

LSC Greenbook

Analysis of the Enacted Budget

School Facilities Commission

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ATTACHMENT:

Budget Spreadsheet By Line Item

School Facilities Commission

- Debt service decreases 23.3% in FY 2010 due to debt restructuring
- Operational funding increases 16.0% in FY 2010 and 5.4% in FY 2011

OVERVIEW

Agency Overview

The Ohio School Facilities Commission (SFC) provides funding, management oversight, and technical assistance to school districts for the construction and renovation of classroom facilities. SFC was created in 1997 by S.B. 102 of the 122nd General Assembly to implement a plan to rebuild all of Ohio's schools. Since its inception through December 2008, SFC has received about \$10.25 billion in capital appropriations and disbursed about \$7.0 billion.

SFC is governed by a seven-member commission, which consists of three voting members (the Director of Budget and Management, the Director of Administrative Services, and the Superintendent of Public Instruction) and four nonvoting legislative members. The Executive Director, who is appointed by the Commission, oversees SFC's daily operations and its 70 employees.

Appropriation Overview

Appropriations by Fund Group, FY 2010 and FY 2011					
Fund Group	FY 2009	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
General Revenue	\$204,897,889	\$157,065,800	-23.3%	\$167,038,700	6.3%
State Special Revenue	\$7,977,124	\$9,250,000	16.0%	\$9,750,000	5.4%
School Building Assistance	\$635,404	\$102,000	-83.9%	\$102,000	0.0%
TOTAL	\$213,510,417	\$166,417,800	-22.1%	\$176,890,700	6.3%

*FY 2009 figures represent actual expenditures.

The table above shows the budget's appropriations for SFC by fund group. SFC's GRF appropriations are for debt service on the bonds issued to finance the state share of school facilities projects, while its State Special Revenue appropriations are for the operating expenses of the agency. School Building Assistance funds are used to pay the interest on a defaulted loan under the Community School Loan Guarantee Program. As can be seen from the table, although the budget provides increases of 16.0% in FY 2010 and 5.4% in FY 2011 for SFC's operating appropriations, total appropriations for the agency decrease. The large decrease in SFC's appropriations for debt service (23.3% in

FY 2010) is a result of debt restructuring. Debt restructuring is accomplished by issuing new bonds and using the proceeds to pay the debt service on the old bonds. By restructuring debt in this way debt service is lowered in the short term. In future years, debt service is higher since it must be paid on the new bonds as well as the old.

Qualified School Construction Bonds

The budget authorizes SFC, in consultation with the Director of Budget and Management, to allocate the state's Qualified School Construction Bonds authorized by the federal government through the American Recovery and Reinvestment Act (ARRA) of 2009. The bonds provide federal tax credits for bond holders instead of interest. For Ohio, the allocation is \$267.1 million in calendar year (CY) 2009 and is anticipated to be the same in CY 2010. In addition, ARRA allocates \$151.7 million in CY 2009 to the Akron, Cincinnati, Cleveland, Columbus, and Toledo school districts, which may choose to re-allocate any unused balance to Ohio.

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

The budget requires the Director of Budget and Management to transfer \$250.0 million cash from the Education Facilities Trust Fund (Fund N087) or the Public School Building Fund (Fund 7021) to the GRF in either FY 2010 or FY 2011. In addition, \$250.0 million cash is to be deposited into an SFC fund by June 30, 2013.

Summary of SFC Programs and Budget Changes

SFC provides state funding and assistance through its four major programs: the Classroom Facilities Assistance Program, the Exceptional Needs Program, the Expedited Local Partnership Program, and the Vocational Facilities Assistance Program. These four major programs and the budget provisions affecting these programs are briefly 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. Included in these 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. 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.

Half-Mill Maintenance Levy for the Accelerated Urban Districts

Currently, all districts participating in a state-assisted project with SFC are required to obtain approval of a half-mill maintenance levy for a period of 23 years. Except for the six urban districts participating in the Accelerated Urban Initiative, the

23-year period begins at the onset of a district's project, even for districts that now segment their projects. For the six urban participants, however, prior law required that the 23-year period begin as the district's last segment is undertaken. The budget eliminates this requirement for accelerated urban districts and, instead, requires that the 23-year period begin at the date the initial segment is undertaken. It also requires that SFC amend the project agreement with any of the six accelerated urban districts in order to comply with these changes.

