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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OVERVIEW

Agency Overview

The Ohio Facilities Construction Commission (OFCC) provides oversight of and construction guidelines for capital projects for state agencies, state-supported universities and community colleges, and public K-12 schools. Upon its creation in H.B. 487 of the 129th General Assembly, OFCC combined the operations of the former State Architect's Office and Office of Energy Services (both formerly under the Department of Administrative Services (DAS)) and the Ohio School Facilities Commission (SFC). SFC remains an independent commission under OFCC and is responsible for oversight and management of public K-12 school facilities projects. In H.B. 59 of the 130th General Assembly, OFCC assumed the operations of the former Cultural Facilities Commission (AFC) as well as certain capital project oversight from the Department of Natural Resources (DNR). 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 and its 86-person staff. OFCC's current appropriations through the General Revenue Fund (GRF) are largely used for debt service on bonds issued for K-12 school building capital projects. OFCC and SFC's operating expenses are currently supported from project fees charged for services on state agency and university projects and from interest earnings from SFC capital accounts, respectively. However, the executive budget proposes changes that would make most operating expenses primarily funded through the GRF.

Staffing Levels

Currently, OFCC has 86 employees, although it is budgeted for 100 positions. Prior to consolidation of the various agencies, the number of positions in all agencies totaled 121. According to OFCC, the shortage in employees is in part due to salary competition from the private sector, especially in the case of project managers. To address this issue, OFCC has increased the salary offered to project managers hired over the current biennium. According to OFCC, they are moving forward to hire seven more individuals, mostly project managers to support capital projects. The remaining available positions will remain open and be reassessed after the effects of the proposed budget are realized. Overall, OFCC expects that the current funded 100 positions will be sufficient to maintain current service levels.

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. According to OFCC, 443 (97.6%) of 454 contracts awarded in the current biennium have gone to companies based in Ohio.

Appropriation Overview

Table 1 below shows OFCC's executive recommended appropriations by fund group. GRF funds make up 98% of the recommended appropriations. 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. The decrease in the Dedicated Purpose Fund (DPF) Group is due to the movement of operating expenses for the SFC and community project administration from the DPF to the GRF. OFCC's Internal Service Activity 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.

Table 1. Executive Recommended Appropriations by Fund Group, FY 2016-FY 2017

Fund Group	FY 2015*	FY 2016	% change, FY 2016-FY 2017	FY 2017	% change, FY 2016-FY 2017
General Revenue	$390,464,951	$415,674,700	6.5%	$422,532,700	1.6%
Internal Service Activity	$9,463,342	$8,500,000	-10.2%	$8,500,000	0.0%
Dedicated Purpose	$8,750,000	$0	-100.0%	$0	0.0%
TOTAL	**$408,678,293**	**$424,174,700**	**3.8%**	**$431,032,700**	**1.6%**

*FY 2015 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) formerly under DAS, the former Cultural Facilities Commission (AFC), 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.

In FY 2014, OFCC managed 115 active state projects with combined budgets of $460 million, including a new exhibit hall for the Expositions Commission (EXPO) and renovation of the Scripps College of Communication at Ohio University. OFCC processed payments to contractors exceeding $73 million and nearly $31 million to architects and engineers. OFCC also does master facility planning for state agencies. In the current biennium, OFCC has worked with the EXPO and the Department of Rehabilitation and Correction (DRC) to develop master plans for facilities. According to OFCC, EXPO's plan is complete and being followed and DRC's plan will be complete by the end of the current biennium. OFCC has also had preliminary discussions about master facility planning with the Department of Natural Resources.

The Office of Energy Services (OES) within OFCC 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. OES also manages the school energy conservation program and the Leadership in Energy and Environmental Design (LEED) program, both formerly under SFC oversight. In this biennium, OES has approved 47 energy conservation projects in school districts totaling $82.4 million with projected energy savings of $6.7 million per year. Currently, among other projects, OES is working on a $17.6 million project to provide energy conservation improvements at the Lebanon and Warren Correctional Institutions in Warren County that is projected to save $1.1 million per year in energy costs over fifteen years. According to OFCC, demand for OES services has increased in recent years as more state agencies seek to reduce long-term energy costs. OFCC projects that state agencies will save $3.6 million annually beginning in FY 2015 due to OES projects.

