

# Greenbook

## LBO Analysis of Enacted Budget

# Ohio Facilities Construction Commission

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Attachment:

Appropriation Spreadsheet

# LBO Greenbook

## Ohio Facilities Construction Commission

### Quick look...

- The Ohio Facilities Construction Commission (OFCC) guides capital projects for state agencies, state-supported universities and community colleges, public K-12 schools, and state-funded cultural facilities.
- OFCC is a seven-member commission, three of whom are voting members: the directors of the Office of Budget and Management (OBM) and the Department of Administrative Services (DAS) and an additional administrative department head appointed by the Governor.
- Total budget appropriations: \$619.6 million for FY 2024 and \$347.1 million for FY 2025.
  - Sources of the budget: GRF (77.6%), dedicated purpose funds (20.7%), and state construction management fees deposited into an Internal Service Activity (ISA) Fund (1.7%).
  - Uses of the budget: 75.4% for debt service on bonds issued to support school facilities and cultural and sports facilities, 20.7% for subsidies to support a new career-technical education construction program, and 3.9% for OFCC's operations.
- In FY 2023, federal American Rescue Plan Act (ARPA) funds supported \$199.9 million for K-12 school safety grants, which were disbursed through a dedicated purpose fund line item.

Fund Group	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
General Revenue	\$452,615,208	\$418,827,796	\$411,500,000	\$338,750,000
Dedicated Purpose	\$0	\$199,881,900	\$200,000,000	\$0
Internal Service Activity	\$5,578,876	\$6,239,909	\$8,129,013	\$8,305,828
Total	\$458,194,084	\$624,949,605	\$619,629,013	\$347,055,828
% change	--	36.4%	-0.9%	-44.0%
<i>GRF % change</i>	--	-7.5%	-1.8%	-17.7%

## Overview

### Agency overview

The Ohio Facilities Construction Commission (OFCC) guides capital construction projects for state agencies and state-supported universities and community colleges, as well as overseeing Ohio's comprehensive public primary and secondary school construction and renovation program. OFCC also administers grants for cultural facilities. OFCC is a seven-member commission with three voting members. The voting members are the Director of Budget and Management, the Director of Administrative Services, and an additional administrative department head who is appointed by the Governor. Of the four nonvoting members, two are

appointed by the President of the Senate and two are appointed by the Speaker of the House of Representatives. The Commission appoints an executive director who oversees the day-to-day operations of the agency. As of July 2023, OFCC has a staff of 99 full-time and three part-time or intermittent employees.

## Appropriation summary

As an agency focused on capital projects, OFCC's funding mostly is appropriated in the capital budget. Of the biennial operating funding of \$966.7 million, \$729.0 million (75.4%) is for debt service on bonds issued to support school facilities and cultural and sports facilities, \$200.0 million (20.7%) is for subsidies to support a new career-technical education construction program, and \$37.7 million (3.9%) supports OFCC's operating costs.

## Analysis of FY 2024-FY 2025 budget

### Funding for career-technical education construction projects

#### Career-Technical Construction Program (ALI 230652)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
<b>Fund 5CV3 ALI 230652, Career-Technical Construction Program</b>					
\$0	\$0	\$0	\$0	\$200,000,000	\$0
% change	N/A	N/A	N/A	N/A	-100.0%

This new line item will be used to support facilities construction projects that establish or expand career-technical education programs. Funds will be distributed to joint vocational school districts (JVSDs) and city, local, and exempted village school districts designated as the lead district of a career-technical planning district (CTPD), according to guidelines established by OFCC, in consultation with the Governor's Office of Workforce Transformation (OWT) and the Department of Education and Workforce (DEW). The guidelines must consider establishing or expanding career-technical education programs that support the occupations on OWT's Ohio's Top Jobs List or that qualify for the Innovative Workforce Incentive Program under DEW. The budget reappropriates the unused balance of line item 230652 at the end of FY 2024 for the same purpose in FY 2025.

Separately, the budget appropriates \$50 million in each fiscal year from the newly created Career-Technical Education Equipment Fund (Fund 5AD1) in the DEW budget to support career-technical education equipment purchases necessary to start new or expand career-technical education programs for in-demand career fields and industry-recognized credentials.

### Funding for operating expenses

The line items in this category are used to provide oversight of capital projects for K-12 schools, cultural facilities, 19 state agencies that perform construction, and 27 state-supported universities and community colleges. Total appropriations for operating expenses increase by 24.9% from a spending level of \$14.9 million in FY 2023 to \$18.6 million appropriated in FY 2024,

then by 2.3% to \$19.1 million in FY 2025. According to OFCC, the budget for operating expenses will support a total of 107 full-time positions and five part-time and intermittent staff.

