

Senate Finance Subcommittee on Primary and Secondary Education
Ohio Facilities Construction Commission Testimony
Jeffrey Westhoven, Chief of Program Services
Thursday, May 2, 2019

Chairman Terhar and members of the Committee, my name is Jeff Westhoven, Chief of Program Services, and on behalf of Executive Director David Williamson, I thank you for the opportunity to testify today and submit the Ohio Facilities Construction Commission (OFCC) budget request for the FY20-21 biennium. Through the OFCC, the state's construction authority and resources are aligned within a single entity that guides capital projects for state agencies, state-supported universities and community colleges, Ohio's public K-12 schools, and other state-funded cultural projects.

The OFCC budget request provides the financial resources to support these consolidated functions in a cost effective and efficient manner. OFCC's request amounts to nearly \$468 million for fiscal year 2020 and over \$478 million in fiscal year 2021, with the approximately 95% of appropriations funding projected debt service for the K-12 school building and community construction grant programs that receive appropriations through the capital budget process.

The non-debt portion of the request is \$24.6 million for FY20 and \$24.9 million for FY21. While it is a small increase from our agency's current appropriation levels, it represents a figure that is less than 5.2% of the total operating funding overseen by the OFCC. Please note that the source of funding for these operating expenses is 66% from project fees for state agency and university projects, and 34% from the General Revenue Fund.

CURRENT SITUATION

OFCC's mission is to lead collaboration with our partners in the planning, design, and construction of public facilities through quality service, expertise, and knowledge sharing. OFCC has specific goals for building quality facilities that are well-planned, on time, on budget, innovative, resourceful, and help promote excellence.

OFCC is currently managing 251 active K-12, state agency and higher education projects with combined budgets of \$2.2 billion and is in the planning stages for more than 100 additional capital projects. The General Assembly renewed its commitment to building better Ohio schools and improving state agency and higher education facilities with appropriations of \$2.6 billion over FY19-20, including \$600 million for school facility projects. Senate Bill 4, currently being considered by the General Assembly, would add \$100 million to the K-12 appropriation.

A major reason for creating the Ohio Facilities Construction Commission was to implement legislated construction reforms, bringing consistency and efficiency to public construction. Construction reform is working. Since the legislation was enacted, 402% more projects are finishing on time, and 87% more are finishing on budget. Customers are now choosing new construction methods – those not available before construction reform - 93% of the time.

The Commission has continued the momentum of construction reform by listening to feedback from owners and industry partners on new methods and lessons learned. OFCC has established a process to regularly review and modify documents and processes based upon this input. Our goal is to be consistent yet flexible, comprehensive but simple, and accountable but efficient.

At its core, OFCC is a shared service – providing efficient, quality services to our governmental customers that are responsive to their needs. OFCC grants local authority to state agencies for smaller projects but leverages its expertise to deliver successful larger projects. This is an effective business model which reduces costs and eliminates duplication of services.

Since the creation in 1997 of the OFCC's predecessor organization, the Ohio School Facilities Commission, the OFCC has worked with local school districts to open 1,212 new or renovated buildings and has completed 285 district-wide projects. As we build and renovate schools, we are continuing to provide planning concepts that may be implemented by school districts to ensure that the instructional mission, vision, goals, and objectives of the district will be met today and into the future. We want to ensure that districts have the appropriate tools to adapt to changes in educational delivery.

The result of this work has been gratifying to see. These buildings are a carefully considered investment by Ohio citizens, intended to improve our lives in some way. It is our responsibility to use that investment wisely by constructing quality buildings in a consistent, fair, efficient, and transparent manner.

CHALLENGES FOR THE 2020-2021 BIENNIUM

OFCC construction means jobs in Ohio. OFCC projects employ architects, engineers, contractors, material suppliers, and many other businesses, all of which turn the wheels in Ohio's economic engine. Today we are fortunate to benefit from an improving business climate which has led to a situation where OFCC has witnessed a continuing increase in demand for construction projects in all three of our stakeholder categories: K-12 public education, state supported colleges and universities, and state agencies. From FY13 to FY18, there has been a 131% increase in the value of state agency projects managed by OFCC.

