

Greenbook
LSC Analysis of Enacted Budget

Ohio Facilities
Construction Commission

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Budget Spreadsheet By Line Item	

Ohio Facilities Construction Commission

- Funding of \$423.3 million in FY 2018 and \$453.2 million in FY 2019
- Over 96% of total appropriation supports GRF debt service payments
- Operations budget totals \$16.5 million in each fiscal year

OVERVIEW

Agency Overview

The Ohio Facilities Construction Commission (OFCC) provides oversight of and construction management services for capital projects for public K-12 schools, state agencies, and state-supported universities and community colleges. 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). In H.B. 59 of the 130th General Assembly, OFCC assumed the operations of the former Cultural Facilities Commission as well as certain capital project oversight from the Department of Natural Resources.

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 staff, which included 90 full-time permanent employees as of the end of July 2017.

Appropriation Overview

Agency Appropriations by Fund Group, FY 2018-FY 2019 (Am. Sub. H.B. 49)					
Fund Group	FY 2017*	FY 2018	% change, FY 2018-FY 2019	FY 2019	% change, FY 2018-FY 2019
General Revenue	\$379,598,024	\$414,848,000	9.3%	\$444,496,900	7.2%
Internal Service Activity	\$9,227,532	\$8,500,000	-7.9%	\$8,750,000	2.9%
Capital Projects**	\$361,170	\$0	-100.0%	\$0	N/A
TOTAL	\$389,186,726	\$423,348,000	8.8%	\$453,246,900	7.1%

*FY 2017 figures represent actual expenditures.

**These funds, provided through an operating budget appropriation, support state highway improvements at entrances of public schools participating in OFCC projects. Please refer to the Catalog of Budget Line Items (COBLI) for OFCC (<http://www.lsc.state.oh.us/pages/budget/documents/cobli.aspx>) for additional details.

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 school facilities projects. 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.

Notable Budget Provisions

Transfer of School Facilities Programs to OFCC

The budget abolishes the School Facilities Commission (SFC) and transfers its responsibilities to OFCC. Under former law, SFC operated as an independent agency of OFCC in administering several programs that provide state assistance to public school districts and community schools in constructing classroom facilities. The OFCC Executive Director, by statute, was also the Executive Director of SFC and supervised all SFC operations. As a result, this provision will have no effect on service delivery. However, it may reduce some administrative costs by eliminating any redundancies between the two entities. For example, both OFCC and SFC held quarterly meetings, which were staffed by OFCC employees. The meetings for SFC will no longer be necessary.

Agency Administration of Capital Facilities Projects

Continuing law permits OFCC to authorize ten specified cabinet agencies to administer a capital facilities project whose estimated cost is less than \$1.5 million. An agency that administers its own project must comply with the state's procedures and guidelines for public improvements. The budget allows OFCC to authorize DAS, the Ohio School for the Deaf, and the Ohio State School for the Blind to administer such a capital facilities project. This provision may increase the efficiency with which smaller capital projects for these agencies are carried out. According to OFCC, it is more efficient for agencies to administer smaller capital projects on their own. These three agencies were the only OFCC customers that did not have local administration authority for smaller capital projects.

Contractor Debarment

Under continuing law, a debarred contractor is not eligible to bid for or participate in any contract for a state or school district capital facilities project during the period of the debarment. The budget expands the authority of OFCC to debar a contractor upon proof that the contractor has committed certain types of misconduct. Specifically, the budget permits the debarment of a subcontractor, supplier, or manufacturer, in addition to the contracting firm. In addition, it allows OFCC to debar a

partner, officer, or director of one of those entities. As a result, OFCC could prevent the owners of a debarred business entity from dissolving the entity and re-forming as a new one in order to avoid the debarment.

Alternative Fuel Vehicles

The budget permits a school district to contract with a person experienced in the implementation of student transportation to produce a report that includes an analysis of and recommendations for the use of alternative fuel vehicles by school districts. The report must include cost estimates detailing the return on investment over the life of the alternative fuel vehicles and estimates of all costs associated with alternative fuel transportation, including facility modifications and vehicle purchase costs or conversion costs.