As of February 2015, there are 223 active projects totaling $121 million in OFCC's cultural facilities portfolio. These projects include historical sites managed by the Ohio Historical Society as well as theaters, music venues, museums, local historical facilities, arts education facilities, and science and technology museums. OFCC also has the authority to manage sports facilities projects, though there are no such active projects. In the current biennium, OFCC has more than doubled the number of cultural facilities projects it works on, though the total amount of capital appropriations for these types of projects has remained constant. Some examples include the Near West Theatre in

Cleveland and the Ohio Theatre in Toledo. The Near West Theatre will use a $400,000 grant to install mechanical, electrical, and plumbing systems in its new 26,000 square foot performing arts facility. Meanwhile, the Ohio Theatre will use its $200,000 grant to purchase new equipment and furnishings. The table below shows the total number of active projects by type that are currently administered by the OFCC, as well as a breakdown of the capital appropriations for these projects.

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

Category	No. of Projects	Total Appropriations
State Historical Facilities	30	$14,653,495
Cultural Facilities	192	$106,594,682
Sports Facilities	0	$0
General Revenue Fund Capital Projects	1	$600,000
TOTAL	**223**	**$121,848,177**

OFCC Executive Director Powers

The executive proposal makes several changes to the powers of OFCC and OFCC's executive director. These changes include expanding the authority of the OFCC executive director to declare a public exigency regarding any public works, rather than just those maintained by DAS, or when requested by a higher education institution or any state instrumentality, rather than just when requested by a state agency; transferring from DAS to the OFCC executive director the power to adopt rules regarding surety bonds provided by a construction manager at risk or design-build firm before beginning construction under a performance contract; and clarifying that the OFCC executive director has the authority to enter into energy or water conservation contracts on the executive director's own initiative or at the request of a state agency.

Cultural Facilities Grants Administration

The executive proposal makes several changes to the administration of cultural facilities grants. These changes include renaming a "cooperative contract" as a "cooperative use agreement"; exempting cooperative use agreements from most provisions of public works and improvements laws; adding state agencies and state institutions of higher education to the definition of "government agency" for purposes of providing construction services for the grant; specifying that cooperative use agreements have a provision requiring a cultural project to be completed and ready "to support culture" rather than completed and ready "for full occupancy"; reinserting previously deleted language that requires a cooperative use agreement for a sports facilities project; and specifying that the state must provide construction services, to be used at the direction of the owning or managing entity, for any sports facility receiving state financing.

Additionally, the executive proposal specifies that a cultural organization financing a historical facility project with state money may not use more than 3.0% of the funding for administrative expenses. According to OFCC, this change is necessary to comply with federal tax law limitations on working capital expenditures and to maintain tax exemption on cultural facilities bonds.

Competitive Bidding Process

The executive proposal makes changes to the competitive bidding process. These changes include allowing a public bid guaranty to be provided by means of an electronic verification and security system; limiting the ability to broadcast a public bid opening by electronic means to only bids that are filed electronically; and eliminating the requirement that submitted bids be tabulated on duplicate sheets. Currently, when a company submits an electronic bid, OFCC staff must physically scan the accompanying paper surety bonds.

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 FY 2014, SFC has received about $11.9 billion in capital appropriations and disbursed about $10.7 billion (90%). Approximately $4.8 billion (40%) of the $11.9 billion in SFC capital appropriations are from proceeds of the tobacco securitization authorized in H.B. 119 of the 127th General Assembly. Through FY 2014, approximately 1,030 new or renovated buildings have opened across Ohio, another 47 are under construction, and 40 are in the design phase. Of the new or renovated buildings, 169 have achieved LEED certification.

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 the entire facilities needs of school districts. As of August 2014, SFC has offered program participation to 401 school districts, of which 275 have signed a project agreement. Another eight districts are within the 13-month period allotted to secure the local share of their projects. Of the $10.7 billion in capital funding

SFC has disbursed through FY 2014, approximately 88% ($9.4 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.

According to OFCC, the average state share of new project costs is 52.1% in FY 2015. This percentage is expected to dip to 42.5% in FY 2016-FY 2017 as more districts with higher wealth are served. Accordingly, OFCC expects to receive less future capital appropriations, though it still expects to embark on 20 to 25 new projects each year.

