



### Introduction

State capital appropriations are funded primarily through the issuance of State bonds. State bonds must be authorized by Ohio voters via a Constitutional amendment and the interest on State bonds is generally exempt from federal and state income taxes (i.e., tax-exempt bonds). Thus, capital projects funded by State bonds must (1) fall within the authorized purposes for State bonded debt set forth in Article VIII of the Ohio Constitution and (2) meet federal tax law requirements for tax exempt bonds. These Allowable Capital Expenditure Guidelines are intended to assist State agencies in developing and implementing their capital plans and projects within these requirements.

Ohio Constitution -- Article VIII of the Ohio Constitution prohibits the State from incurring or assuming debt without a popular vote. To be eligible for bond funding in the State capital budget, a project must fall within the capital purposes authorized by the voters as set forth in the Ohio Constitution. Those purposes authorized in the Ohio Constitution include: highways; local government infrastructure; parks and recreation; natural resources and conservation; higher education facilities; elementary and secondary public school facilities; facilities to house branches and agencies of State government and their functions, including State office buildings and facilities; correction and juvenile detention facilities, mental health and development disabilities facilities; cultural, historical and sports facilities; and research and development (including coal research and development) and site development. Only projects that are within these purposes may be funded by State bonds.

State Laws and Federal Tax Laws -- As further discussed in this guidance, the Ohio Revised Code and federal tax law also contain provisions that govern the allowable uses of bond proceeds for capital projects, including the types of projects and expenditures, and the extent to which non-governmental entities (both private for-profit and not-for-profit) can benefit from the project. State agencies should carefully review these allowable capital expenditure guidelines and work with OBM to ensure their projects are allowable under State and federal laws.

Not all appropriations for capital projects/purposes are provided for via the capital bill. For instance, debt-supported appropriations for highway purposes are authorized in the biennial transportation budget. In addition, appropriations for some purposes are made only in the aggregate and thus do not specify individual projects. For example, capital funding to support local government infrastructure is appropriated to the Public Works Commission where the Ohio Revised Code governs the project selection process.

### Overview

The Ohio Revised Code and each bill containing new capital appropriations or reappropriations (the most recent being H.B 529 of the 132th General Assembly) set forth the allowable uses of capital funds. Capital appropriations for buildings or structures, including remodeling and renovations, are limited to:

- Acquisition of real property or interests in real property (i.e., the purchase of land or easements).
- Buildings and structures, which includes construction, demolition, complete heating and cooling, lighting and lighting fixtures, as well as all necessary utilities, ventilating, plumbing, sprinkling, and water/sewer systems.

- Architectural, engineering, and professional services expenses directly related to the project (including feasibility studies).
- Machinery necessary to the operation or function of the building or structure at the time that it is acquired or constructed or placed into service.

In situations in which the State does not own the property on which the capital facility or improvement will be located, there are requirements that a higher education institution (with respect to Department of Higher Education capital projects) or a governmental agency (with respect to Mental Health and to Developmental Disabilities capital projects) own the property. This ownership requirement may be waived if:

- (1) The higher education institution or governmental agency has a long-term lease, or other interest (such as an easement) in the property; or
- (2) The Department of Higher Education on behalf of a higher education institution certifies to the Controlling Board that undue delay will occur if planning does not proceed while the property or property interest acquisition process continues. In this case, capital funds may be released upon approval by the Controlling Board to pay for planning through the development of schematic drawings only; or
- (3) If the capital facilities will be owned by, or be part of facilities owned by, a separate nonprofit organization or public body and made available to a higher education institution or governmental agency for its use or benefit, the nonprofit organization either owns or has a long-term lease of the real property or other capital facility to be improved, renovated, constructed or acquired, and has entered into an agreement with the state agency or higher education institution that meets applicable statutory requirements.