School districts may then submit a copy of the findings to OFCC and request approval to incur unvoted indebtedness to finance the purchase of the new alternative fuel vehicles or vehicle conversions, in an amount of up to nine-tenths of 1% of the district's tax valuation. If the request is approved, the district must monitor the purchase of new alternative fuel vehicles or vehicle conversions, and maintain and annually update a report to be submitted to OFCC that documents the purchase of new alternative fuel vehicles or vehicle conversions, the associated environmental impact, and return on investment. OFCC, in consultation with the Auditor of State, may deny a district request if that district is in a state of fiscal watch and the expenditure of funds is not in the best interest of the district. Additionally, a district in a state of fiscal emergency or academic distress may not submit a request without the approval of the district's financial planning and supervision commission or academic distress commission, respectively.

1:1 School Facilities Option Program

The budget establishes the 1:1 School Facilities Option Program as an alternative funding option to assist eligible school districts with classroom facilities projects. In order to qualify, a traditional or joint vocational school district must not have entered into an agreement with OFCC for classroom facilities assistance (except for emergency assistance). A district becomes eligible for the new program only at the time it becomes eligible for assistance under the Classroom Facilities Program (CFAP) or Vocational School Facilities Assistance Program (VFAP), in accordance with the annual wealth percentile rankings of districts under continuing law. The budget requires OFCC, at the request of an eligible district, to perform a facilities assessment that will determine the scope of the entire project, the basic project cost of the district's classroom facilities needs, and the state's portion of the total project if the school were to receive assistance under CFAP or VFAP. A district that opts to participate is eligible to receive up to the greater of \$1 million or 10% of the state's share of the total project cost, provided that

the district matches the state funds on a one-to-one basis. A district that opts to participate is not eligible for subsequent assistance under either CFAP or VFAP for 20 years after the date the district enters into an agreement under the program.

This program is likely to attract school districts that are not likely to participate in CFAP or VFAP. For example, some higher wealth districts may not actually participate in CFAP when their turn comes up, due to their relatively low state shares of the basic project costs. A district may also choose to participate in this alternative funding program if the district has concluded that it may not be able to raise its required local share for the current law programs. Given the smaller scale of funding involved for projects under the new program, school districts may find it easier to raise the required local match. Overall, this new program may provide some state funds to districts that may not actually receive any funding from CFAP or VFAP although they are eligible.

Community School Classroom Facilities Grants

The budget continues the Community School Classroom Facilities Grants Program, originally begun under H.B. 64 of the 131st General Assembly, through an appropriation of \$7,989,174 in the FY 2018-FY 2019 biennium for Fund 7021 capital appropriation item C230W4, Community School Classroom Facilities Grants. Under the program, OFCC and the Ohio Department of Education (ODE), jointly, will provide funding to certain "high performing" community schools for the purchase, construction, reconstruction, renovation, remodeling, or addition to classroom facilities. In order to receive a grant, an eligible community school must demonstrate that the funds will be used to increase classroom seating, serve unmet student needs, and show innovation in design so as to be replicable. Additionally, any facility supported by the grant funds must be used for educational purposes for at least ten years.

Capital Appropriations

The budget amends S.B. 310 of the 131st General Assembly, the capital appropriations bill for the FY 2017-FY 2018 biennium, to establish two new capital appropriations under OFCC: \$500,000 for Fund 7030 appropriation item C230EJ, James A. Garfield Monument Maintenance, and \$150,000 for Fund 7030 appropriation item C230EK, Ohio Soldiers and Sailors Orphans Home/Ohio Veterans Children's Home Chapel Restoration.

Vetoed Provisions

School Facilities Assistance Segmenting

The Governor vetoed a provision in H.B. 49 specifying that, if a district satisfies certain conditions, the district's portion of the cost for a second or subsequent segment of a project under CFAP must be based on the district's current percentile ranking

rather than its percentile ranking when the project was segmented, as under current law.

Joint Vocational School District (JVSD) Facilities Projects

The Governor also vetoed a provision that permitted OFCC to select one JVSD in each of FYs 2018 and 2019 to receive assistance to construct a new complete classroom facility as a replacement for one or more facilities, renovate the district's existing facilities, or both. The provision required OFCC to select a district that has a compelling need for new construction and demonstrates that the project is necessary to meet the workforce deficiency or demand in the local community or a local industry. The district's portion of the total cost of the project was to be calculated in accordance with current law, but not to exceed 50%, provided that the state's portion could not exceed \$26 million.

