

# Greenbook

## LBO Analysis of Enacted Budget

### Ohio Facilities Construction Commission

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# 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: \$469.1 million for FY 2020 and \$478.4 million for FY 2021.
  - Sources of the budget: GRF (96.6%) and state construction management fees deposited into an Internal Service Activity (ISA) Fund (3.4%).
  - Uses of the budget: 94.7% for debt service on bonds issued to support school facilities and cultural and sports facilities, 5.2% for the Commission’s operations, and a very small percentage (0.1%) for subsidies for specific programs or projects.

| Fund Group                | FY 2018<br>Actual | FY 2019<br>Actual | FY 2020<br>Appropriation | FY 2021<br>Appropriation |
|---------------------------|-------------------|-------------------|--------------------------|--------------------------|
| General Revenue           | \$408,435,353     | \$441,200,100     | \$452,920,833            | \$462,079,134            |
| Internal Service Activity | \$13,399,528      | \$10,299,869      | \$16,152,778             | \$16,356,157             |
| Total                     | \$421,834,881     | \$451,499,969     | \$469,073,611            | \$478,435,291            |
| % change                  | --                | 7.0%              | 3.9%                     | 2.0%                     |
| <i>GRF % change</i>       | --                | 8.0%              | 2.7%                     | 2.0%                     |

## Overview

### Agency overview

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 2019, OFCC has a staff of 82 full-time employees and four part-time employees.

## **Appropriation summary**

As an agency focused on capital projects, most of OFCC's funding is appropriated through the capital budget. Of the biennial operating appropriation of \$947.5 million, \$896.9 million (94.7%) is for debt service on bonds issued to support school facilities and cultural and sports facilities, while \$49.5 million (5.2%) supports Commission operating expenses. A minor amount of OFCC's operating budget, \$1.1 million (0.1%), provides state subsidies earmarked for local programs or projects.

## **Operating budget initiatives**

### **Staff reclassification**

The budget appropriates the funding necessary for OFCC to implement a staff reclassification project to address pay parity issues among its staff. As OFCC competes for new project and planning staff with the competitive construction industry, new staff are hired at competitive market rates, which are often higher than pay rates for tenured staff. These pay parity issues have historically been a problem for OFCC staff. Recently, OFCC worked with the Department of Administrative Services' (DAS) Office of Talent Management on determining new classifications for 72 OFCC staff. The estimated additional cost for the reclassification project is approximately \$1.25 million over the biennium, \$486,000 and \$768,000 in FY 2020 and FY 2021, respectively.

### **Maintenance reviews**

OFCC's budget also supports the creation of a formalized maintenance review program. Since the beginning of the Classroom Facilities Assistance Program (CFAP) in 1997, OFCC has invested over \$12 billion into the construction and refurbishment of K-12 buildings. The first districts served under the program were at the lower end of the Ohio Department of Education's (ODE) equity rankings and generally have fewer available resources for required maintenance. These districts are nearing the 20-year window identified in statute, upon which further projects can be considered for approval. The new maintenance program will work with them to protect both the district's and the state's school facilities investments. OFCC will add one staff member to carry out this program. Combined with starting the program, additional costs over the FY 2020-FY 2021 biennium are approximately \$250,000.

## **Analysis of FY 2020-FY 2021 budget**

### **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 2016<br>Actual   | FY 2017<br>Actual | FY 2018<br>Actual | FY 2019<br>Actual | FY 2020<br>Appropriation | FY 2021<br>Appropriation |
|---|-------------------|-------------------|-------------------|--------------------------|--------------------------|
| <b>GRF ALI 230401, Cultural Facilities Lease Rental Bond Payments</b> |                   |                   |                   |                          |                          |
| \$28,666,664  | \$25,253,062      | \$30,705,247      | \$32,249,476      | \$33,102,800             | \$28,670,300             |
| % change  | -11.9%            | 21.6%             | 5.0%              | 2.6%                     | -13.4%                   |