Joint Use Agreements -- The Department of Higher Education has adopted rules (see OAC 3333-1-03(E)) regarding the release of moneys for capital projects not owned by the State or a higher education institution and the joint use of such projects. The joint use agreement, among other matters, must:

- Provide that the use of the funds and the process to be followed for expenditure of the funds is consistent with the capital appropriation language, the limitations on the use of capital appropriations as set forth in the capital bill, and any applicable state law and federal tax law limitations;
- Specify the extent and nature of the higher education institution's use or benefit of the project or improvement over a term of at least 20 years, with the value of that use or benefit to be reasonably related to the amount of the State capital appropriation.
- Provide for pro rata reimbursement to the State should the arrangement for joint use be terminated prior to the expiration of the 20-year term.
- Provide for payment or reimbursement to the higher education institution (not to exceed 1.5% of the appropriation) of its administrative costs incurred as a direct result of the project. The institution should document those reimbursed amounts by component.

Grant/Cooperative Use Agreements – Other State agencies that administer capital appropriations for projects owned or managed by governmental agencies or not-for profit entities must enter into an agreement with the entity receiving the State capital funding prior to release of those funds. Those agreements, among other matters, must:

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- Provide that the use of the funds and the process to be followed for expenditure of the funds is consistent with the capital appropriation language, the limitations on the use of capital appropriations as set forth in the capital bill, and any applicable state law and federal tax law limitations;
  - Specify the extent and nature of the State agency's use or benefit, or right to use, or interest in the project or improvement over a period of 10 years or the term of the underlying State bonds, whichever is longer.
  - Provide for pro rata reimbursement to the State should the arrangement for the State agency's use, right to use, or interest in the project be terminated prior to expiration of the term of the agreement.

### **Allowable Equipment and Furnishings**

To be financed with capital funds, expenditures for equipment or furnishings that are part of a broader capital project or facility must meet all of the following criteria:

- Essential in bringing the facility up to its intended use or is necessary for the facility to function. The equipment or furnishing must be an integral part of or directly related to the basic purpose or function of the facility.
- Have a unit cost of about \$100 or more.
- Have a useful life of at least five years.
- Used primarily in the rooms or areas covered by the financed project.

Allowable equipment and furnishings would include computers and computer peripherals, workstations, lab and research equipment, desks, chairs, tables, bookshelves, file cabinets, carpeting/flooring, blinds, and curtains, provided that they satisfy all of the above criteria. An appropriation item specifically for equipment is allowable provided the equipment meets the above unit cost and useful life provisions.

### **Non-Allowable Equipment and Furnishings**

- Not integral to the broader project or the facility's intended use.
- Motor vehicles used for basic transportation (e.g., cars, trucks, boats, off-road vehicles).
- General supplies and low-cost equipment (unit cost of less than \$100).

In most cases, equipment or furnishings being purchased as part of a regular maintenance, upgrade or replacement effort is not appropriate for capital funding. Consumable supplies and low-cost equipment such as fuel, oil, adding machines, calculators, trash cans, common tools, paper stock, staplers, tape dispensers, etc. are not eligible uses of capital funds.

### **Maintenance/Repairs versus Renovations**

- Maintenance and repairs, including maintenance contracts, are not eligible to be paid from capital funds and, thus, must be covered by operating funds.
- Maintenance includes a recurring activity necessary to maintain the operation, functionality, appearance, or safety of a piece of equipment, building or structure. Repairs are maintenance projects that fix a problem but do not extend the useful life of an asset.
- Maintenance and repairs generally include any project with the objective of returning or restoring an item back to its original intended use or state.

- Examples of maintenance and repairs include: fixing a part or component of the heating or cooling system, fixing a leaky pipe, patching a wall, repainting, sealing windows or floors, mold remediation, replacing sections of flooring or ceiling tiles, glass replacement, resetting exterior walkways, replacing roofing shingles to fix a leak, and brick mortar repair/patching (tuckpointing).
- Renovations are more extensive enhancements, upgrades, or replacements of buildings or structures or systems and are an appropriate use of capital funds. Examples include replacing an essential component of the heating or cooling system such that the useful life of the system is extended, renovations of classrooms or other space into computer or research laboratories, upgrading electrical equipment or plumbing system components, replacing a roof, replacing exterior windows, new carpet, painting as part of new construction or a renovation, upgrading a building's security or automation system, replacing stairs or walkways to meet ADA standards, and total brick mortar replacement (repointing).

**Leases, Lease-Purchase, and Installment Purchases**

- Leases, including leases with an option to purchase, of vehicles or equipment are not allowable capital expenditures.
- Installment purchases while not strictly prohibited are generally not approved as allowable capital expenditures.

