

LSC Greenbook

Analysis of the Enacted Budget

Ohio Facilities Construction Commission

Neil Townsend, Budget Analyst
Legislative Service Commission

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ATTACHMENT:

Budget Spreadsheet By Line Item

Ohio Facilities Construction Commission

- Funding of \$413.5 million in FY 2016 and \$420.3 million in FY 2017
- GRF funds make up 98% of total appropriation
- Over 89% of total appropriation supports debt service payments

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).

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 that serves a three-year term. The Executive Director, who is appointed by the Commission, oversees OFCC's daily operations and its staff, which included 87 full-time permanent employees as of the end of June 2015.

Appropriation Overview

Agency Appropriations by Fund Group, FY 2016-FY 2017 (Am. Sub. H.B. 64)					
Fund Group	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
General Revenue	\$369,993,371	\$404,968,000	9.5%	\$411,777,900	1.7%
Dedicated Purpose	\$6,420,006	\$0	-100.0%	\$0	N/A
Internal Service Activity	\$6,730,273	\$8,500,000	26.3%	\$8,500,000	0.0%
TOTAL	\$383,143,650	\$413,468,000	7.9%	\$420,277,900	1.7%

*FY 2015 figures represent actual expenditures.

The table above shows OFCC's appropriations by fund group. GRF funds make up 98% of the appropriations. OFCC's GRF appropriations are mostly used for debt service on the bonds issued to finance the state share of K-12 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.

Budget Provisions

OFCC Executive Director Powers

The budget 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 budget 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 budget 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 was 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 budget 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.

Project Labor Agreements in Public Improvement Contracts

The budget requires a state agency to hold a public hearing before issuing bid specifications for a proposed public improvement that require a contractor or subcontractor to enter into a project labor agreement. The agency must then decide whether to include the requirement in the bid specifications not earlier than 30 days after the hearing.

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. The budget makes several changes to the program.

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 budget extends the validity of the new scope and estimated costs to 13 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 budget permits 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.

Funding Projects with Lease-Purchase Agreements or Certificates of Participation

The budget 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 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.

Acquisition of School Classroom Facilities

Community School Classroom Facilities Grants

The budget appropriates \$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 the Ohio Department of Education (ODE), jointly, will provide funds to "eligible high-performing community schools" (including e-schools) that supply at least 50% of the total project cost and that, in general, have received a grade of "A," "B," or "C" for the performance index score or have increased its performance index score in each of the previous three years of operation, and has received a grade of "A" or "B" for the value-added progress dimension on its most recent report card rating.

The bill makes some exceptions to the above performance criteria. If the school serves only grades K-3, the school must have received a grade of "A" or "B" for making progress in improving literacy in grades K-3 on its most recent report card. If the school is a dropout prevention or recovery school, the school must have received a rating of "exceeds standards" on its most recent report card. Finally, if the school is a newly established community school, the school must be implementing a community school model that has a track record of high quality academic performance, as determined by ODE.

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.

Lease-Purchase Agreements for School Facilities

Under current law, a school district, educational service center, or community school may enter into a lease-purchase agreement for the acquisition of buildings or improvements to buildings. The budget specifies that a school district may also enter into a lease-purchase agreement providing for the construction or improvement and eventual acquisition of facilities or improvements to facilities, including but not limited to buildings, playgrounds, parking lots, athletic facilities, and safety enhancements. Additionally, the lease-purchase agreement must provide for a series of one-year

renewable lease terms totaling not more than the number of years equivalent to the useful life of the asset and in no event more than 30 years.

Classroom Facilities for STEM Education Programs

The budget requires SFC to establish guidelines for assisting a "qualifying partnership," a group of school districts that are part of a career-technical education compact and have entered into an agreement for the establishment and operation of a STEM program, in the acquisition of classroom facilities. SFC, subject to Controlling Board approval, must provide funding upon receipt of a written proposal by a qualifying partnership using funding for classroom facilities assistance projects. The proposal must indicate both the total amount of funding requested from SFC and the amount of other funding pledged for the project, the latter of which cannot be less than the total amount of funding requested from SFC.

The budget permits a qualifying partnership to levy taxes, with voter approval, to use for all or part of the funding pledged for the project and requires that, if a qualifying partnership chooses to levy taxes, it select one of its member districts to be the fiscal agent. The tax must be approved by a majority of voters throughout the combined territories of member districts, not by a majority in each district. The tax may be levied for up to ten years, and bonds may be issued by the partnership to finance facilities.

The budget limits the assistance to partnerships with territory located in two adjacent counties having populations between 40,000 and 50,000, at least one of which borders another state. This provision appears to make eligible to receive funding the Tri Star Career Compact, in Mercer and Auglaize counties.