Cincinnati School for the Creative and Performing Arts

The budget requires SFC to pay \$4.0 million to the Cincinnati School District for the School for the Creative and Performing Arts in addition to the state funds the district has already received for its CFAP project. The additional \$4.0 million will increase the state contribution (23%) of Cincinnati's project from approximately \$160.1 million to \$164.1 million.

School District Bonds

The budget permits securities issued by a school district for the acquisition or construction of real property to have a maximum maturity that exceeds the prior limit of 30 years, but does not exceed 40 years, if the school district fiscal officer estimates the real property's useful life to be greater than 30 years.

Local Shares of SFC Projects

The budget extends until December 31, 2009, the deadline for each school district that was conditionally approved for a CFAP project in July 2008 to pass a levy to raise its share of the project cost before the project approval lapses. Under current law, the deadline is normally one year and would have been July 2009.

The budget also requires SFC to reduce by 1% a school district's portion of the cost of its CFAP project if its portion as estimated in FY 2008 was one percentile lower than on an alternate equity list required by Am. Sub. H.B. 562, the capital appropriations act of the 127th General Assembly. The provision appears to affect only Clay Local School District in Scioto County, effectively lowering its local share by \$228,000 while increasing the state share by the same amount.

Exceptional Needs Program (ENP)

ENP, which was created by H.B. 850 of the 122nd General Assembly, is designed to assist school districts in addressing the health and safety needs associated with a specific building instead of addressing the entire classroom facilities needs of the district as under CFAP. School districts ranked up to the 75th percentile in wealth or with a territory larger than 300 square miles are eligible for participation in the program. An ENP school district's state and local shares are the same as they would have been under CFAP.

Under current law, a school district is generally prohibited from participating in ENP if it is within three fiscal years of being eligible for CFAP. The budget permits SFC, in FY 2010, to approve a classroom facilities project under ENP for a school district that initially applied for ENP in FY 2008 and is ranked higher than 360 on the FY 2009 equity list. Based on current available data, Greenville City School District in Darke County would be eligible for ENP assistance under this provision.

Extreme Environmental Contamination Program

This program, which continues to be authorized under the budget, allows a school district experiencing extreme environmental contamination to participate in ENP. The budget limits the district share of participating school districts to 50% of the total project cost. River Valley Local (Marion) and Gorham-Fayette Local (Fulton) have received assistance under this program.

Expedited Local Partnership Program (ELPP)

ELPP, which was created by S.B. 272 of the 123rd General Assembly, permits a school district that is not yet eligible for CFAP to enter into an agreement with SFC that will allow the district to spend local resources to construct new classroom facilities or to make major renovations to the district's existing classroom facilities. The local resources spent by the district will then be applied to the district's share of the basic project cost when it becomes eligible for assistance under CFAP. The budget specifies that priority for state assistance under CFAP for a school district participating in ELPP be based on the district's percentile ranking on the equity list at the time it entered ELPP, instead of on the current equity list as provided under prior law.

Vocational Facilities Assistance Program (VFAP)

VFAP, which was created by H.B. 675 of the 124th General Assembly, provides classroom facilities assistance to the state's 49 joint vocational school districts (JVSDs). Similar to CFAP, VFAP generally serves low wealth joint vocational school districts first and provides them with greater state shares. SFC has the authority to spend up to 2% of its annual capital appropriations for VFAP projects. Joint vocational school districts are also served by a parallel expedited local partnership program.

The budget specifies that bonds issued by a JVSD under existing law to pay for the district's share of the project cost that are payable from a property tax for general permanent improvements are not counted toward the district's unvoted debt limit if the district formally covenants to continue collecting the tax in sufficient amount to pay the bonds.

Vetoed Provision

The Governor vetoed a provision that specified if a school district's tangible personal property (TPP) valuation, excluding public utility TPP value, made up 20% or

more of its total taxable value for tax year 2005, then its three-year "average taxable value" used for computing wealth percentile rankings of school districts for school facilities assistance is only the three-year average of the sum of its real property valuation, rather than of its real property valuation and tangible personal property as under current law. The Governor also vetoed a provision that would have required ODE to calculate and certify a new alternate equity list for use in FY 2010 that would incorporate the "average taxable value" changes.

