



Ted Strickland, Governor

Michael Shoemaker, Executive Director

Commission Members:

J. Pari Sabety, Office of Budget & Management
Susan Tave Zelman, Ohio Department of Education
Hugh Quill, Department of Administrative Services

Senator Larry Mumper
Senator Tom Roberts
Representative Clyde Evans
Representative Matthew A. Szollosi

TO: OSFC District Treasurers

FROM: Lois M. Snyder, Deputy Chief of Finance

SUBJECT: Am. Sub. H. B. 119 Program Changes and Implementation

DATE: July 30, 2007

As many of you are aware, Am. Sub. H. B. 119 when signed by Governor Strickland contained a revision to Section 3318.12 of the Ohio Revised Code as it relates to project construction funds, investments earnings and their use. The effective date of this provision was June 30, 2007. For your convenience, a copy of this section is attached.

Specifically, the change allows a district to transfer interest earned on the local share of the project funds at project completion to the district's permanent improvement fund, or keep in the project construction fund for a future project, instead of transferring the interest to the district's maintenance fund. Additionally, the change allows districts to use local interest earnings for "classroom facilities related to the district's project," with the caveat that the district must restore those funds in the case of a budget overrun.

While this change does provide flexibility to a school district, it also creates some management issues. The status of your District's project will determine how your District implements this change, if at all. The project agreement between your District and the Ohio School Facilities Commission (OSFC) authorizes transfers out of the project construction fund only with the approval of OSFC.

OSFC interprets the law as being applicable to any District with an OSFC project, except those with executed project amendments for budget increases. Those Districts are excluded because the local interest has been applied to the budget overrun.

Districts are not required to implement this change. However, if after reading the law and discussing it with your Board of Education and Bond Counsel, it is determined that the District would like to transfer the interest attributable to the local share project fund, you would need to do the following:

A. A District currently in construction:

1. The Board of Education will pass a resolution authorizing the Treasurer to transfer a portion or all of the local interest from the local share project fund 010.
2. The Treasurer will file the resolution with OSFC Finance Department, along with appropriate revenue reports (e.g. REVLED) to support the amount of transfer.
3. OSFC will confirm the resolution and notify the Treasurer, Construction Manager and OSFC Project Administrator.



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4. The Treasurer will create two new accounts: Transfer-Out appropriation account within the local share fund 010 (010-7200-911-SCC#) and a Transfer-In receipt account within the building fund 004 (004-5100-SCC#).
5. The Treasurer will transfer the money and provide OSFC with documentation of the transactions, (e.g., FINDET or other financial report for each fund involved).
6. The Construction Manager will record the amount transferred in the "Comment" section of the drawdown report. The interest will remain included in the "Local Interest" column for tracking purposes.
7. If local interest is to be used for a new LFI/MOU, an alternative source of funding should be identified also. The reason for this is that if a project amendment becomes necessary at a later date, the District is required to restore the full amount of the interest transferred. A transfer of local interest for the purpose of an LFI/MOU that is a result of being over budget will not be approved, as the interest may be needed for a future amendment.
8. If a District has taken the steps above and a project budget increase is necessary, the District will transfer back into fund 010 the full amount previously transferred out. Failure to restore the full amount will impact the construction project as the OSFC will be prohibited from releasing additional state moneys. This transfer would be in addition to the local share of the budget increase. The OSFC's hardship loan program will not be available for repayment of interest earnings.

B. A District at the beginning of a project:

In addition to steps 1-8 above:

1. If local interest is to be used for an LFI/MOU, the District should attach an estimate of interest to be earned, timetable for earnings and alternative source of funding.
2. The Construction Manager will record the actual interest transfers as they occur, if phased.

C. A District in close-out phase, and interest attributable to the local share remains:

1. The Board of Education will pass a resolution authorizing the Treasurer to dispose of the local interest as permitted by law, but not as stated in the executed project agreement.
2. The Treasurer will file a copy of the Board resolution with OSFC and the Construction Manager for inclusion with the close-out documents.

While the process may seem cumbersome, it is important to provide a solid audit trail for your financial auditors. Please feel free to contact me at 614.995.4552 or lois.snyder@osfc.state.oh.us if you have questions regarding the implementation of this revision.