**INFORMATION TECHNOLOGY (IT) SYSTEM PROJECTS**

Capital funds may be used to support the application development, deployment, and integration (including project management) of information technology systems that constitute or are a part of a larger capital projects. Capital funds may not be used to support the ongoing operation and maintenance of such projects.

**ALLOWABLE**

Allowable capital IT project expenditures include systems developed for internal use that have a useful life of five or more years. Allowable costs generally include the design, configuration, and deployment, customized software and its licensing, interfaces, data conversion, and various hardware and peripherals. State agencies and higher education institutions should consider an IT project as a potential capital expenditure only when the cost of application development is at least \$1 million. For new and replacement systems, capital expenditures usually occur after the preliminary project phase is completed and when management implicitly or explicitly authorized funding of the project.

IT system upgrades may also be considered an allowable capital expenditure when they add significant functionality or are necessary to postpone obsolescence. State agencies and higher education institutions should ensure that the postponement of obsolescence is generated by the upgrade and not simply by ongoing maintenance or the maintenance component of the upgrade. For example, a system upgrade that included technical upgrades, security enhancements and significant additions of functionality would be considered an allowable capital expenditure, while an upgrade that included only routine technical and/or security improvements would be an appropriate operating expenditure.

**Hardware**

Capital funds may be used to purchase hardware for information technology systems and its components, including but not limited to servers, network equipment, desktops/laptops, monitors, printers, scanners, etc.

**Software, Licensing, and Warranties**

- Purchases of packaged “off-the-shelf” software are allowable if they have an expected useful life of at least five years and have been tailored or customized to the IT project. The software purchase must also meet one of the following criteria:
  - ✓ Related to the initial deployment of an agency or university-wide system or other major project deployment (periodic upgrades must be purchased with operating funds); or
  - ✓ When necessary to bring a newly constructed facility or an allowable piece of equipment up to its intended use (e.g. a computer lab).
- Application development, configuration or deployment.
- Software licenses for commercial off-the-shelf products with a term of at least five years, provided the cost is paid for upfront as part of the development stage.
- Software licenses for cloud based products, provided the State agency or higher education institution has a contractual right to take possession of the software and it is feasible to run the software on its own hardware.
- Software licenses for cloud-based products related to application build.
- Data conversions required to make the new IT system operational.
- Purchase of perpetual licenses enabling the acquisition of shared electronic resources and databases.
- Warranties purchased at the time of initial acquisition with a term of at least five years and provided that the terms and conditions are substantially the same as warranties available to other purchasers.

**NON-ALLOWABLE****Operation and Maintenance**

Operating, not capital, funds must be used to support the ongoing operation and maintenance of IT systems and other regular, recurring expenses.

**Replacement Hardware**

Capital funds generally may not be used to purchase end of life or replacement hardware equipment (computers, peripherals, etc.) that do not upgrade or add functionality to an IT system.

**Software and Licensing**

Capital funds generally may not be used to purchase standard off-the-shelf software (such as MS Office software, Adobe, and web browsers) or any software package with individual license costs under \$500. Additionally, capital funds may not be used to purchase: periodic software upgrades,

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minor upgrades and patches, minor configurations, or security enhancements. Software licenses for premise-based and cloud-based products post-implementation, including annual licensing and subscription-based software, should also be paid from operating funds.

**Planning and Post-Implementation**

Capital funds generally may not be used to cover costs associated with planning or post-implementation operation of an IT project, including: project-related research and planning, service management and strategic planning, post-implementation activities including project and change management, and data conversions that are not required for an IT system to be operational. Additionally, costs associated with the solicitation, review and selection of professional service providers or vendors, including contract development, should be paid from operating funds.

**Personnel Expenses**

Capital funds generally may not be used to cover expenses of State employees working on IT projects. Employees working on IT projects should continue to be funded out of operating funds. In the case of colleges and universities, capital funds may not be used to cover tuition reimbursement or graduate assistantships. (Note, although federal tax law does allow for State personnel expenses under certain circumstances, the extensive and detailed record-keeping requirements necessary to comply with IRS audits generally offset any potential benefit.)

