



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 310 of the 131st G.A.

Date: May 3, 2016

Status: As Reported by House Finance

Sponsor: Sen. Oelslager

Local Impact Statement Procedure Required: No

Contents: Makes capital appropriations for the FY 2017-FY 2018 biennium and other changes

State and Local Fiscal Analysis

Capital appropriations

The bill makes capital appropriations totaling \$2.62 billion for the FY 2017-FY 2018 biennium. LSC's *Capital Item Analysis*¹ provides summary reports and detailed information on capital appropriations.

Classroom Facilities Assistance Program segmenting

Under current law, certain districts may divide their classroom facilities needs into discreet segments, which allows them to raise the local share of each segment separately, instead of having to raise the larger local share of the entire master facility plan, and still obtain state funding under the Classroom Facilities Assistance Program (CFAP). Current law requires that each segment: (1) consists of new construction or complete renovation of one or more entire buildings, (2) completes the needs of the district with respect to all buildings included in it, and (3) requires a local share of at least 2% of the district's tax valuation. The bill eliminates the third requirement for the size of the local share and also permits as part of the first requirement a segment to consist of a stand-alone segment of a building that serves grades kindergarten through 12. These changes may make more districts eligible to segment their projects, which may lead to more districts being able to receive state funding under CFAP.

FCC energy efficiency and conservation programs

The bill eliminates or modifies a number of requirements associated with Ohio Facilities Construction Commission (FCC) energy efficiency and conservation programs, the direct effect of which is a possible decrease in state agency administrative costs. These provisions eliminate the requirement that various state entities obtain an energy consumption analysis in order to lease a state-funded facility, increase, from

¹ LSC's complete fiscal analysis of the capital appropriations bill may be accessed at: www.lsc.ohio.gov/fiscal/capitalbudget131.

5,000 to 20,000, the minimum square footage of a building for which state entities must disclose to FCC a life-cycle cost analysis before proceeding with a construction project, and authorize the FCC to either waive the life-cycle cost analysis requirement for buildings greater than 20,000 square feet or require a life-cycle cost analysis for buildings with square footage of less than 20,000.

Local donated contributions for school facilities projects

The bill clarifies that any cash resulting from a school district's lease-purchase agreement may be applied as a "local donated contribution" toward the district's portion of a state-assisted classroom facilities construction project, as long as the agreement and related financing documents contain provisions protecting the state's superior interest in the project. This change is made pursuant to an FCC recommendation contained in a study mandated by Section 285.80 of H.B. 64 of the 131st General Assembly.

According to the FCC study, under a lease-purchase agreement, the lessor provides initial cash to the district (lessee) for a facilities project in exchange for installment payments consisting of both principal and interest under annual lease terms renewable for no more than 30 years. At the end of the agreed upon series of lease terms, the facility becomes the property of the district. Lease-purchase agreements are exempt from voter approval and not subject to certain debt limits. Continuing law requires any moneys provided as local donated contributions to be approved by FCC in consultation with the Ohio Department of Education. Explicitly permitting districts to apply cash from lease-purchase agreements as a local donated contribution may reduce the need for a school district with cash from such an agreement to borrow or levy taxes to meet school facilities project construction and maintenance obligations.

Public Works Commission

The bill modifies the grant award process under two Public Works Commission (PWC) programs – the State Capital Improvement Program (SCIP) and the Clean Ohio Green Space Program.

Set-asides for the Small Government and Emergency programs under SCIP

The bill modifies the two set-asides in place under SCIP. In current law, there are two portions set aside from the annual SCIP allocation: (1) \$15 million for "small government" (i.e., villages and townships with populations of less than 5,000) projects, and (2) \$3 million for emergency projects that directly arise out of catastrophic situations to local governments. The bill alters the set-aside allocations on a percentage basis instead of the dollar amount currently specified in law. Specifically, the bill states that 10% of the annual bond proceeds are for the small government set-aside, and 2% are for the emergency set-aside. This could mean more money available for these set-asides, since beginning in FY 2017, the state may issue up to \$175 million in bonds to support SCIP. This is an increase from the \$150 million per year that has been allowed between FY 2012 to FY 2016. As a consequence of the change under the bill and

assuming that the maximum of \$175 million in bonds are issued, the set-asides would amount to \$17.5 million per year for small governments and \$3.5 million per year for emergency projects from FY 2017 through FY 2021. Looking further down the road, starting in FY 2022 and running through FY 2026, the state may issue up to \$200 million per year for SCIP; thus, based on the percentage allocation for each program under the bill, potentially there would also be more money set aside for the Small Government and Emergency programs in those years.

