school that is not governed by a single school district board for constructing, reconstructing, repairing, or making additions to the classroom facilities for the school. STEM schools are required to secure at least 50% of the total cost of the acquisition of the classroom facilities. In July 2012, the Controlling Board approved a funding offer from SFC to the Dayton Regional STEM School.

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 2012, Elgin Local (Marion), Findlay City (Hancock), and Lake Local (Wood) have been approved for funding under this program.

Schools for the Blind and Deaf Facilities Project

H.B. 699 of the 126th General Assembly appropriated \$4.0 million in capital funds to SFC to administer the planning and design of new campuses for the Ohio State School for the Blind (OSB) and the Ohio School for the Deaf (OSD). H.B. 562 of the 127th General Assembly appropriated an additional \$37.0 million for the construction work. Plans for the project include construction of residential and classroom facilities for both schools. To date, approximately \$38.0 million has been spent or encumbered on these projects. OFCC expects that the projects for both OSB and OSD will be completed later this year.

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 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 \$19 million in FY 2014 and \$20 million in FY 2015 for this program in ODE's budget.

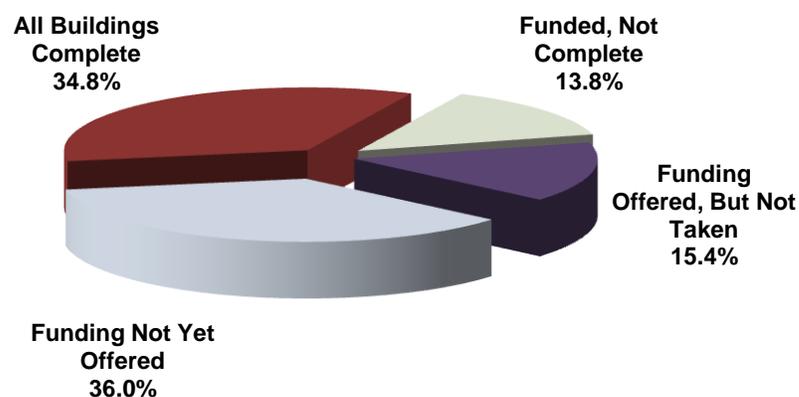
School Security Grant Program

The executive proposal amends Section 201.80 of H.B. 482 of the 129th General Assembly to appropriate \$12 million in the FY 2013-FY 2014 capital biennium for Fund 7032 capital appropriation item C23020, School Security Grant Program. Under the program, SFC will provide funds to all public schools for the purchase and installation of one MARCS unit per school building and a security door system, consisting of a security camera, an intercom, and remote access, at one entrance per school building. The executive proposal authorizes a school to apply to SFC for reimbursement up to \$2,000 for one MARCS unit per building and up to \$5,000 for costs incurred with the purchase of a security door system that was installed on or after January 1, 2013.

SFC Progress in Rebuilding Ohio's Schools

At the end of FY 2012, 219 regular school districts (35.8%) and 11 JVSDs (22.4%) have completed all buildings on their master facility plans. An additional 88 school districts (14.4%) and three JVSDs (6.1%) have projects that have been funded but not completed. Finally, 94 school districts (15.4%) and eight JVSDs (16.3%) 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 211 school districts (34.5%) and 27 JVSDs (55.1%) 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, July 2012



According to SFC's project status report from November 2012, the total project cost for all projects that have been completed or are in progress is \$18.78 billion. This amount includes a state share of \$11.85 billion (63.1%) and a local share of \$6.93 billion (36.9%).

ANALYSIS OF EXECUTIVE PROPOSAL

Introduction

This section provides an analysis of the Governor's recommended funding for each appropriation item in OFCC's budget. OFCC's line items are grouped into three major categories. For each category a table is provided listing the recommended appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriations that are proposed by the Governor. If the appropriation is earmarked, the earmarks are listed and described. The three categories used in this analysis are as follows:

1. State Agency Construction Project Services;
2. Arts and Sports Facilities Administration; and
3. School Facilities Commission.

To aid the reader in finding each item in the analysis, the following table shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order the line items appear in the budget bill.