**Training**

Expenses related to training of personnel on the new IT system or any of its components is generally not an allowable capital expenditure. Some expenses related to the initial deployment of the IT system (e.g., creating the system user manual) may be allowable.

**Follow-Up Questions Regarding Proposed Expenditures**

- Questions regarding the capital funding eligibility of proposed expenditures should be directed to the agency's operating and capital analysts at the Office of Budget and Management.
- Institutions of higher education should consult with the capital planning Director of the Department of Higher Education.

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## **Types of Projects\* Eligible for State Bond Funding**

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### **Administrative Building (Fund 7026)**

- Adjutant General/National Guard Facilities
- Emergency Response Infrastructure
- Agricultural Society Fairground Improvements

### **Adult and Juvenile Correctional Facilities (Funds 7027 and 7028)**

- Community Based Correctional Facilities
- Juvenile Detention Facilities
- Juvenile Correctional Facilities
- Local Jail Facilities

### **Cultural and Sports Facilities (Fund 7030)**

- Art and Cultural Centers/Museums
- Centers of Science, Technology, Industry
- Performing Art Theatres and Auditoriums
- Memorials or Monuments
- Halls of Fame
- Zoos and Aquariums
- Historical Sites and Facilities
- Professional Sports Facilities & Complexes
- Nature, Garden and Conservation Centers

### **Natural Resources and Parks and Recreation Facilities (Funds 7031 and 7035)**

- Watershed Flood Control
- Recreational Trails (biking, hiking, etc.)
- Swim Pools, Splash Pads, Aquatic Centers
- Parks and Conservatories
- Nature Preserves
- Zoos and Aquariums
- Playground/Recreation Facilities
- Shoreline Restoration and Preservation
- Boat Docks and Ramps
- Wildlife Education Centers
- Community Recreational Facilities

### **Mental Health and Developmental Disabilities Facilities (Fund 7033)**

- MH Rehabilitation & Treatment Centers
- Alcohol & Drug Abuse Treatment Facilities
- Community Facilities for MH & DD

### **Higher Education Facilities (Fund 7034)**

- Higher Educ./Continuing Educ. Centers
- Technology Centers
- Workforce Development & Training
- Business Incubator and Resource Centers
- Theatres, Performing Arts Centers
- Hospitals, Health/Medical Centers (with specific higher education program nexus and benefit)

*\* These examples are illustrative of the types of community projects funded in prior capital bills and are not intended to represent an exhaustive list. Moreover, the specifics of a proposed project must be evaluated on a case-by-case basis for state bond funding.*

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## **Types of Projects\* Not Funded from State Bonds**

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Although the specifics of any proposed project must be evaluated, the types of projects listed below either lack express constitutional authority for state bond funding, or have traditionally been funded as part of long-standing pre-existing programs for which other funding is available:

- Operating expenses.
- Basic repair or maintenance projects.
- City, county, local government, or non-profit organization office facilities unless a state agency is housed in the facility.
- County courthouses, city halls, or municipal buildings.
- Local community action and senior citizen centers, unless there is a specific higher education program nexus and benefit.
- Local infrastructure projects like water lines, sewer lines, wastewater treatment plants, solid waste facilities, or utility upgrades (see the Ohio Public Works Commission (OPWC) State Capital Improvement Program or the Ohio Water Development Authority for these types of projects.)
- Economic development projects such as industrial parks, multi-modal transportation facilities, commercial office space, community revitalization, etc. (see DSA programs like Third Frontier and Facilities Establishment Fund for these types of projects).
- Projects that are owned by or for the benefit of private companies and projects that are owned by or for the benefit of the federal government or not-for-profit entities (absent a long-term lease/use agreement with the State and appropriate mitigation of all federal tax law issues).
- Road projects, road signage, bridges, culverts, or inter-modal facilities. (see Ohio Department of Transportation (ODOT) and the OPWC programs for funding options).
- Local airports (see ODOT).
- Transit Authorities.
- Police or fire stations, County sheriff offices.
- Local library improvements.
- Local social service agency facilities, unless done in conjunction with Mental Health, Developmental Disabilities, or another state agency.
- Capital projects for the use and benefit of private-for-profit organizations.
- Projects for private (non-state assisted) institutions of higher education unless that institution has a joint use agreement with a publicly funded higher education institution (see Ohio Higher Education Facilities Commission for funding of projects at private higher education institutions).
- Vehicles, boats, and short-lived equipment.