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)

| FY 2016<br>Actual  | FY 2017<br>Actual | FY 2018<br>Actual | FY 2019<br>Actual | FY 2020<br>Appropriation | FY 2021<br>Appropriation |
|--|-------------------|-------------------|-------------------|--------------------------|--------------------------|
| <b>GRF ALI 230908, Common Schools General Obligation Bond Debt Service</b> |                   |                   |                   |                          |                          |
| \$372,319,871  | \$345,577,864     | \$369,935,688     | \$401,832,305     | \$410,259,800            | \$424,825,900            |
| % change   | -7.2%             | 7.0%              | 8.6%              | 2.1%                     | 3.6%                     |

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.

### Program and Project Support (ALI 230500)

| FY 2016<br>Actual                                  | FY 2017<br>Actual | FY 2018<br>Actual | FY 2019<br>Actual | FY 2020<br>Appropriation | FY 2021<br>Appropriation |
|--|-------------------|-------------------|-------------------|--------------------------|--------------------------|
| <b>GRF ALI 230500, Program and Project Support</b> |                   |                   |                   |                          |                          |
| \$0  | \$0               | \$0               | \$0               | \$1,122,050              | \$0                      |
| % change   | --                | --                | --                | --                       | -100.0%                  |

The funds in this line item are earmarked to the Manchester Local School District in Adams County to reduce the amount of debt owed on bonds issued or assumed by the district.

## Funding for operating expenses

The line items in this category are used to provide oversight of capital projects for K-12 schools, cultural facilities, 24 state agencies that perform construction, and 21 state-supported universities and community colleges. Total appropriations for operating expenses increase by 41.2% from a spending level of \$17.4 million in FY 2019 to \$24.6 million appropriated for FY 2020, then by 1.4% to \$24.9 million in FY 2021. As of July 2019, OFCC has several full-time staff vacancies. The budget supports a total of 104 full-time positions, whereas in July 2019, OFCC had 82 full-time employees.

### Operating Expenses (ALI 230321)

| FY 2016<br>Actual                         | FY 2017<br>Actual | FY 2018<br>Actual | FY 2019<br>Actual | FY 2020<br>Appropriation | FY 2021<br>Appropriation |
|---|-------------------|-------------------|-------------------|--------------------------|--------------------------|
| <b>GRF ALI 230321, Operating Expenses</b> |                   |                   |                   |                          |                          |
| \$6,185,210                               | \$6,272,849       | \$6,131,758       | \$5,743,126       | \$6,662,729              | \$6,660,461              |
| % change                                  | 1.4%              | -2.2%             | -6.3%             | 16.0%                    | 0.0%                     |

This line item provides funding for OFCC's administration and oversight of various school facilities assistance programs. Funding largely supports personal services, such as agency payroll, but also supports contracts, supplies and maintenance, and equipment.

### State Construction Management Services (ALI 230458)

| FY 2016<br>Actual   | FY 2017<br>Actual | FY 2018<br>Actual | FY 2019<br>Actual | FY 2020<br>Appropriation | FY 2021<br>Appropriation |
|---|-------------------|-------------------|-------------------|--------------------------|--------------------------|
| <b>GRF ALI 230458, State Construction Management Services</b> |                   |                   |                   |                          |                          |
| \$2,136,611   | \$1,960,406       | \$1,662,660       | \$1,375,194       | \$1,773,454              | \$1,922,473              |
| % change  | -8.2%             | -15.2%            | -17.3%            | 29.0%                    | 8.4%                     |

This line item funds OFCC staff who administer cultural facilities projects and oversee the enterprise-wide project management system known as the Ohio Administrative Knowledge System Capital Improvement (OAKS-CI) module.