To manage the increasing caseload, OFCC must be able to attract and retain qualified, trained staff in this current competitive job market. This means paying a competitive salary and investing in staff development in order to remain abreast of the demand and need for facility planning, construction, project management and oversight. This budget includes over \$12 million in personnel costs each fiscal year to remain competitive in the job market for qualified staff.

State agencies are experiencing the same challenges with resources for managing local projects. OFCC is taking a step forward to play a more proactive role with agencies on local administration projects. The budget includes one position to assist in that effort. Rather than providing more staff to the various agencies, a single position within OFCC would be able to bring added expertise and assist agencies in a more efficient manner. This would also support the legislative initiative to have agencies spend all of their capital funds within that biennium.

The increasing number of completed projects requires more resources directed toward post-construction activities. With over \$12 billion in state funds invested in 1,212 schools completed in the past 20 years, the state has an interest in continuing stewardship of assets funded with state dollars. On average, OFCC opens a new school every 6.4 days, meaning that each week, a new building enters the post-construction stage. OFCC holds designers and contractors accountable for defective or omitted work, and often facilitates and manages remediation projects and cost recovery/litigation. Since not all post-construction issues are contractor-related, local agencies or school districts must also do their part to properly maintain state-funded assets. The growing challenge of investigating and managing post-construction activities is another issue addressed in this budget request.

SETTING PRIORITIES

As stated previously, OFCC is an agency whose operating budget is only a small fraction of the capital funding it oversees. These operating funds support management and accountability services for the hundreds of building projects in various project stages at any given time. Supporting the field operations are staff in finance, information technology, communications, legal, and human resources. Due to the continued growth of state agency and K-12 projects, maintaining staff levels with able employees is our highest priority. Just as important is ensuring their continued personal and professional development of that staff, so they remain current in a complex environment.

After personnel, funding for technology support is our next highest budget priority. Although facilities are being built throughout the state, OFCC maintains one central office in Columbus, and has closed its regional office in northeast Ohio as an efficiency measure. Our investments in mobile information technology have allowed our project staff to work remotely and manage many projects concurrently. Our information technology staff

develops software and data systems which track project budgets, contracts, and various other project components. Maintaining, upgrading, consolidating, and monitoring these systems is a critical part of OFCC's success.

OPERATIONAL CHANGES

The final area I wish to mention is that of operational changes and its benefits. As we have worked to fully integrate the resources of the three former organizations into OFCC, we have reduced the number of funded positions by 17 percent resulting in an estimated \$2 million in annual operational savings. During the past biennium, the Ohio School Facilities Commission (OSFC) was abolished, eliminating administrative costs for a separate commission along with meetings and associated overhead costs. We have also eliminated our northern Ohio satellite office, consolidating office space and reducing lease costs. Three (3) new grant programs have been added to OFCC in the past two budget bills: school security, community school facilities, and lead plumbing fixture replacement. OFCC has had to reallocate staff to these programs with no additional resources.

In order to share information and best practices, OFCC created the Agency Construction Officers (ACO) group, which for the first time brings together state agency construction professionals on a regular basis. It is expected that this organization will increase operational efficiencies and reduce costs across multiple agencies.

Alternative service delivery has been the foundation of OFCC. Almost all projects are managed under alternative construction methods not available prior to construction reform. With the increased speed of decision-making with the new delivery methods, OFCC has kept pace with its mobile technology, OAKS-CI, scheduling software, and staff training.

OFCC takes advantage of all shared and consolidated services when possible, including DAS Procurement contracts and the DAS fleet leasing program. OFCC has been on the forefront of the state's IT transformation initiative. All of our agency's servers are housed and managed by the DAS Office of Information Technology and we are adopting enterprise IT solutions as practicable.

CONCLUSION

In conclusion, the funding requested for the biennium will allow OFCC to continue supporting the construction of well-built, high performing facilities across Ohio. We are excited about upcoming project opportunities and we look forward to building on our strengths and meeting the challenges ahead. I would be happy to address any questions.