*\* These examples are illustrative of the types of community projects that have traditionally not been funded in prior capital bills; this is not intended to represent an exhaustive list. The specifics of a proposed project must be evaluated on a case-by-case basis for state bond funding.*



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# COMMUNITY PROJECT BOND FUNDING ELIGIBILITY

## Tips for Successfully Securing Project Funding

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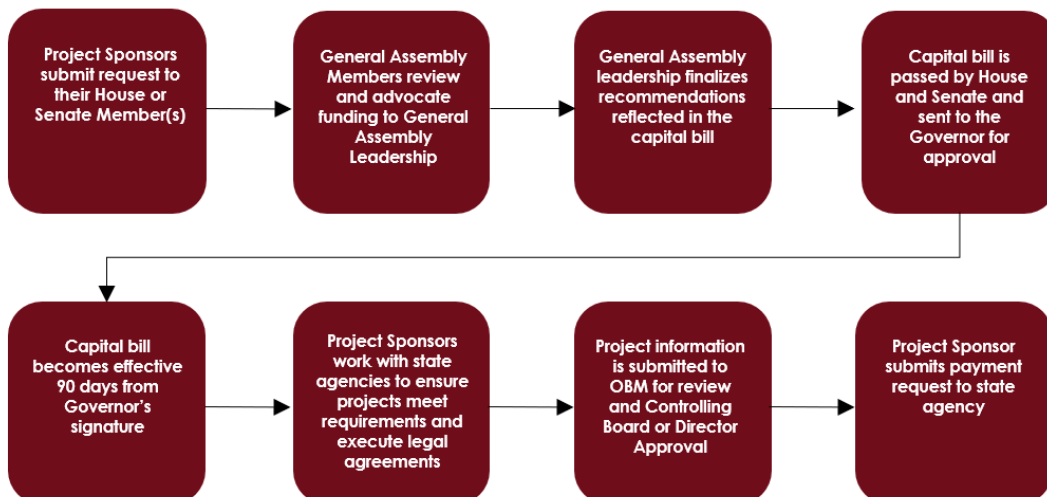
### Preface

The purpose of this reference guide is to assist state agencies, prospective grantees, legislative staff, and other interested stakeholders in better understanding of the types of community projects eligible for capital funding. Therefore, this guide aims to reduce the occurrence of non-eligible community projects included within the capital cycle.

### Background

The State of Ohio's biennial capital budget, typically enacted in each even-numbered year, provides appropriations for state agency infrastructure costs and community projects of local or regional interest. Community initiatives that receive state funds must support the acquisition, construction, improvement, and related equipping for projects demonstrating a state benefit for higher education, mental health, parks and recreation, conservation, and cultural and sports facilities depending on the bond program under which the community project funding is sought. Community projects included in the capital budget are funded with tax-exempt state bond proceeds, which means the funds must be used within the purposes and limitations of the Ohio Constitution, state law, and federal tax law; in addition, a community project must remain in compliance with the Ohio Constitution, state law, and federal tax law for the life of the bond issue that provides the funds for such project. These community projects are not funded through competitive, application-based initiatives managed by state agencies, but rather through earmarks in an appropriations bill.

The graphic below outlines the path a governmental agency or non-profit organization will navigate prior to receiving funds from a community project award:



## **I. Eligible Grantees' "Project Sponsors"**

Eligible grantees vary by bond funding program and are generally limited to governmental entities and Ohio 501(c)(3) non-profit organizations. In instances where the Project Sponsor is not a governmental agency, the entity is required to demonstrate it is in good standing with the State of Ohio before funding is released. To be eligible, Project Sponsors must be in compliance with all state, federal, and local laws in relation to the project. Areas of compliance include, but are not limited to, following the corporate registration requirements administered by the Ohio Secretary of State, being in good standing with the charitable foundation requirements administered by the Ohio Attorney General's Office, having no unresolved findings for recovery issued by the Ohio Auditor of State, and possessing no current, unsatisfied tax liens against property of the Project Sponsor owed to the State of Ohio.