### State Construction Management Operations (ALI 230639)

| FY 2016<br>Actual   | FY 2017<br>Actual | FY 2018<br>Actual | FY 2019<br>Actual | FY 2020<br>Appropriation | FY 2021<br>Appropriation |
|---|-------------------|-------------------|-------------------|--------------------------|--------------------------|
| <b>Fund 1310 ALI 230639, State Construction Management Operations</b> |                   |                   |                   |                          |                          |
| \$5,973,377   | \$9,227,532       | \$13,399,528      | \$10,299,869      | \$16,152,778             | \$16,356,157             |
| % change  | 54.5%             | 45.2%             | -23.1%            | 56.8%                    | 1.3%                     |

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 and the

average agency fee for these projects is 2%. The fees are deposited into Fund 1310, Architect Fees and Transcription Center. This line item supports OFCC staff who provide capital project management, contract management, and competitive selection services to state agencies, universities, and community colleges. This line item also supports 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.

These funds also support payment to prequalified design consultants that provide architectural and engineering services for state agency capital projects. These consultants provide technical expertise in the types and volume of work that are not possible with available staff, thus allowing state projects to proceed with minimal delays. The consultants are paid with these operating funds, which are reimbursed by the state agencies using the capital funds appropriated for the projects. A higher volume of projects funded in recent capital budget acts has increased demand for the consultants and, thus, OFCC's outlays from this line item. This line item also funds settlement of claims 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.

## **Budget provisions**

### **School facilities assistance capital appropriation increase**

The budget amends H.B. 529 of the 132<sup>nd</sup> General Assembly, the capital budget for the FY 2019-FY 2020 capital biennium, to increase debt-supported capital appropriation and corresponding bonding authority for the state's share of school facilities project costs by \$100 million, increasing total funding for the projects over the current capital biennium to \$700 million.

### **Other capital appropriation changes**

The budget also amends H.B. 529 to increase Fund 7030 capital appropriation item C230FM, Cultural and Sports Facilities Projects, by \$250,000 and to earmark these funds to support the Springboro Performing Arts Center. The budget makes a corresponding decrease by cancelling a \$250,000 encumbrance for Fund 7034 capital appropriation item C37728, Hopkins Commons Senior Center, under Sinclair Community College.

### **Modifications to school facilities assistance programs**

The budget makes some modifications to the operation of two of the school facilities assistance programs administered by OFCC: the Classroom Facilities Assistance Program (CFAP) and the Expedited Local Partnership Program (ELPP). A brief overview of these programs is provided followed by a description of the bill's changes. CFAP, OFCC's largest program, is a graduated, cost-sharing program that provides each traditional school district with partial funding to address all of its classroom facilities needs. Priority for state funding is based on a district's relative wealth, with poorer districts being served first and receiving a greater amount of state assistance than wealthier districts when it is their turn to be served. Each year, all districts are ranked into percentiles according to the three-year average adjusted tax valuations

per pupil. A school district may divide the district's entire classroom facilities project under CFAP into discrete segments. ELPP permits most school districts that have not been served under CFAP to apply the advance expenditure of district money on approved parts of their district-wide needs toward their shares of their CFAP projects when they become eligible for CFAP.

### **Classroom Facilities Assistance Program**

The budget specifies that OFCC must give first priority for CFAP projects to a traditional school district that intends to build a new school building on land originally owned by a state community college with the intention of collaboratively working with the college on workforce development programs and curriculum. OFCC may reduce that district's portion of the total cost of the project by up to 25 percentage points and up to an additional ten percentage points, provided the district's portion is at least 5% of the total project cost.

### **CFAP for Expedited Local Partnership Program districts**

Separately, the budget specifies that a traditional school district retains its percentile ranking that was determined at the time of its initial agreement under ELPP if the district meets all of the following conditions: (1) intends to build new classroom facilities on land originally owned by a state community college with the intention of collaborating with the college on workforce development programming and curriculum, (2) did not construct any classroom facilities during their prior participation in ELPP, and (3) reapplies for ELPP between January 1, 2019 and July 1, 2020.

Further, the budget specifies that OFCC must give first priority for funding for a CFAP project to districts that satisfy the conditions described above as such funds become available and that those districts' portions of the basic project cost of CFAP projects must be the same percentage of the basic project cost as under their initial agreements under ELPP.