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 11.4% of the total student enrollment in the state in FY 2014. 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 nearly $1.9 billion to these six districts and helped build or renovate 236 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, and Cincinnati and Toledo have also since completed their projects. Projects for Cleveland, Columbus, and Akron are still incomplete. The table below shows the total costs to date and the number of buildings completed for each of the six major urban districts.

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

Table 3. CFAP Funding for "Big Six" through FY 2014			
Urban District	**Projects Complete?**	**Costs to Date**	**Buildings Complete**
Akron	No	$236,144,692	33
Cincinnati	Yes	$203,859,886	49
Cleveland	No	$512,169,052	43
Columbus	No	$180,424,075	41
Dayton	Yes	$264,520,575	26
Toledo	Yes	$490,284,595	44
TOTAL		**$1,887,402,875**	**236**

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 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 wealthier. 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 x [(District A's Percentile Ranking) - 1] = 0.05 + 0.0002 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) = 0.01 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 + 0.0002 x [(District B's Percentile Ranking) - 1] = 0.05 + 0.0002 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.

Validity of Scope for Lapsed Districts Seeking New Funding

Under current law, a school district may seek new conditional approval of a CFAP project if previous conditional approval lapses. The new project scope and basic costs, established by SFC, are valid for one year. The executive proposal extends the validity of the new scope and estimated costs to thirteen months.

Use of Unspent, Unencumbered Funds

Under current law, any CFAP funds not spent or encumbered during the first year of a capital biennium may only be used for CFAP in the second year of the biennium. The executive proposal would permit these unspent and unencumbered funds to support funding for school districts that voluntarily develop joint use or other cooperative agreements that significantly improve the efficiency of facility space use with or between districts, as well as for other projects under the Emergency Assistance Program, the Expedited Local Partnership Program, the Exceptional Needs Program, the Accelerated Urban Initiative, and the Vocational Facilities Assistance Program.

Reporting Requirement

Under current law, SFC is required to biennially report to the General Assembly regarding the expenditure of funds on classroom facilities projects. This report contains a detailed statement of classroom facilities acquired in whole or in part by the state and sold to school districts, and also contains information regarding the nature and progress of the program. The executive proposal repeals this requirement.

Funding Projects with Lease-Purchase Agreements or Certificates of Participation

The executive proposal includes a temporary law provision that institutes a temporary ban, with limited exceptions, on a district's ability to fund their local share of a school facilities project using a lease-purchase agreement or certificate of participation that is not subject to voter approval. These restrictions would remain in place until SFC, with the Office of Budget and Management, completes a study on the impacts, benefits, and risks of using such financial instruments to fund the local share of a project, no longer than nine months after the effective date of the bill.

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 be under CFAP. Through FY 2014, 72 school districts have been approved for ENP funding and SFC has disbursed a total of $702 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 2014, 61 school districts have moved forward with actual projects under ELPP and have spent a total of over $530 million that will be applied to the local shares of ongoing or future CFAP projects.

Vocational Facilities Assistance Program (VFAP)

VFAP, 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. Additionally, a temporary law provision permits SFC to provide VFAP assistance to at least one JVSD each year if it reaches the 2% limit. SFC has disbursed $222 million in capital funding and served 15 JVSDs since the program's creation in 2003.

Vocational Expedited Local Partnership Program (VFAP ELPP)

JVSDs may participate in a slightly modified version of ELPP called the Vocational Expedited Local Partnership Program (VFAP ELPP). VFAP ELPP, 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. Though no state funding is disbursed, SFC still provides assessments, planning, approval, and monitoring of the local construction projects. Through FY 2014, five JVSDs have been approved for participation in this program; they have spent a total of $3.5 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. However, no boarding school has yet to receive funding through this program.

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 for $4.3 million.

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 FY 2014, Elgin Local (Marion), Findlay City (Hancock), and Lake Local (Wood) have been approved for a total of $5.3 million in 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), including new residential and classroom facilities for both schools. H.B. 562 of the 127th General Assembly appropriated an additional $37.0 million for the construction work. Construction of both campuses is complete; however, OFCC is still in the post-construction phase of the projects. To date, OFCC has expended a total of $40.7 million and there is $387,000 encumbered to multiple vendors.