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 Enacted 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	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 2018	FY 2019
General Revenue Fund				
GRF	230401	Cultural Facilities Lease Rental Bond Payments	\$30,762,300	\$32,301,200
GRF	230908	Common Schools G.O. Bond Debt Service	\$376,083,200	\$404,435,700
General Revenue Fund Subtotal			\$406,845,500	\$436,736,900
Total Funding: Debt Service Payments			\$406,845,500	\$436,736,900

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.

Appropriations for Construction Management and Maintenance				
Fund	ALI and Name		FY 2018	FY 2019
General Revenue Fund				
GRF	230321	Operating Expenses	\$6,305,000	\$6,305,000
GRF	230458	State Construction Management Services	\$1,697,500	\$1,455,000
General Revenue Fund Subtotal			\$8,002,500	\$7,760,000
Internal Service Activity Fund Group				
1310	230639	State Construction Management Operations	\$8,500,000	\$8,750,000
Internal Service Activity Fund Group Subtotal			\$8,500,000	\$8,750,000
Total Funding: Construction Management and Maintenance			\$16,502,500	\$16,510,000

Operating Expenses (230321)

This line item provides funding for the administration and oversight of the state's various school facilities assistance programs. The budget provides \$6.3 million each year in FY 2018 and FY 2019. The combined total of \$12.6 million represents 1.9% of the \$650.0 million in capital appropriations for school facilities projects for the FY 2017-FY 2018 capital biennium.

State Construction Management Services (230458)

This line item supplies funding for OFCC staff that provide certain tools and services to state agency, university, and K-12 public school projects for which fees are not assessed. 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 \$1.7 million in FY 2018, or 13.4% below FY 2017 expenses, and \$1.5 million in FY 2019, or 14.3% below the FY 2018 appropriation level.

State Construction Management Operations (230639)

This non-GRF 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. This line item is supported by fees charged for managing customers' capital construction and energy projects as well as local administration and seminar fees. The budget funds this line item at \$8.5 million in FY 2018, a 7.9% decrease from FY 2017 spending and \$8.8 million in FY 2019, a 2.9% increase over FY 2018.

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FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
Report For Main Operating Appropriations Bill			Version: As Enacted					
FCC Ohio Facilities Construction Commission								
GRF	230321	Operating Expenses	\$ 6,185,210	\$ 6,272,849	\$ 6,305,000	0.51%	\$ 6,305,000	0.00%
GRF	230401	Cultural Facilities Lease Rental Bond Payments	\$ 28,666,664	\$ 25,253,062	\$ 30,762,300	21.82%	\$ 32,301,200	5.00%
GRF	230458	State Construction Management Services	\$ 2,136,611	\$ 1,960,406	\$ 1,697,500	-13.41%	\$ 1,455,000	-14.29%
GRF	230459	Aronoff Center Building Maintenance	\$ 536,447	\$ 533,844	\$ 0	-100.00%	\$ 0	N/A
GRF	230908	Common Schools General Obligation Bond Debt Service	\$ 372,319,871	\$ 345,577,864	\$ 376,083,200	8.83%	\$ 404,435,700	7.54%
General Revenue Fund Total			\$ 409,844,803	\$ 379,598,024	\$ 414,848,000	9.29%	\$ 444,496,900	7.15%
4T80	230603	Community Project Administration	\$ 5,261	\$ 0	\$ 0	N/A	\$ 0	N/A
5E30	230644	Operating Expenses	\$ 144,863	\$ 0	\$ 0	N/A	\$ 0	N/A
Dedicated Purpose Fund Group Total			\$ 150,123	\$ 0	\$ 0	N/A	\$ 0	N/A
1310	230639	State Construction Management Operations	\$ 5,973,377	\$ 9,227,532	\$ 8,500,000	-7.88%	\$ 8,750,000	2.94%
Internal Service Activity Fund Group Total			\$ 5,973,377	\$ 9,227,532	\$ 8,500,000	-7.88%	\$ 8,750,000	2.94%
7021	230909	School Entrance Improvements	\$ 0	\$ 361,170	\$ 0	-100.00%	\$ 0	N/A
Capital Projects Fund Group Total			\$ 0	\$ 361,170	\$ 0	-100.00%	\$ 0	N/A
Ohio Facilities Construction Commission Total			\$ 415,968,304	\$ 389,186,726	\$ 423,348,000	8.78%	\$ 453,246,900	7.06%