### Operating Expenses (ALI 230321)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
<b>GRF ALI 230321, Operating Expenses</b>					
\$6,068,333	\$5,586,906	\$5,735,027	\$6,772,155	\$10,500,000	\$10,750,000
% change	-7.9%	2.7%	18.1%	55.0%	2.4%
<b>GRF ALI 230458, State Construction Management Services</b>					
\$1,416,520	\$1,477,987	\$1,395,469	\$1,906,019	\$0	\$0
% change	4.3%	-5.6%	36.6%	-100.0%	N/A
<b>Total</b>					
\$7,484,853	\$7,064,893	\$7,130,496	\$8,678,174	\$10,500,000	\$10,750,000
% change	-5.6%	0.9%	21.7%	21.0%	2.4%

The budget combines OFCC's two GRF administrative line items: 230321, Operating Expenses, and 230458, State Construction Management Services, under line item 230321. Funding largely supports personal services, such as agency payroll, but also supports contracts, supplies and maintenance, and equipment. The merger of these two line items is intended to streamline OFCC's operations and better reflect the integrated nature of the Commission's activities and functions.

This line item will also be used for additional information technology (IT) investments in the next biennium. OFCC's IT staff develop software and data systems that track project budgets, contracts, and other construction project information. OFCC will initiate an IT data management and construction planning solution using \$3.0 million of an eventual total \$12.0 million in capital funding for the FY 2023-FY 2024 capital biennium appropriated in H.B. 687 of the 134<sup>th</sup> General Assembly. OFCC anticipates requesting \$9.0 million more in capital funding over the next two capital budgets to complete this project.

A portion of this item's appropriation each year is also used by OFCC to revise the Ohio School Design Manual (OSDM) based on input from design and construction professionals, school districts, state agencies, and other interested parties. The OSDM is a comprehensive set of construction standards for the design of school facilities to ensure statewide equity and quality. Because it is a foundational resource, OFCC plans to complete the most comprehensive update to the OSDM since it was created, streamlining and significantly updating it to make it more visual and accessible. OFCC expects to complete this project by April 2025.

## State Construction Management Operations (ALI 230639)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
<b>Fund 1310 ALI 230639, State Construction Management Operations</b>					
\$7,743,587	\$5,096,480	\$5,578,876	\$6,239,909	\$8,129,013	\$8,305,828
% change	-34.2%	9.5%	11.8%	30.3%	2.2%

This non-GRF line item is funded in part via fees charged to state agencies and state-supported universities and community colleges for managing capital construction and energy projects. By law, agencies must use OFCC for projects greater than \$1.5 million. Line item 230639 supports the following:

- OFCC staff who provide capital project management, contract management, and competitive selection services to state agencies, universities, and community colleges;
- The Office of Energy Services (OES) unit that provides state agency, higher education, and K-12 school clients with energy engineering and design services, energy auditing, and performance contracting to achieve cost-effective, efficient energy use; and
- Claim settlements against OFCC capital projects; however, the promotion of alternate dispute resolution (ADR) techniques has increased claims avoidance for OFCC, reducing fees and settlement costs in recent years.

OFCC administrative fees vary widely, mostly determined by the scope and type of project staff is administering. The project administration fee for OFCC administered single-site projects is calculated on a sliding scale based upon the total project costs: 3% for the first \$4 million, 1% on costs from \$4 million to \$20 million, and 0.75% on costs above \$20 million. OFCC administered multi-site projects are also calculated on a similar sliding scale with slightly higher fee rates to account for increased project management responsibilities. Fees for locally administered projects are 1% of total project costs. Agencies that use OFCC's pre-qualified consultant list for architectural and engineering services pay a flat fee of \$2,000 per agreement. OFCC's criteria architect fees range from 1.5% to 3.0% of total construction costs. The fees are deposited into the Architect Fees and Transcription Center Fund (Fund 1310).

## Funding for debt service payments

The line items in this category support OFCC's debt service payments for K-12 and cultural facility capital projects appropriated through the biennial capital budget. These debt service payments are funded exclusively through the General Revenue Fund.

## Cultural Facilities Lease Rental Bond Payments (ALI 230401)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
<b>GRF ALI 230401, Cultural Facilities Lease Rental Bond Payments</b>					
\$33,041,731	\$28,881,618	\$27,553,710	\$28,687,241	\$31,000,000	\$31,000,000
% change	-12.6%	-4.6%	4.1%	8.1%	0.0%

This line item supports the repayment of bonds issued by the Treasurer of State, the proceeds of which go towards the costs of capital improvement and construction projects for cultural, sports, and state historical facilities. Projects for cultural organizations are funded through a grant that requires a match of \$1 of nonstate resources for every \$2 of state funding. Sports facilities projects must raise a local match of at least 85% of the initial estimated construction costs. OFCC does not approve these grants until the necessary project funding has been raised.