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 $18.75 million in FY 2016 and $19.25 million in FY 2017 for this program in the Ohio Department of Education's budget.

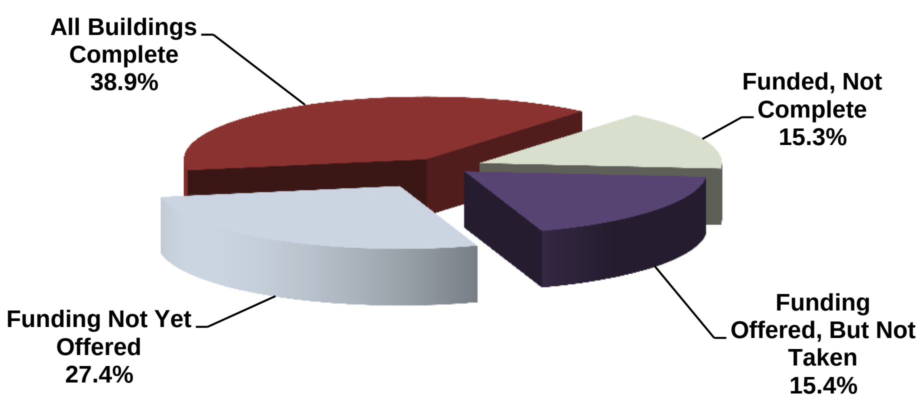
Community School Classroom Facilities Grants

The executive proposal amends Section 287.10 of H.B. 497 of the 130th General Assembly to appropriate $25 million in the FY 2015-FY 2016 capital biennium for Fund 7021 capital appropriation item C230W4, Community School Classroom Facilities Grants. Under the program, SFC and ODE, jointly, will provide funds to community schools with sponsors that have received an "exemplary" rating in accordance with section 3314.016 of the Revised Code. Grant recipients may use funding to purchase, construct, reconstruct, renovate, remodel, or add to classroom facilities, with no limits as to how much funding a community school may request. Furthermore, the proposal stipulates that any facilities purchased, constructed, or modified with funding from these grants must be used for educational purposes for a minimum of ten years. In order to receive a grant, an eligible community school must demonstrate that the funds will be used for the following: (1) to increase classroom seating, (2) to serve unmet student needs, and (3) to show innovation in design so as to be replicable.

SFC Progress in Rebuilding Ohio's Schools

Through FY 2014, 246 regular school districts (40.2%) and 11 JVSDs (22.4%) have completed all buildings on their master facility plans. An additional 97 school districts (15.8%) and four JVSDs (8.2%) have projects that have been funded but not completed. Finally, 115 school districts (18.8%) 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 154 school districts (25.2%) 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 2014



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 two 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 two categories used in this analysis are as follows:

1. Debt Service Payments; and
2. Construction Management and Maintenance

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	230321	Operating Expenses	2:	Construction Management and Maintenance
GRF	230401	Cultural Facilities Lease Rental Bond Payments	1:	Debt Service Payments
GRF	230458	State Construction Management Services	2:	Construction Management and Maintenance
GRF	230459	Aronoff Center Building Maintenance	2:	Construction Management and Maintenance
GRF	230908	Common Schools G.O. Bond Debt Service	1:	Debt Service Payments
Internal Service Activity Fund Group				
1310	230639	State Construction Management Operations	2:	Construction Management and Maintenance

Category 1: Debt Service Payments

The line items in this category are used to support OFCC's debt service payments for both K-12 public school district facilities and cultural facilities projects.

Governor's Recommended Amounts for Debt Service Payments				
Fund	**ALI and Name**		**FY 2016**	**FY 2017**
General Revenue Fund				
GRF	230401	Cultural Facilities Lease Rental Bond Payments	$29,728,000	$25,737,900
GRF	230908	Common Schools G.O. Bond Debt Service	$375,706,700	$386,754,800
		General Revenue Fund Subtotal	***$405,434,700***	***$412,492,700***
Total Funding: Debt Service Payments			**$405,434,700**	**$412,492,700**

Cultural Facilities Lease Rental Bond Payments (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 was formerly under the Cultural Facilities Commission as appropriation line item 371401, Lease Rental Payments.

