

Testimony on Fiscal Years 16/17 Biennial Budget Priorities
David Chovan, Interim Executive Director
Before House Finance Subcommittee on Primary and Secondary Education
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Chairman Cupp, Ranking Member Phillips, and members of the finance subcommittee, thank you for the opportunity to speak with you this evening about the Ohio Facilities Construction Commission (OFCC) and our budget priorities and requests for fiscal years '16 and '17. I am David Chovan, Interim Executive Director for the Commission.

The OFCC was created by the consolidation of the former State Architect's Office, the School Facilities Commission, and the former Cultural Facilities Commission to bring consistency to the construction administration of public facilities for state agencies, state-supported institutions of higher education, public K-12 schools, and state-supported cultural facilities projects. The OFCC sets uniform rules, procedures, and documents for public building construction throughout the state. The School Facilities Commission continues to exist within the consolidated Commission to focus on the funding and oversight of K-12 construction projects.

We have worked to streamline our operations to run more effectively and efficiently. The \$20.5 million in operations over the previous biennium provided needed services to oversee \$2.4 billion in construction approved in the current capital bill. Over the last biennium, Commission staff opened 111 new or renovated K-12 buildings, completed 59 higher education and state agency projects, awarded school security grants to more than 2,700 school buildings, merged the former Cultural Facilities Commission into the OFCC, and partnered with state agencies and school districts to create master facilities plans that more wisely spend capital dollars. This reflects our first priority as a Commission - to effectively manage the state's capital dollars entrusted to the Commission to build quality facilities that meet the needs of the owners so they can focus more clearly on their core missions.

The budget request before you represents the first biennium budget as a fully consolidated Commission. The majority of our funding request will pay for the debt service on K-12 and cultural facility projects. We continue to take advantage of operational efficiencies that the combining of the previous entities have afforded us. Our operational request decreases from \$20.5 million to \$18.5 million over the biennium. The budget request also shifts funding of our K-12 and cultural facilities operations from capital bond interest and principal to general revenue funds, which will allow us to fully utilize bond funds for capital projects.

In addition to facilities planning and construction, the Commission also oversees two grant programs for school security and for cultural facilities. The school security grant program reimburses both public and private schools for the purchase of a secure entrance system and a direct first-responder communications system. To date, we have approved grant applications to more than 2,700 school buildings and reimbursed over \$7 million for completed work. Through the cultural facilities grant program, we have approved 23 cultural projects worth approximately \$8 million in state funds so far this fiscal year. Both programs have strengthened our expertise in awarding grant funds to public and private entities while putting the necessary safeguards in place to protect taxpayer investments.

The school security grant program also gave us an opportunity to establish working relationships with all of Ohio's schools, public and private, and this budget seeks to continue some of those relationships. We look forward to being a part of Governor Kasich's vision for higher quality community schools. This proposed budget includes dedicated

facilities funding for quality community schools through community school classroom facilities grants. The grants would be made to eligible community schools that are sponsored by exemplary-rated sponsors and meet other criteria. The Commission would work in partnership with the Superintendent of Public Instruction to establish guidelines for the administration and distribution of the \$25 million in grant funds. The funds would be disbursed from a capital cash fund, and not directly compete with the traditional bond funds used for other OSFC projects.

In working with our traditional school district partners, some of these districts would like to use a lease-purchase financing method for their local share of a co-funded project. This method allows a district to obtain capital improvement dollars without voter approval, and without counting towards a district's debt limitation. Currently, school districts can use this method to finance their own facility projects; however, there is a lack of clear authority in the Revised Code for a school district to use lease-purchase financing as its local share, and conflicting ownership issues need to be addressed. The budget calls for a temporary halt on the use of these financing methods for local shares of OSFC projects for a nine month period while the OFCC, in consultation with OBM, conducts a study to evaluate the risks and benefits of using this financing method.

Lastly, while we are mindful of the needs of the public owners we work for, we are just as mindful of the construction industry partners we work with, and how our processes and decisions affect both groups. The introduction of alternative delivery methods for public owner use is the most significant change to public sector construction in 134 years. And the change has been well received by public owners – one of the three new delivery methods has been chosen for use on 75 percent of new projects.

We've sought out industry and owner feedback to become more business friendly. We have quarterly meetings with industry groups, hold annual conferences across Ohio, and host educational webinars throughout the year. And we've listened to the feedback we receive. We continue to refine the standardized documents and contracts that support the new delivery methods. Our construction management software is being upgraded to improve functionality and allow for use on multiple browsers and mobile devices. We use software that allows us to securely receive bids, which reduces paper and travel costs, and are asking for the authority to accept surety bonds electronically, which eliminates the need for companies to submit hard copies of the bond after their electronic bid is accepted.

During the current biennium, the Commission has awarded nearly 450 design and construction contracts totaling hundreds of millions of dollars to Ohio-based companies. These funds help support local jobs for designers, contractors and material suppliers. The facilities built with these funds allow teachers in K-12 and higher education to focus on providing the best educational opportunities and allow our state agencies to focus on their core missions of providing services to the citizens of Ohio. The operational budget and programmatic requests outlined here will continue OFCC's and Governor Kasich's commitment to a stronger Ohio, and we look forward to working with the members of the General Assembly on these proposals. I'm happy to answer any questions that you may have.