### **Expedited Local Partnership Program**

The budget permits a school district that has already received CFAP assistance and divided its CFAP project into segments to participate in ELPP for a discrete portion of one or more of its future project segments. Current law prohibits a district from participating in ELPP if it is reasonably expected to receive CFAP assistance within two fiscal years.

### **School facilities project maintenance set-aside**

The budget permits locally generated maintenance funds required to be set aside for state-funded classroom facilities projects to also be used for "upgrades," if approved by OFCC. The budget makes corresponding adjustments to the tax levy ballot language used by most districts to generate the required funds. It appears that an existing maintenance levy may not be used for "upgrades" unless specifically approved by voters for that purpose.

### **School storm shelter moratorium**

The budget extends a moratorium on the building code requirement for the installation of storm shelters in public or private school buildings from September 15, 2019 to September 15, 2020. The moratorium covers public or private school buildings that are

undergoing or about to undergo construction, alteration, repairs, or maintenance for which financing has been secured. The budget also requires OFCC to conduct a study to evaluate and make recommendations on the appropriate requirements for storm shelters in school buildings and to submit a report of its findings to the General Assembly by December 31, 2019.



# FY 2020 - FY 2021 Final Appropriations

# All Fund Groups

| Line Item Detail by Agency                            |        |   | Appropriations             |                       |                       | FY 2019 to FY 2020 | Appropriations        | FY 2020 to FY 2021 |
|---|--------|---|----------------------------|-----------------------|-----------------------|--------------------|-----------------------|--------------------|
|   |        |   | FY 2018                    | FY 2019               | FY 2020               | % Change           | FY 2021               | % Change           |
| <b>Report For: Main Operating Appropriations Bill</b> |        |   | <b>Version: As Enacted</b> |                       |                       |                    |                       |                    |
| <b>FCC Ohio Facilities Construction Commission</b>    |        |   |                            |                       |                       |                    |                       |                    |
| GRF   | 230321 | Operating Expenses                                  | \$ 6,131,758               | \$ 5,743,126          | \$ 6,662,729          | 16.01%             | \$ 6,660,461          | -0.03%             |
| GRF   | 230401 | Cultural Facilities Lease Rental Bond Payments      | \$ 30,705,247              | \$ 32,249,476         | \$ 33,102,800         | 2.65%              | \$ 28,670,300         | -13.39%            |
| GRF   | 230458 | State Construction Management Services              | \$ 1,662,660               | \$ 1,375,194          | \$ 1,773,454          | 28.96%             | \$ 1,922,473          | 8.40%              |
| GRF   | 230500 | Program and Project Support                         | \$0                        | \$0                   | \$ 1,122,050          | N/A                | \$0                   | N/A                |
| GRF   | 230908 | Common Schools General Obligation Bond Debt Service | \$ 369,935,688             | \$ 401,832,305        | \$ 410,259,800        | 2.10%              | \$ 424,825,900        | 3.55%              |
| <b>General Revenue Fund Total</b>                     |        |   | <b>\$ 408,435,353</b>      | <b>\$ 441,200,100</b> | <b>\$ 452,920,833</b> | <b>2.66%</b>       | <b>\$ 462,079,134</b> | <b>2.02%</b>       |
| 1310  | 230639 | State Construction Management Operations            | \$ 13,399,528              | \$ 10,299,869         | \$ 16,152,778         | 56.83%             | \$ 16,356,157         | 1.26%              |
| <b>Internal Service Activity Fund Group Total</b>     |        |   | <b>\$ 13,399,528</b>       | <b>\$ 10,299,869</b>  | <b>\$ 16,152,778</b>  | <b>56.83%</b>      | <b>\$ 16,356,157</b>  | <b>1.26%</b>       |
| <b>Ohio Facilities Construction Commission Total</b>  |        |   | <b>\$ 421,834,881</b>      | <b>\$ 451,499,969</b> | <b>\$ 469,073,611</b> | <b>3.89%</b>       | <b>\$ 478,435,291</b> | <b>2.00%</b>       |