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.

Category 2: Construction Management and Maintenance

The line items in this category are used to support OFCC's maintenance of the Aronoff Center in Cincinnati as well as to provide oversight of capital projects for K-12 schools, cultural facilities, state agencies, and state-supported universities and community colleges.

Governor's Recommended Amounts for Construction Management and Maintenance				
Fund	**ALI and Name**		**FY 2016**	**FY 2017**
General Revenue Fund				
GRF	230321	Operating Expenses	$7,500,000	$7,500,000
GRF	230458	State Construction Management Services	$2,200,000	$2,000,000
GRF	230459	Aronoff Center Building Maintenance	$540,000	$540,000
		General Revenue Fund Subtotal	***$10,240,000***	***$10,040,000***
Internal Service Activity Fund Group				
1310	230639	State Construction Management Operations	$8,500,000	$8,500,000
		Internal Service Activity Fund Group Subtotal	***$8,500,000***	***$8,500,000***
Total Funding: Construction Management and Maintenance			**$18,740,000**	**$18,540,000**

Operating Expenses (230321)

The executive proposes moving funding previously appropriated under Dedicated Purpose Fund line item 230644 into GRF line item 230321 in order to provide for a more stable funding source for SFC operating expenses. This line item would still provide 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. The executive budget recommends $7.5 million in FY 2016 and FY 2017. The combined total of $15.0 million would represent 3.1% of OFCC's capital funding for the FY 2015-FY 2016 biennium.

Historically, SFC's operating expenses have been supported by capital fund interest 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 interest earnings are transferred quarterly to the Ohio School Facilities Commission Fund (Fund 5E30) to cover the projected disbursements for the quarter.[2] In accordance with the proposed shift to GRF funding, the executive budget recommends that the cash balances of both Fund N087 and Fund 5E30 be transferred into the Public School Building Fund and, subsequently, that these two funds be

[2] 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.

abolished. These changes will allow SFC to fully utilize the Public School Building Fund for capital projects.

State Construction Management Services (230458)

This line item provides funding for OFCC staff that provide certain tools and services to state agency, university, and K-12 public school projects. Services include providing oversight of the Ohio Administrative Knowledge System 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 Encouraging Diversity, Growth, and Equity (EDGE) participation reporting system for design and construction projects. OFCC uses this system for all new higher education projects at 11 colleges and universities and is currently expanding its use into K-12 projects, including 41 schools and 130 buildings this biennium. Other services provided under this line item include the following:

1. Developing and maintaining complete sets of standard requirements for capital construction projects;
2. 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;
3. Collecting and advertising all agency and university design and construction opportunities for state capital projects; and
4. 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 $2.2 million in FY 2016, or 2% below the estimated expenditure level for FY 2015, and $2.0 million in FY 2017, or 9.1% below the recommended FY 2016 appropriation level.

The executive proposes shifting funding previously appropriated under Dedicated Purpose Fund line item 230603, Community Project Administration, into this line item in order to provide for a more stable funding source for cultural facilities administration. These funds will continue to support approximately $200,000 in OFCC's payroll and other operating costs related to the administration of capital improvement and construction projects for cultural, sports, and historical facilities. Previously, the revenue that supported line item 230603 consisted of transfers of interest earnings or bond premiums from the Cultural and Sports Facilities Building Fund (Fund 7030) into the Cultural Facilities Administration Fund (Fund 4T80). These changes will allow SFC to fully utilize the Cultural and Sports Facilities Building Fund for capital projects.

Aronoff Center Building Maintenance (230459)

The executive proposes moving funding previously appropriated under GRF line item 230401 to support the Stanley J. Aronoff Center for the Performing Arts into a new GRF line item in order to increase transparency of maintenance costs. Located in downtown Cincinnati, the Aronoff Center is a concert hall that routinely puts on plays, concerts, musicals, and other live performing arts shows. It also serves at the state's official art museum. OFCC owns the Aronoff Center facility, but contracts with the Cincinnati Arts Association (CAA) to operate and maintain the facility. Previously, OFCC reimbursed the CAA for a portion of the maintenance costs through the line item that supports debt service payments on cultural facilities. The creation and use of this line item will make the state's financial support more transparent. The executive budget recommends funding this line item at $540,000 in FY 2016 and FY 2017.

