

School Facilities Commission

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- Total funding increases 30.1% in FY 2006 and 15.9% in FY 2007.
- Funding is provided to hire an additional 10 staff members over the biennium for oversight and coordination of the growing number of school construction/renovation projects

OVERVIEW

Duties and Responsibilities

The Ohio School Facilities Commission (SFC) was created in 1997 by S.B. 102 of the 122nd General Assembly to provide funding, management oversight, and technical assistance to school districts in the construction and renovation of classroom facilities. In FY 2001 Governor Taft unveiled a plan to rebuild all of Ohio's schools within 12 years. Since its inception, the SFC has received nearly \$4.92 billion in capital appropriations. Through its four major programs, the SFC has served approximately 236 school districts and provided support for 293 new or renovated buildings in those districts.

The SFC is governed by a seven-member commission, which consists of three voting members (the Director of Budget and Management, the Director of Administrative Services, and the Superintendent of Public Instruction) and four nonvoting legislative members. The executive director, who is appointed by the Commission, oversees the SFC's daily operations.

Agency in Brief

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Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
54	\$229.74 million	\$266.21 million	\$220.42 million	\$256.51 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Summary of Am. Sub. H.B. 66 Appropriations and Provisions

The enacted budget provides total funding of \$229,736,017 in FY 2006, an increase of 30.1% over the FY 2005 expenditure level, and \$266,206,185 in FY 2007, an increase of 15.9% over the FY 2006 appropriation level. The majority of these increases are due to increased debt service appropriations for GRF appropriation item 230-908, Common Schools G.O. Debt Service, which receives an increase of 41.2% in FY 2006 and an increase of 19.2% in FY 2007.

The SFC's operating costs are entirely funded by investment earnings of its capital accounts. Fund 5E3 appropriation item 230-644, Operating Expenses, receives an increase of 17.2% in FY 2006 and an increase of 5.1% in FY 2007. According to the SFC, these increases will enable them to fill the current six vacancies and hire an additional five staff members in FY 2006 and another five in FY 2007. Most of these additional staff will be responsible for oversight of the increasing number of school

facilities projects. The SFC uses a large number of private contractors to deliver various services, such as enrollment projections, assessments of existing buildings, and claim analysis. It also contracts with construction management companies to directly manage school district projects. The SFC's employees oversee the private contractors. The enacted budget also requires the SFC to submit project plans to the Director of Transportation for review and to consider the Director's findings prior to final approval when a proposed school facilities project is located on or within a mile of a state route or federal highway.

The SFC is a single program series agency and has seven programs. The Classroom Facilities Assistance Program, the SFC's largest program, makes up nearly 86.0% of the budget at \$426.5 million for the biennium. The second largest program, the Exceptional Needs Program, is at 7.1% followed by the General School Facilities Assistance Program, a group of several small SFC programs, at 5.5%. The other four programs account for a combined 1.4% of the total biennial budget.

Half-Mill Maintenance Equalization

The enacted budget creates a new Half-Mill Maintenance Equalization Program within the Department of Education (ODE) budget in FY 2007. The program, which is to be jointly administered by ODE and the SFC, will provide equalized subsidies to school districts that have passed the one-half mill maintenance levy requirement for participation in the Classroom Facilities Assistance Program. Only school districts with below the state average valuation per pupil are eligible for this funding. In FY 2007, the enacted budget provides \$10.7 million to Fund 5BJ appropriation item 200-626, Half-Mill Maintenance Equalization, in the ODE for this program. The program ensures a school district with below the state average property value per pupil has the same amount of per pupil maintenance revenue for its SFC-assisted project as the average wealth district in the state. This equalized subsidy is also available to a school district that has been served by the SFC before FY 2007 if its valuation per pupil is below the state average. Subsidies can only be used for maintaining SFC-assisted facilities. The enacted budget creates the Half-Mill Equalization Fund (5BJ) to receive excess funds from the School District Property Tax Replacement Fund (053). Previously, excess funds in Fund 053 were to be distributed to school districts and joint vocational school districts on a per pupil basis for capital improvements. The enacted budget states that excess funds are to be used for equalization payments and the school facilities assistance program. The first priority is given to half-mill maintenance equalization payments.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the School Facilities Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1

School Facilities Commission

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

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

The SFC has only one program series, which consists of seven programs. The above table shows the line items that are used to fund these seven programs. Of \$455.9 million total biennial funding for the SFC, 96.2% comes from the General Revenue Fund and provides for payments of debt service for bonds issued for school facilities projects. Three percent comes from the State Special Revenue Fund group, which is used to pay SFC's operating expenses. The remaining 0.8% lottery profits money supports the career-technical education loan program.

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

Program 1.01: Classroom Facilities Assistance

The Classroom Facilities Assistance Program (CFAP) is the largest program operated by the SFC. Under the CFAP, school districts with the lowest wealth are served first and receive a greater share of state assistance than the higher wealth school districts will receive when it is their turn to be served. The SFC evaluates the entire district's needs and provides the state share of funding for necessary construction and renovation. The SFC also provides standard contracting and design guidance as well as managerial oversight during design and construction phases. Through FY 2005, the CFAP had served 140 districts. Eighteen districts have been offered CFAP funding in FY 2006.