### **Common Schools General Obligation Bond Debt Service (ALI 230908)**

<b>FY 2020 Actual</b>	<b>FY 2021 Actual</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Actual</b>	<b>FY 2024 Appropriation</b>	<b>FY 2025 Appropriation</b>
<b>GRF ALI 230908, Common Schools General Obligation Bond Debt Service</b>					
\$412,148,221	\$276,430,614	\$417,931,002	\$381,462,381	\$370,000,000	\$297,000,000
% change	-32.9%	51.2%	-8.7%	-3.0%	-19.7%

This line item is used to pay debt service on general obligation bonds issued to raise funds for the state share of school facilities projects. General obligation bonds are backed by the full faith and credit of the state and thus can be issued at lower interest rates than other types of bonds. Since FY 2000, only general obligation bonds have been issued for state-supported school facilities projects.

In June 2020, the state refinanced and restructured \$271.8 million worth of common schools general obligation bonds, along with general obligation debt for other types of projects, to a lower interest rate. The move significantly lowered GRF debt service costs on the bonds during FY 2021, freeing up cash for other purposes.

## **Budget provisions**

### **Capital appropriation changes**

The budget amends H.B. 687 and H.B. 597, the capital appropriation and reappropriation budget bills, respectively, of the 134<sup>th</sup> General Assembly, to do all of the following with respect to Fund 7030 capital line item C230FM, Cultural and Sports Facilities Projects:

- Redirects an earmark of \$800,000 for “Cincinnati Playhouse in the Park” from Fund 7035 ALI C725E2, Local Parks, Recreation, and Conservation Projects, in the Ohio Department of Natural Resource’s budget, to line item C230FM;
- Renames a \$250,000 earmark for “Youngstown Heritage Manor” as “Youngstown Area Jewish Federation”;
- Renames and repurposes a \$150,000 earmark for “Van Wert Area Performing Arts Annex Workshop” as “Van Wert Area Performing Arts”;
- Renames a \$100,000 earmark for “Wooster Amphitheater” as “Wurster Amphitheater”;
- and
- Renames a \$92,000 earmark for “Stone Academy” as “Muskingum County History.”

## **Levies for school facilities projects**

The budget extends, from 13 months to 16 months, the time during which the voters of a school district must approve bond and tax levies related to a school facilities project after OFCC grants conditional approval of the project.

## **Community School Classroom Facilities Loan Guarantee**

The budget eliminates the Community School Classroom Facilities Loan Guarantee Program under which OFCC could guarantee for up to 15 years up to 85% of the sum of a community school's loan used for the acquisition, improvement, or replacement of classroom facilities. According to OFCC, the program had been out of operation for a number of years and was replaced by the Community Schools Classroom Facilities Grants Program, which was created in H.B. 64 of the 131<sup>st</sup> General Assembly.

FY 2024 - FY 2025 Final Appropriations

All Fund Groups

Line Item Detail by Agency			Appropriations			FY 2023 to FY 2024	Appropriations	FY 2024 to FY 2025
			FY 2022	FY 2023	FY 2024	% Change	FY 2025	% Change
Report For: Main Operating Appropriations Bill			Version: As Enacted					
FCC Ohio Facilities Construction Commission								
GRF	230321	Operating Expenses	\$ 5,735,027	\$ 6,772,155	\$ 10,500,000	55.05%	\$ 10,750,000	2.38%
GRF	230401	Cultural Facilities Lease Rental Bond Payments	\$ 27,553,710	\$ 28,687,241	\$ 31,000,000	8.06%	\$ 31,000,000	0.00%
GRF	230458	State Construction Management Services	\$ 1,395,469	\$ 1,906,019	\$ 0	-100.00%	\$ 0	N/A
GRF	230908	Common Schools General Obligation Bond Debt Service	\$ 417,931,002	\$ 381,462,381	\$ 370,000,000	-3.00%	\$ 297,000,000	-19.73%
General Revenue Fund Total			\$ 452,615,208	\$ 418,827,796	\$ 411,500,000	-1.75%	\$ 338,750,000	-17.68%
5CV3	230650	ARPA School Security	\$ 0	\$ 199,881,900	\$ 0	-100.00%	\$ 0	N/A
5CV3	230652	Career-Technical Construction Program	\$ 0	\$ 0	\$ 200,000,000	N/A	\$ 0	-100.00%
Dedicated Purpose Fund Group Total			\$ 0	\$ 199,881,900	\$ 200,000,000	0.06%	\$ 0	-100.00%
1310	230639	State Construction Management Operations	\$ 5,578,876	\$ 6,239,909	\$ 8,129,013	30.27%	\$ 8,305,828	2.18%
Internal Service Activity Fund Group Total			\$ 5,578,876	\$ 6,239,909	\$ 8,129,013	30.27%	\$ 8,305,828	2.18%
Ohio Facilities Construction Commission Total			\$ 458,194,084	\$ 624,949,604	\$ 619,629,013	-0.85%	\$ 347,055,828	-43.99%