State Construction Management Operations (230639)

This line item supports funding for OFCC staff that 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 $8.5 million in FY 2016 and FY 2017, which is 10.2% below the estimated expenditure level for FY 2015.

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General Revenue Fund

GRF 230321 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
$0	$0	$0	$0	**$7,500,000**	**$7,500,000**
	N/A	N/A	N/A	**N/A**	**0.0%**

Source: General Revenue Fund

Legal Basis: ORC 3318; Proposed by the Executive Budget

Purpose: This line item is used for the personnel, purchased service, equipment, and maintenance costs of the School Facilities Commission (SFC), an independent entity under OFCC. These operating funds enable SFC to perform its duties, such as evaluating school facilities, preparing building design specifications, and providing project management services. Prior to H.B. 64 of the 131st General Assembly, funding for this line item was supported through DPF line item 230644, Operating Expenses.

GRF 230401 Cultural Facilities Lease Rental Bond Payments

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
$0	$0	$32,824,088	$29,854,500	**$29,728,000**	**$25,737,900**
	N/A	N/A	-9.0%	**-0.4%**	**-13.4%**

Source: General Revenue Fund

Legal Basis: Section 282.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: 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. Prior to consolidation with OFCC in FY 2014, this line item was under the Cultural Facilities Commission as GRF appropriation item 371401, Lease Rental Payments.

GRF 230458 State Construction Management Services

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
$0	$2,463,324	$2,239,244	$2,245,751	**$2,200,000**	**$2,000,000**
	N/A	-9.1%	0.3%	**-2.0%**	**-9.1%**

Source: General Revenue Fund

Legal Basis: Section 282.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item provides funding for OFCC staff who provide certain tools and services to state agency, university, cultural facilities, and K-12 public school projects. Services include providing oversight of the Ohio Administrative Knowledge System Capital Improvements Module (OAKS-CI), an enterprise-wide project management system that is available to all state agencies and universities and some K-12 schools. Prior to H.B. 64 of the 131st General Assembly, funding for cultural facilities administration was supported by DPF line item 230603, Community Project Administration. 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 FCC budget and renumbered as 230458.

GRF 230459 Aronoff Center Building Maintenance

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
$0	$0	$0	$0	**$540,000**	**$540,000**
	N/A	N/A	N/A	**N/A**	**0.0%**

Source: General Revenue Fund

Legal Basis: Proposed by the Executive Budget

Purpose: This line item supports maintenance of the Stanley J. Aronoff Center for the Performing Arts in Cincinnati, the start's official art museum. OFCC owns the Aronoff Center but contracts with the Cincinnati Arts Association (CAA) to operate and maintain the facility. This funding provides reimbursement payments to CAA to offset a portion of the facility's maintenance costs. Prior to H.B. 64 of the 131st General Assembly, OFCC reimbursed CAA through GRF line item 230401, Cultural Facilities Lease Rental Bond Payments.

GRF 230908 Common Schools General Obligation Bond Debt Service

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
$120,581,098	$305,393,360	$330,000,527	$358,364,700	**$375,706,700**	**$386,754,800**
	153.3%	8.1%	8.6%	**4.8%**	**2.9%**

Source: General Revenue Fund

Legal Basis: Article VIII, Section 2n of the Ohio Constitution; Section 282.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item is used for debt service payments on general obligation bonds issued to raise funds for the state share of school facilities project costs. A 1999 constitutional amendment authorized the state to issue general obligation bonds for the purpose of financing capital needs of primary and secondary education. Since 2000, the state has issued only general obligation bonds for state-supported school facilities projects.

Dedicated Purpose Fund Group

4T80 230603 Community Project Administration

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
$0	$0	$190,868	$200,000	**$0**	**$0**
	N/A	N/A	4.8%	**-100%**	**N/A**

Source: Dedicated Purpose Fund Group: Transfers of cash authorized by the General Assembly and revenues received by OFCC for administering cultural projects

Legal Basis: Discontinued line item (originally established by ORC 123.201; Section 282.10 of Am. Sub. H.B. 59 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. Prior to consolidation with OFCC in FY 2014, this line item was under the Cultural Facilities Commission as Fund 4T80 appropriation item 371603, Project Administration Services.