The majority of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, are used to support 44 staff in FY 2006 and 49 staff in FY 2007 overseeing the CFAP program. These funds represent 67.1% and 69.0% of the total appropriation amounts for this line item in FY 2006 and FY 2007, respectively. As mentioned previously, the operating costs of the SFC are entirely funded through investment earnings from its capital accounts.

The portions of funds from GRF appropriation items 230-908, Common Schools G.O. Debt Service, and 230-428, Lease Rental Payments, for the program provide debt service payments to retire general and non-general obligation bonds issued to finance CFAP projects, respectively. The state has not issued non-general obligation bonds for school facilities assistance projects since FY 2000. All existing non-general obligation bonds are expected to be retired in 2008.

Program 1.02: Exceptional Needs

The Exceptional Needs Program (ENP) is designed to assist school districts in addressing the health and safety needs associated with a specific building. Unlike the CFAP, the ENP is not intended to address the entire classroom facilities needs of a school district. School districts with below statewide average wealth or with a territory larger than 300 square miles are eligible for participation in the program. Twenty-seven school districts have been approved for ENP funding through FY 2005. The SFC has approved another six districts for funding under this program in FY 2006.

The portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program supports seven staff persons in FY 2006 and FY 2007 overseeing the ENP program. The portion of funds from GRF appropriation item 230-908, Common Schools G.O. Debt Service, provides the payment of debt service to retire general obligation bonds issued to finance ENP projects.

Program 1.03: Expedited Local Partnership

The Expedited Local Partnership Program (ELPP) permits a school district not yet eligible for the CFAP to enter into an agreement with the SFC that will allow the district to spend local resources to construct new classroom facilities or to make major renovations to the district's existing classroom facilities. The local resources spent by the district will then be applied to the district's share of the basic project cost when it becomes eligible for assistance under the CFAP. While participating school districts receive no state money under this program, the portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program supports 11 staff members who oversee the facilities construction. The funding also provides information technology, equipment, and other general support services. Three districts that were accepted into the CFAP in FY 2005 have a combined ELPP credit of \$41.3 million. In the next few years, more school districts that will be served by the CFAP will have ELPP credits.

Program 1.04: Joint Vocational Facilities Assistance

The Joint Vocational Facilities Assistance Program (VFAP) provides classroom facilities assistance to the state's 49 joint vocational school districts. The VFAP operates similarly to the CFAP. The program begins with the poorest joint vocational school districts and ends with the wealthiest ones. The state share is greater for a lower wealth joint vocational school district than that for a higher wealth one. The SFC has the authority to spend up to 2% of its annual appropriations for the VFAP projects. In FY 2005, Southern Hills JVSD in Brown County became the first district served by the VFAP. The SFC has offered to serve another school district under this program in FY 2006. The portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program supports one staff person

overseeing the program as well as funding for information technology, equipment, and other general support services.

The enacted budget transfers the Career-Tech School Building Assistance Program from the Department of Education to the SFC and provides \$2.0 million in each fiscal year from lottery profits for the program. These funds are used to provide interest-free loans to eligible school districts and joint vocational school districts for the construction and renovation of vocational classroom facilities or for the purchase of vocational education equipment. The enacted budget makes two changes to the program. First, it limits eligibility for a loan to a school district that has not been served by one of the SFC's programs and may not be served in the next three years. Second, an eligible district must agree to comply with all SFC design specifications and policies. Historically, one to two loans have been made per year. This program was previously known as the Vocational School Building Assistance Program funded through Fund 020 appropriation item 200-620, Vocational School Building Assistance, of the Department of Education.

Program 1.05: Energy Conservation

The Energy Conservation Program allows school districts with older facilities to borrow funds, without a vote of the public, to make energy-saving facilities improvements. The cost of the improvements may not exceed the savings in energy, operating, and maintenance costs over a 15-year period. This program has been used for 893 projects in approximately 542 school districts, with savings to Ohio's school districts of over \$89.7 million since the program began in 1985. Prior to its approval of a district's plan, the SFC largely relied on the Department of Development to conduct the cost-benefit analysis. The portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program supports the SFC coordination with the Department of Development in the review and recommendation of the proposed projects under this program.

Program 1.06: Community School Guaranteed Loans

The Community School Loan Guarantee Program provides loan guarantees to community schools to assist them in acquiring, improving, or replacing classroom facilities. H.B. 94 of the 124th General Assembly appropriated \$10 million for the program. Under the program, the SFC may guarantee for a maximum of 15 years up to 85% of the principal and interest on a loan made to the governing authority of a community school by a financial institution regulated by the federal government or the state of Ohio. The maximum loan guarantee amount is \$1 million. The SFC has granted conditional approval for guarantees to 14 community school facilities projects totaling approximately \$7.6 million. The portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program supports funding for purchased services and other miscellaneous expenses for the program including the loan guarantee application and review process.

Program 1.07: General School Facilities Assistance

This program provides support for various smaller SFC programs, of which all but one are being phased out. Among these smaller SFC programs are the Federal Emergency Repair Program (FERP – federal grant program intended to provide emergency repair to qualifying school districts), the Emergency Assistance Program (which provides state assistance to school districts to carry out emergency repairs resulting from "Acts of God"), and the Big Eight program (which provided matching state funds in the eight large urban districts for major building repairs). With the exception of the Emergency Assistance Program, the other programs should come to an end at some point during the FY 2006-2007 biennium. The portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program is

used to support the staff time required to close out two programs and maintain the operations of the Emergency Assistance Program, if needed.

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