Grants under the Clean Ohio Green Space Initiative

The bill alters the types of grants that may be awarded under PWC's Clean Ohio Green Space Initiative, a component of the state's Clean Ohio Conservation Program. In current law, the grants may be used to acquire green space and provide related development of the land. The bill slightly modifies the language so that grants can be provided to acquire *or* develop the green space. Under current law, grant funding for development of the green space must be a portion of the larger grant for the acquisition of the green space.

District detention facility financial assistance

The bill amends current law: (1) to eliminate the restriction that the financial assistance provided by the Department of Youth Services for county district detention facility acquisition or construction cannot be used to pay architects' fees, (2) to increase the maximum amount of financial assistance that may be granted from 50% to 60% of a county's share of the cost of constructing or acquiring a detention facility, and (3) to eliminate the \$6,500 per bed unit financial assistance cap for district detention facilities. The state share for this purpose is typically appropriated from the Juvenile Correctional Building Fund (Fund 7028) to capital line item C47007, Local Juvenile Detention Centers.

These changes may result in an increase in the total amount paid by the state in matching funds for capital improvements projects at district detention facilities. If the state share increases, there presumably would be a corresponding decrease in the county share. The magnitude of any increase in the state share and related decrease in the county share is uncertain and would likely vary from project to project.

S.B. 260 reappropriations changes

FCC capital reappropriations changes

The bill amends S.B. 260 of the 131st General Assembly, the capital reappropriations bill for the FY 2017-FY 2018 biennium, to eliminate Fund 7030 appropriation items C23040, Broad Street Historical Renovation, for \$300,000, and C23070, Mohawk Veterans' Memorial, for \$15,000. Instead, the bill reappropriates the unencumbered and unallotted balances on June 30, 2016, of those items to Fund 7030 appropriation items C230X7, Elyria Pioneer Arts Plaza, and C230X8, Riverside Veterans Memorial, respectively.

DNR capital reappropriations earmark additions

The bill also amends S.B. 260 to include the following earmarks under Parks and Recreation Improvement Fund (Fund 7035) capital appropriation item C725E2 Local Parks Projects: \$500,000 for the New Economy Neighborhood – Phase II; \$400,000 for the City of Sylvania River Trail; \$165,000 for the Fredricktown Bike Path; \$100,000 for PASA Field Lighting; \$35,000 for the ASK Playground; and \$30,000 for the Round Town Bike Trail.

Enterprise Data Center Solutions project

The bill authorizes the Department of Administrative Services (DAS) to acquire and implement an Enterprise Data Center Solutions (EDCS) project and limits any lease-purchase agreement to finance the EDCS to \$30.0 million. The EDCS project will expand and improve the state's cloud computing environment and will support upgrades to enterprise shared solutions.

Ohio Administrative Knowledge System project

The bill authorizes DAS to acquire and implement the Ohio Administrative Knowledge System (OAKS) project, including the purchase and installation of computer hardware and software, and limits any lease-purchase agreement to finance OAKS to \$22.0 million. OAKS is the primary budgeting and finance management information system used by the state.

State Taxation, Accounting, and Revenue System

The bill authorizes DAS, in conjunction with the Department of Taxation, to acquire and implement the State Taxation, Accounting, and Revenue System (STARS) and limits any lease-purchase agreement to finance STARS to \$10.0 million. STARS is an integrated tax collection and audit system that replaces all of the state's existing separate tax software and administration systems for the various taxes collected by the state.

Bureau of Criminal Investigation Records System

The bill permits the Ohio Attorney General to acquire and implement the Bureau of Criminal Investigation Records System (BCIRS), which will be designed to replace both the existing Computerized Criminal History (CCH) system and the Automated Fingerprint Identification System (AFIS). The Attorney General may utilize a lease-purchase financing agreement with an initial aggregate principal of not more than \$25.0 million. At the end of the lease period the financed assets become the property of the state.