## **II. Allowable Uses of Funds**

Eligible uses of funds are outlined within the Ohio Revised Code (ORC), Chapters 151 and 154, and support the acquisition, construction, reconstruction, rehabilitation, remodeling, renovation, enlargement, improvement, equipping, and furnishing of capital facilities. Therefore, community project funds may only support capitalizable costs incurred from the construction or purchase of long-term fixed assets that produce long-term state and economic benefits. Expenditures are generally limited to property and related equipment, buildings, leasehold improvements, and construction uses. Expenditures for equipment, furnishings, feasibility or environmental studies, and demolition may be allowable only when combined with a broader community capital project that creates or improves a capitalizable asset. For equipment and furnishings to be eligible, costs must meet **all** of the following criteria:

1. the items must be essential in bringing the facility up to its intended use or are necessary for the facility to function;
2. the items are an integral part of or directly related to the basic purpose or function of the facility;
3. the items have unit costs above \$100 each; and
4. the items have a useful life exceeding five (5) years.

Project Sponsors are highly encouraged to review the [Allowable Capital Expenditure Guidelines](#) for more information. OBM follows the Internal Revenue Service guidelines and the Department of Administrative Services' [Useful Life of State Assets](#) workbook for useful life determinations.

## **III. Information Technology Software and Hardware**

The purchase of software, software as a service (SaaS), or platform as a service (PaaS) technologies and internal systems are not an allowable use of funds for community projects. In rare instances where hardware is funded, it is often limited to projects supporting workforce development efforts, improvements for health and safety, and the funding of towers for the Multi-Agency Radio Communication System (MARCS) that provides Ohio's first responders with state-of-the-art wireless

digital communications. Local governmental agencies that pursue MARCS funding support should first consult with the Ohio Department of Administrative Services to ensure coordination with any surrounding sites that may be in development and to assess whether there are alternative options to meet the needs of the community. If construction of a new tower is indicated, then the State of Ohio will retain ownership of the asset and determine whether placement of towers will be located on state land or leased from outside parties.

#### **IV. Terms and Conditions for Receiving State Funding**

Local governmental agencies and not-for-profit entities must execute an agreement with the state agency administering capital appropriations prior to the release of funds. Terms and conditions vary depending on the type of agreement executed and the partnering state agency. Each grantee should be aware that the funding received may include requirements such as those described below:

- Grant agreement terms that extend for the life of the bonds financing the project (generally 10-20 years);
- Evidence that the local share (if required) is available before receipt of state funding;
- The performance of due diligence reviews of financial condition and project plans;
- Payments may be pro-rata reimbursements based on state/local funding project share (if applicable);
- Required maintenance of the project for public use during the grant term;
- Maintenance and operation of the project in a manner consistent with its original purpose;
- Maintenance of adequate insurance and liability coverages;
- Conveyance of an interest in the project to the State for the term of the agreement;
- Indemnification of the State against liability;
- Prohibition against disposition of assets by entity during term of agreement;
- Property titles must be free of any restrictions of record;
- Maintenance of records throughout the grant term;
- Agreement to inspections and audits during business hours upon notice;
- Compliance with prevailing wage requirements;
- Compliance with competitive bidding requirements;
- Agreement to refrain from boycotts on certain entities;
- In the case of default, repayment of the grant or allowing the State the right to use and occupy;
- Provision of reports on the project's condition, operations, and financial condition throughout the term of the agreement; and/or
- Provision of additional assurances on non-owned state or leased property.

For more information on Joint Use and Cooperative Use agreements, see the OBM "Allowable Use Guidelines" as referenced above. Project Sponsors are encouraged to review template agreements prior to legislative approval. If available, links to the agreement templates can be found in later sections describing the individual bond programs.

## **V. State Benefit and Public Access**

Projects must demonstrate (1) a state benefit that is in alignment with the tax-exempt bond program providing the grant proceeds and (2) that the facility is accessible to the public. Projects must also be retained and used for that bond program purpose over the life of the bond issue, which generally last up to 20 years. Projects cannot be wholly or partially converted to other uses during the grant term without approval of the state agency managing the grant, and the proposed use must be consistent with its original purpose. In addition, community projects funded from the Higher Education Improvement Fund are required to partner with an Ohio public institution of higher education and demonstrate an educational benefit the community project will provide.