Categorization of OFCC's Appropriation Line Items for Analysis of Executive Proposal			
Fund		ALI and Name	Category
General Revenue Fund			
GRF	230401	Lease Rental Payments	2: Arts and Sports Facilities Administration
GRF	230458	State Construction Management Services	1: State Agency Construction Project Services
GRF	230908	Common School G.O. Debt Service	3: School Facilities Commission
General Services Fund Group			
1310	230639	State Construction Management Operations	1: State Agency Construction Project Services
State Special Revenue Fund Group			
4T80	230603	Community Project Administration	2: Arts and Sports Facilities Administration
5E30	230644	Operating Expenses	3: School Facilities Commission

Category 1: State Agency Construction Project Services

The line items in this category are used to support OFCC's oversight of capital projects for state agencies and state-supported universities and community colleges.

Governor's Recommended Amounts for State Agency Construction Project Services				
Fund		ALI and Name	FY 2014	FY 2015
General Revenue Fund				
GRF	230458	State Construction Management Services	\$2,495,751	\$2,245,751
General Revenue Fund Subtotal			\$2,495,751	\$2,245,751
General Services Fund Group				
1310	230639	State Construction Management Operations	\$9,463,342	\$9,463,342
General Services Fund Group Subtotal			\$9,463,342	\$9,463,342
Total Funding: State Agency Construction Project Services			\$11,959,093	\$11,709,093

State Construction Management Services (230458)

This line item provides funding for OFCC staff who provide certain tools and services to state agency, university, and K-12 public school projects. Services include providing oversight of the OAKS Capital Improvements Module (OAKS-CI), which is an enterprise-wide project management system that is available to all state agencies and universities. OAKS-CI provides full project management capabilities from project initiation through closeout, provides users a centralized communication tool during the length of a capital project, and serves as the required EDGE participation reporting system for design and construction projects. OFCC expects to expand this system to additional universities and colleges and K-12 public schools in the next biennium. Other services provided under this line item include: developing and maintaining complete sets of standard requirements for capital construction projects, working with the Equal Opportunity Division of DAS to align the standard contracting requirements for capital construction projects with the goals and requirements established for the EDGE program, collecting and advertising all agency and university design and construction opportunities for state capital projects, and providing master planning expertise for projects.

This appropriation item was established in H.B. 487 of the 129th General Assembly under DAS as appropriation item 100458, State Construction Management Services. The executive budget recommends funding this line item at \$2.5 million in FY 2014, or 6.5% below the estimated expenditure level for 100458 in FY 2013, and \$2.3 million in FY 2015, or 10.0% below the recommended FY 2014 appropriation level.

State Government Management Operations (230639)

This line item provides funding for OFCC staff who provide capital project management, contract management, and competitive selection services to state agencies and state universities and community colleges. It also supports an Energy Services unit which helps state agencies and public schools reduce their energy consumption and costs. Prior to consolidation in OFCC, these services were provided by the State Architect's Office (SAO) through support from Fund 1310 appropriation item 100639, State Architect's Office. The executive budget recommends funding this line item at \$9.5 million in FY 2014 and FY 2015, which is 6.5% below the estimated expenditure level for 100639 in FY 2013.

Category 2: Arts and Sports Facilities Administration

The line items in this category are used to support OFCC's administration of arts and sports facilities projects.

Governor's Recommended Amounts for Arts and Sports Facilities Administration				
Fund		ALI and Name	FY 2014	FY 2015
General Revenue Fund				
GRF	230401	Lease Rental Payments – Cultural Facilities	\$33,106,400	\$29,854,500
General Revenue Fund Subtotal			\$33,106,400	\$29,854,500
State Special Revenue Fund Group				
4T80	230603	Community Project Administration	\$200,000	\$200,000
State Special Revenue Fund Group Subtotal			\$200,000	\$200,000
Total Funding: Arts and Sports Facilities Administration			\$33,306,400	\$30,054,500

Lease Rental Payments – Cultural Facilities (230401)

This line item supports 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 historical facilities. This item is currently under the Cultural Facilities Commission (AFC) as appropriation line item 371401, Lease Rental Payments.

Community Project Administration (230603)

These funds support OFCC's payroll and other operating costs related to the administration of capital improvement and construction projects for cultural, sports, and historical facilities. The revenue that supports this appropriation consists of transfers of money authorized by the General Assembly and revenues received by OFCC for administering cultural projects that are deposited into the Cultural Facilities Administration Fund (Fund 4T80), which is re-established to be used by OFCC under the budget. The executive proposal recommends \$200,000 in FY 2014 and FY 2015 for this item.