Armstrong Air and Space Museum

The budget amends Section 239.10 of H.B. 497 of the 130th General Assembly to remove Fund 7030 capital appropriation item C230F4, The Gordon, Hauss, Folk Company Mill, with an appropriation of \$250,000 and to increase Fund 7030 capital appropriation item C230E8, OHS – Armstrong Air and Space Museum, by \$250,000.

Energy Strategy Development Program

The budget requires the Ohio Air Quality Development Authority to develop energy initiatives, projects, and policy that align with the energy policy for the state. The budget permits the Director of the Office of Budget and Management to transfer cash of up to \$27,405 in FY 2016 and up to \$27,439 in FY 2017 from the State Agency Construction Project Service Fund (Fund 1310), used by OFCC, to the Energy Strategy Development Fund (Fund 5EG0).

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the 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 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 enacted in the budget. 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.

Categorization of OFCC's Appropriation Line Items for Analysis of the Budget			
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.

Appropriations 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	\$366,000,000	\$377,000,000
General Revenue Fund Subtotal			\$395,728,000	\$402,737,900
Total Funding: Debt Service Payments			\$395,728,000	\$402,737,900

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.

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.

Category 2: Construction Management and Maintenance

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

Appropriations for Construction Management and Maintenance				
Fund	ALI and Name		FY 2016	FY 2017
General Revenue Fund				
GRF	230321	Operating Expenses	\$6,500,000	\$6,500,000
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			\$9,240,000	\$9,040,000
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			\$17,740,000	\$17,540,000

Operating Expenses (230321)

The budget moves funding previously appropriated under Dedicated Purpose Fund line item 230644 into new GRF line item 230321 in order to provide for a more stable funding source for SFC operating expenses. This line item will 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 budget appropriates \$6.5 million in FY 2016 and FY 2017. The combined total of \$13.0 million represents approximately 3.0% 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 were transferred quarterly to the Ohio School Facilities Commission Fund (Fund 5E30) to cover the projected disbursements for the quarter. In accordance with the shift to GRF funding, the budget transfers the cash balances of both Fund N087 and Fund 5E30 into the Public School Building Fund and, subsequently, abolishes these two funds. 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. The budget funds this line item at \$2.2 million in FY 2016, or 7.2% above FY 2015 expenses, and \$2.0 million in FY 2017, or 9.1% below the FY 2016 appropriation level.

The budget shifts 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 budget moves funding previously appropriated under GRF line item 230401 to support the Stanley J. Aronoff Center for the Performing Arts into this new GRF line item in order to increase transparency of the state's share 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 as 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 budget funds 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. The budget funds this line item at \$8.5 million in FY 2016 and FY 2017, which is 26.3% above FY 2015 expenses.

FY 2016 - FY 2017 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2014	FY 2015	Appropriation FY 2016	FY 2015 to FY 2016 % Change	Appropriation FY 2017	FY 2016 to FY 2017 % Change
Report For Main Operating Appropriations Bill			Version: As Enacted					
FCC Ohio Facilities Construction Commission								
GRF	230321	Operating Expenses	\$0	\$0	\$ 6,500,000	N/A	\$ 6,500,000	0.00%
GRF	230401	Cultural Facilities Lease Rental Bond Payments	\$ 32,824,088	\$ 28,941,551	\$ 29,728,000	2.72%	\$ 25,737,900	-13.42%
GRF	230458	State Construction Management Services	\$ 2,239,244	\$ 2,052,076	\$ 2,200,000	7.21%	\$ 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	\$ 338,999,744	\$ 366,000,000	7.96%	\$ 377,000,000	3.01%
General Revenue Fund Total			\$ 365,063,859	\$ 369,993,371	\$ 404,968,000	9.45%	\$ 411,777,900	1.68%
4T80	230603	Community Project Administration	\$ 190,868	\$ 193,854	\$ 0	-100.00%	\$ 0	N/A
5E30	230644	Operating Expenses	\$ 5,821,662	\$ 6,226,153	\$ 0	-100.00%	\$ 0	N/A
Dedicated Purpose Fund Group Total			\$ 6,012,530	\$ 6,420,006	\$ 0	-100.00%	\$ 0	N/A
1310	230639	State Construction Management Operations	\$ 5,109,704	\$ 6,730,273	\$ 8,500,000	26.30%	\$ 8,500,000	0.00%
Internal Service Activity Fund Group Total			\$ 5,109,704	\$ 6,730,273	\$ 8,500,000	26.30%	\$ 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	\$ 383,143,650	\$ 413,468,000	7.91%	\$ 420,277,900	1.65%