## **VI. Non-State Ownership of Certain Financed Projects**

Additional restrictions apply to the release of capital funding when a state agency does not own the real property on which the project is located. In such instances, the Project Sponsor is required to enter a long-term lease with the State, execute a joint or cooperative use agreement allowing the State the right to use the property, or confer another similar interest to the State in the property for the length of the obligations that financed the project. This restriction lasts until all bonds used to finance the State's portion of the project have been retired. For community projects funded with grants from the Higher Education Facilities Fund, the institution will negotiate the terms of the joint use agreement governing the institution's use over the grant term.

## **VII. Prevailing Wage Requirements**

Most projects that are eligible for capital funding are subject to the prevailing wage requirements under ORC Chapter 4115. Prospective grantees must be familiar with the applicable prevailing wage requirements prior to advertising for bids, contracting, or starting construction. These requirements apply to the project in its entirety and selected services cannot be carved out to meet compliance. Failure to comply with this requirement will result in ineligibility. For more information on the applicability of these requirements, visit the [Ohio Department of Commerce – Division of Industrial Compliance – Bureau of Wage and Hour Administration](#) to determine the prevailing rates of wages for workers employed on the public improvement.

## **VIII. Disbursements and Payments of Funds**

Policies for the disbursement of grant funds vary by state agency. In most instances, funds are released to the grantee on a reimbursement basis and do not allow for an advance of funds prior to incurring costs. Projects requiring local matching funds are often made on a pro-rata basis (in an amount equal to a fraction of the invoice, with the numerator being the grant amount and the denominator being the project budget) over the length of the construction of the project.

The timeline for requesting reimbursement of project costs varies depending on the state agency managing the program. In most instances, reimbursements must be made within 18 months of the date of original expenditure. Agencies may limit the frequency of disbursement requests to

monthly, quarterly, or another predetermined period.

#### **IX. Project Expenditures Prior to Legislative Approval**

Except for community projects receiving funding from the Higher Education Improvement Fund, project expenses may be permitted to start within a reasonable period prior to the authorizing capital bill. However, certain community projects funded through the Higher Education Improvement Fund may, at the state's discretion, have only a look-back period of 60 days from the effective date of the authorizing capital bill. If a prospective grantee has started to incur costs prior to the effective date of the authorizing legislation, it is recommended to include this information with the initial request.

#### **X. Project Delays and Changes to an Approved Project After Passage of the Capital Bill**

Project start and end dates often extend beyond original projections. Project Sponsors who do not execute a grant agreement within a reasonable period of the authorizing capital bill are encouraged to communicate these updates to the state agency managing the program. Projects that fall behind schedule or require changes may need to be considered for inclusion in the reappropriations bill so that the grant appropriation does not lapse.

Projects must comply with the description provided in the authorizing capital bill. While minor changes are routine, significant deviations from the initial scope may require additional legislative approval. When considering the title of the project, ensure that the description is not overly specific as this may lead to a delay in receiving grant funds. For example, XYZ Community seeking funding for a new community building should consider revising the title from "*XYZ Community Building Acquisition Project*" to "*XYZ Community Building Project*."

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**COMMUNITY CAPITAL PROJECTS BY FUNDING SOURCE**  
**Examples of Prior Projects Funded with Bond Proceeds**

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The bond funds listed below are the main funding sources for community capital projects authorized by legislative earmarks. The accompanying examples are illustrative of the types of projects funded in prior capital bills and are not intended to represent an exhaustive list. Moreover, the specifics of a proposed project must be evaluated on an individual basis.