Category 3: School Facilities Commission

The line items in this category are used to support the School Facilities Commission (SFC), which is an independent agency under OFCC that provides oversight and management of K-12 public school district facilities projects.

Governor's Recommended Amounts for the School Facilities Commission				
Fund	ALI and Name		FY 2014	FY 2015
General Revenue Fund				
GRF	230908	Common Schools G.O. Debt Service	\$351,806,100	\$377,364,700
General Revenue Fund Subtotal			\$351,806,100	\$377,364,700
State Special Revenue Fund Group				
5E30	230644	Operating Expenses	\$8,550,000	\$8,550,000
State Special Revenue Fund Group Subtotal			\$8,550,000	\$8,550,000
Total Funding: School Facilities Commission			\$360,356,100	\$385,914,700

Common Schools General Obligation 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.

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 OFCC receives annually. Generally, SFC's operating budget is less than 1.0% of its annual capital funding. The executive budget recommends flat funding for this item over the next biennium.

Historically, SFC's operating expenses were 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. H.B. 1 of the 128th General Assembly permitted the transfer of noninterest cash from Fund 7021 and Fund N087 to support SFC operations. The first transfer of noninterest cash occurred in November 2011. The executive budget continues to permit the transfer of noninterest cash.

Ohio Facilities Construction Commission

General Revenue Fund

GRF 230401 Lease Rental Payments - Cultural Facilities

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$0	\$0	\$0	\$0	\$33,106,400	\$29,854,500
	N/A	N/A	N/A	N/A	-9.8%

Source: General Revenue Fund

Legal Basis: As Proposed in H.B. 59 of the 130th G.A.

Purpose: 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. Currently, this line item is under the Cultural Facilities Commission as GRF appropriation 371401, Lease Rental Payments.

GRF 230458 State Construction Management Services

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$0	\$0	\$0	\$2,667,958	\$2,495,751	\$2,245,751
	N/A	N/A	N/A	-6.5%	-10.0%

Source: General Revenue Fund

Legal Basis: Section 207.10 of Am.Sub. H.B. 487 of the 129th G.A.

Purpose: This line item is used to pay the costs of statewide shared construction-related services and capital improvement project management services provided through the state's enterprise resource planning system (OAKS-CI). H.B. 487 of the 129th G.A. established this item in the Department of Administrative Services as GRF appropriation item 100458, State Construction Management Services. It was then moved to the OFCC budget and renumbered as 230458.

Ohio Facilities Construction Commission

GRF 230908 Common Schools General Obligation Debt Service

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$148,231,389	\$155,840,150	\$120,581,098	\$329,919,400	\$351,806,100	\$377,364,700
	5.1%	-22.6%	173.6%	6.6%	7.3%

Source: General Revenue Fund

Legal Basis: Article VIII, Section 2n of the Ohio Constitution; Section 387.10 of Am. Sub. H.B. 153 of the 129th G.A.

Purpose: This line item is used for debt service payments on 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.

General Services Fund Group

1310 230639 State Construction Management Operations

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$0	\$0	\$0	\$8,886,076	\$9,463,342	\$9,463,342
	N/A	N/A	N/A	6.5%	0.0%

Source: General Services Fund Group: Revenue received from fees charged for managing customers' capital construction and energy projects; Other revenue received from local administration fees and seminar fees

Legal Basis: ORC 123.01

Purpose: This line item supports OFCC staff who manage state agency and state university and community college projects and who provide assistance in preparing bid notifications, contract negotiations, and other construction management services.

Ohio Facilities Construction Commission

State Special Revenue Fund Group

4T80 230603 Community Project Administration

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$0	\$0	\$0	\$0	\$200,000	\$200,000
	N/A	N/A	N/A	N/A	0.0%

Source: State Special Revenue Fund Group: Transfers of money authorized by the General Assembly and revenues received from administering cultural projects

Legal Basis: ORC 123.201; As Proposed in H.B. 159 of the 130th G.A.

Purpose: This line item supports OFCC's payroll and other operating costs related to the administration of capital improvement and construction projects for cultural, sports, and historical facilities. Currently, this line item is under the Cultural Facilities Commission as Fund 4T80 appropriation item 371603, Project Administration Services.

5E30 230644 Operating Expenses

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$7,267,000	\$7,657,362	\$8,029,640	\$8,550,000	\$8,550,000	\$8,550,000
	5.4%	4.9%	6.5%	0.0%	0.0%

Source: State Special Revenue Fund Group: Transfers 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; Section 387.10 of Am. Sub. H.B. 153 of the 129th G.A.