ANALYSIS OF ENACTED BUDGET

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

Appropriations for the School Facilities Commission				
Fund	ALI and Name		FY 2010	FY 2011
General Revenue Fund				
GRF	230908	Common Schools G.O. Debt Service	\$157,065,800	\$167,038,700
General Revenue Fund Subtotal			\$157,065,800	\$167,038,700
State Special Revenue Fund Group				
5E30	230644	Operating Expenses	\$9,250,000	\$9,750,000
State Special Revenue Fund Group Subtotal			\$9,250,000	\$9,750,000
School Building Assistance Fund Group				
5S60	230602	Community School Loan Guarantee	\$102,000	\$102,000
School Building Assistance Fund Group Subtotal			\$102,000	\$102,000
Total Funding: School Facilities Commission			\$166,417,800	\$176,890,700

Common Schools G.O. Debt Service (230908)

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

This item decreases by 23.3% in FY 2010 and increases by 6.4% in FY 2011. The overall decrease in the biennium is a result of debt restructuring.

Operating Expenses (230644)

This line item provides funding for administrative support for all of SFC's programs. As indicated in the Overview, the budget increases funding by 16.0% in FY 2010 and by 5.4% in FY 2011, which will enable SFC to hire up to seven additional employees over the next biennium.

SFC's operating expenses are supported entirely by investment earnings from the School Buildings Assistance Fund (Fund 7032), the Public School Building Fund (Fund 7021), and the Education Facilities Trust Fund (Fund N087). The investment

earnings are transferred quarterly to Fund 5E30 to cover the projected disbursements for the quarter. The budget permits the Executive Director of SFC, if interest is determined to be insufficient to support operations and with approval of the Controlling Board, to transfer noninterest cash from Fund 7021 and Fund N087 to support SFC operations.

Study of Shared Community Spaces Included in SFC Projects

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

New Classroom Operating Requirements Support

The budget requires the Executive Director of SFC to advise the Superintendent of Public Instruction, upon request, of new demands upon and issues related to classroom facilities that may arise due to new operating requirements in rules adopted by the Superintendent relating to expenditure and reporting standards.

Community School Loan Guarantee (230602)

This item is used to pay the interest from a defaulted loan from a community school that closed down in December 2008 with an outstanding loan balance, of which the state has guaranteed \$1 million through the Community School Loan Guarantee Program. The program provides loan guarantees to community schools to assist them in acquiring, improving, or replacing classroom facilities. H.B. 94 of the 124th General Assembly appropriated \$10 million for the program. Under this program, SFC may guarantee for a maximum of 15 years and for up to 85% of the principal and interest a loan made to the governing authority of a community school by a financial institution regulated by the federal government or the state of Ohio. The maximum loan guarantee amount is \$1 million.

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FY 2010 - 2011 Final Appropriation Amounts

All Fund Groups

<i>Line Item Detail by Agency</i>			<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010 Appropriations</i>	<i>% Change FY09 - FY10</i>	<i>FY 2011 Appropriations</i>	<i>% Change FY10 - FY11</i>
Report For: Main Operating Appropriations Bill			Version: Enacted					
SFC School Facilities Commission								
GRF	230428	Lease Rental Payments	\$ 22,692,653	\$ 0	\$ 0	N/A	\$ 0	N/A
GRF	230908	Common Schools General Obligation Debt Service	\$ 263,080,401	\$ 204,897,889	\$ 157,065,800	-23.34%	\$ 167,038,700	6.35%
General Revenue Fund Total			\$ 285,773,054	\$ 204,897,889	\$ 157,065,800	-23.34%	\$ 167,038,700	6.35%
5E30	230644	Operating Expenses	\$ 7,373,078	\$ 7,977,124	\$ 9,250,000	15.96%	\$ 9,750,000	5.41%
State Special Revenue Fund Group Total			\$ 7,373,078	\$ 7,977,124	\$ 9,250,000	15.96%	\$ 9,750,000	5.41%
5S60	230602	Community School Loan Guarantee	\$ 0	\$ 65,064	\$ 102,000	56.77%	\$ 102,000	0.00%
7021	230909	School Entrance Improvements	\$ 0	\$ 570,340	\$ 0	N/A	\$ 0	N/A
School Building Assistance Fund Total			\$ 0	\$ 635,404	\$ 102,000	-83.95%	\$ 102,000	0.00%
7020	230620	Career-Tech School Building Assistance	\$ 850,000	\$ 0	\$ 0	N/A	\$ 0	N/A
Lottery Profits/Education Fund Group Total			\$ 850,000	\$ 0	\$ 0	N/A	\$ 0	N/A
School Facilities Commission Total			\$ 293,996,132	\$ 213,510,417	\$ 166,417,800	-22.06%	\$ 176,890,700	6.29%