5E30 230644 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
$8,029,640	$6,997,031	$5,821,662	$8,550,000	**$0**	**$0**
	-12.9%	-16.8%	46.9%	**-100%**	**N/A**

Source: Dedicated Purpose 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: Discontinued line item (originally established by ORC 3318; Section 282.10 of Am. Sub. H.B. 59 of the 130th 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 entity under OFCC. These operating funds enable SFC to perform its duties, such as evaluating school facilities, preparing building design specifications, and providing project management services.

Internal Service Activity Fund Group

1310 230639 State Construction Management Operations

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
$0	$3,883,095	$5,109,704	$9,463,342	**$8,500,000**	**$8,500,000**
	N/A	31.6%	85.2%	**-10.2%**	**0.0%**

Source: Internal Service Activity Fund Group: Fees charged for managing customers' capital construction and energy projects; local administration and seminar fees

Legal Basis: ORC 123.01; Section 282.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: 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.

Capital Projects Fund Group

5S60 230602 Community School Loan Guarantee

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
$870,595	$0	$0	$0	**$0**	**$0**
	-100%	N/A	N/A	**N/A**	**N/A**

Source: Capital Projects Fund Group: Bond proceeds; investment earnings

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

Purpose: This line item supported the Community School Loan Guarantee Program, which provided loan guarantees to community schools to assist them in acquiring, improving, or replacing classroom facilities. One community school defaulted on a loan guaranteed in the program. The spending from this appropriation helped to pay on that defaulted loan.

7021 230909 School Entrance Improvements

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
$0	$53,907	$419,266	$0	**$0**	**$0**
	N/A	677.8%	-100%	**N/A**	**N/A**

Source: Capital Projects 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.

FY 2016 - FY 2017 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

Report For Main Operating Appropriations Bill **Version:** As Introduced

			FY 2014	Estimate FY 2015	Introduced FY 2016	FY 2015 to FY 2016 % Change	Introduced FY 2017	FY 2016 to FY 2017 % Change
FCC	**Ohio Facilities Construction Commission**							
GRF	230321	Operating Expenses	$0	$ 0	$ 7,500,000	N/A	$ 7,500,000	0.00%
GRF	230401	Cultural Facilities Lease Rental Bond Payments	$ 32,824,088	$ 29,854,500	$ 29,728,000	-0.42%	$ 25,737,900	-13.42%
GRF	230458	State Construction Management Services	$ 2,239,244	$ 2,245,751	$ 2,200,000	-2.04%	$ 2,000,000	-9.09%
GRF	230459	Aronoff Center Building Maintenance	$0	$ 0	$ 540,000	N/A	$ 540,000	0.00%
GRF	230908	Common Schools General Obligation Bond Debt Service	$ 330,000,527	$ 358,364,700	$ 375,706,700	4.84%	$ 386,754,800	2.94%
General Revenue Fund Total			**$ 365,063,859**	**$ 390,464,951**	**$ 415,674,700**	**6.46%**	**$ 422,532,700**	**1.65%**
4T80	230603	Community Project Administration	$ 190,868	$ 200,000	$ 0	-100.00%	$ 0	N/A
5E30	230644	Operating Expenses	$ 5,821,662	$ 8,550,000	$ 0	-100.00%	$ 0	N/A
Dedicated Purpose Fund Group Total			**$ 6,012,530**	**$ 8,750,000**	**$ 0**	**-100.00%**	**$ 0**	**N/A**
1310	230639	State Construction Management Operations	$ 5,109,704	$ 9,463,342	$ 8,500,000	-10.18%	$ 8,500,000	0.00%
Internal Service Activity Fund Group Total			**$ 5,109,704**	**$ 9,463,342**	**$ 8,500,000**	**-10.18%**	**$ 8,500,000**	**0.00%**
7021	230909	School Entrance Improvements	$ 419,266	$0	$0	N/A	$0	N/A
Capital Projects Fund Group Total			**$ 419,266**	**$0**	**$0**	**N/A**	**$0**	**N/A**
Ohio Facilities Construction Commission Total			**$ 376,605,359**	**$ 408,678,293**	**$ 424,174,700**	**3.79%**	**$ 431,032,700**	**1.62%**