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

Ohio Facilities Construction Commission

School Building Assistance Fund Group

5S60 230602 Community School Loan Guarantee

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$49,767	\$0	\$870,595	\$0	\$0	\$0
	-100%	N/A	-100%	N/A	N/A

Source: School Building Assistance Fund Group: Bond proceeds; investment earnings

Legal Basis: As needed line item (originally authorized in ORC 3318.50 and 3318.52)

Purpose: This line item supports the Community School Loan Guarantee Program, which provides loan guarantees to community schools to assist them in acquiring, improving, or replacing classroom facilities. As of the beginning of FY 2012, one community school has defaulted on a loan guaranteed in the program. The spending from this appropriation has paid the interest on that defaulted loan.

7021 230909 School Entrance Improvements

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$755,716	\$628,017	\$0	\$510,000	\$0	\$0
	-16.9%	-100%	N/A	-100%	N/A

Source: School Building Assistance Fund Group: Grant from the Ohio Department of Transportation

Legal Basis: As needed line item (originally established by Controlling Board on February 11, 2008)

Purpose: This line item received \$4.0 million from the Ohio Department of Transportation, as directed by H.B. 119 of the 127th G.A., to make grants available for state highway improvements at entrances of public schools participating in a SFC project. The grants are for highway improvements at entrances within school zones. Grant awards are limited to \$500,000 per school district and are contingent on local government officials or on the school district, or both, matching 25% of the improvement cost.

Ohio Facilities Construction Commission

7021 230910 Statehouse Debt Service

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$755,537	\$2,231,469	\$0	\$0	\$0	\$0
	195.3%	-100%	N/A	N/A	N/A

Source: School Building Assistance Fund Group: Moneys transferred or appropriated by the General Assembly; grants, gifts, or money contributions; investment earnings

Legal Basis: Discontinued line item (originally established by Section 385.93 of Am. Sub. H.B. 1 of the 128th G.A.)

Purpose: This line item was used to pay outstanding debt obligations for the restoration of the Ohio Statehouse. The restoration was completed in 1996.

FY 2014 - FY 2015 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2012	Estimate FY 2013	Introduced FY 2014	FY 2013 to FY 2014 % Change	Introduced FY 2015	FY 2014 to FY 2015 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
FCC Ohio Facilities Construction Commission								
GRF	230401	Lease Rental Payments - Cultural Facilities	\$0	\$ 0	\$ 33,106,400	N/A	\$ 29,854,500	-9.82%
GRF	230458	State Construction Management Services	\$0	\$ 2,667,958	\$ 2,495,751	-6.45%	\$ 2,245,751	-10.02%
GRF	230908	Common Schools General Obligation Debt Service	\$ 120,581,098	\$ 329,919,400	\$ 351,806,100	6.63%	\$ 377,364,700	7.26%
General Revenue Fund Total			\$ 120,581,098	\$ 332,587,358	\$ 387,408,251	16.48%	\$ 409,464,951	5.69%
1310	230639	State Construction Management Operations	\$0	\$ 8,886,076	\$ 9,463,342	6.50%	\$ 9,463,342	0.00%
General Services Fund Group Total			\$0	\$ 8,886,076	\$ 9,463,342	6.50%	\$ 9,463,342	0.00%
4T80	230603	Community Project Administration	\$0	\$ 0	\$ 200,000	N/A	\$ 200,000	0.00%
5E30	230644	Operating Expenses	\$ 8,029,640	\$ 8,550,000	\$ 8,550,000	0.00%	\$ 8,550,000	0.00%
State Special Revenue Fund Group Total			\$ 8,029,640	\$ 8,550,000	\$ 8,750,000	2.34%	\$ 8,750,000	0.00%
5S60	230602	Community School Loan Guarantee	\$ 870,595	\$0	\$0	N/A	\$0	N/A
7021	230909	School Entrance Improvements	\$ 0	\$ 510,000	\$ 0	-100.00%	\$ 0	N/A
School Building Assistance Fund Group Total			\$ 870,595	\$ 510,000	\$ 0	-100.00%	\$ 0	N/A
Ohio Facilities Construction Commission Total			\$ 129,481,332	\$ 350,533,434	\$ 405,621,593	15.72%	\$ 427,678,293	5.44%