<b>Fund</b>	<b>Agency and Bond Fund</b>	<b>Example Projects</b>
7027	Department of Rehabilitation and Correction - Adult Correctional Building Fund	Community-Based Correctional Facilities Local Jail Facilities
7028	Department of Youth Services - Juvenile Correctional Building Fund	Juvenile Correctional Facilities Juvenile Detention Facilities
7030	Ohio Facilities Construction Commission - Cultural and Sports Facilities Building Fund	Art and Cultural Centers/Museums Centers of Science, Technology, and Industry Halls of Fame Historical Sites and Facilities Nature, Garden, and Conservation Centers Memorials or Monuments Performing Art Theatres and Auditoriums Professional Sports Facilities and Complexes Zoos and Aquariums
7031	Department of Natural Resources - Ohio Parks and Natural Resources Fund	Flood Control and Flood Damage Reduction Shoreline Restoration and Preservation Stream and Lake Management Preservation of Natural Areas and Reforestation Water Management and Dam Safety
7033	Mental Health and Addiction Services/ Department of Developmental Disabilities - Mental Health Facilities Improvement Fund	Alcohol and Drug Abuse Treatment Facilities Community Facilities Rehabilitation and Treatment Centers
7034	Department of Higher Education - Higher Education Improvement Fund	Business Incubator and Resource Centers Higher Education/Continuing Education Centers Hospitals and Health/Medical Centers (with specific higher education program nexus and benefit) Technology Centers Workforce Development and Training
7035	Department of Natural Resources - Parks and Recreation Improvement Fund	Aquatic Centers, Splash Pads, and Swim Pools Community Playground and Recreation Facilities Parks, Conservatories, and Nature Preserves Recreational Trails (biking, hiking, etc.) Zoos and Aquariums Boat Docks and Ramps Wildlife Education Centers

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## Types of Projects Not Funded by State Bonds

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Although the specifics of any proposed project must be evaluated on a case-by-case basis, the types of projects listed below either lack express constitutional authority for state bond funding or have traditionally been funded as part of existing programs for which other funding is available.

- Office facilities unless a state agency is housed within the facility
- County courthouses, city halls, or municipal buildings
- Police or fire stations, or county sheriff offices
- Local airports and transit authorities
- Local community action and senior citizen centers (exceptions: partnerships with higher education)
- Local infrastructure projects like water lines, sewer lines, wastewater treatment plants, solid waste facilities, or utility upgrades (see the Ohio Public Works Commission (OPWC) State Capital Improvement Program or the Ohio Water Development Authority for these types of projects)
- Economic development projects such as industrial parks, multi-modal transportation facilities, commercial office space, community revitalization, etc. (see Department of Development programs including Third Frontier and Facilities Establishment Fund or JobsOhio)
- Capital projects for the use and benefit of private for-profit organizations
- Projects that are owned by or for the benefit of the federal government
- Road projects, road signage, bridges, culverts, or inter-modal facilities (see ODOT/OPWC)
- Local library improvements
- Local social service agency facilities, unless done in conjunction with the Departments of Mental Health and Addiction Services, Developmental Disabilities, or another state agency
- Projects for private (non-state assisted) institutions of higher education unless that institution has a joint use agreement with a publicly funded higher education institution
- Vehicles, boats, and short-lived equipment
- Projects to create or improve assets that do not have a useful life of at least the length of the bonds issued to fund them (approximately 15 years)
- Operating expenses, or repair and/or maintenance projects
- Information technology and hardware upgrade projects
- Machinery and equipment, fixtures, and furnishings outside of a larger capital project
- Feasibility, design, and environmental studies that do not directly relate to a larger defined project

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## COMMUNITY PROJECT INFORMATION BY BOND FUND

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The following pages contain detailed information for the various bond funds and corresponding programs:

### Ohio Department of Rehabilitation and Correction Adult Correctional Building Fund (7027)

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Adult Correctional Building Fund projects are authorized pursuant to Section 2i of Article VIII of the Ohio Constitution and Sections 154.01 and 154.24 of the Revised Code. Proceeds from bond sales are utilized for the purpose of paying the costs of capital facilities to be leased to the DRC and for housing branches and agencies of state government. The Department of Rehabilitation and Correction is empowered by law to maintain, operate, manage, and govern all state institutions for the custody, control, training, and rehabilitation of persons convicted of a crime and sentenced to a penal institution. In addition to the DRC-managed facilities, the Fund supports two award-based funding programs for Community-Based Correctional Facilities (CBCF) and Local Jails. Partnering CBCFs will submit capital improvement requests, which DRC will then review and select projects for inclusion within the DRC’s wider capital bill funding request. With respect to Local Jail Initiatives, the most recent capital bill, Amended Substitute House Bill 687, passed during the 134th General Assembly for FY 2023 and FY 2024, committed funding through both earmarks and an award-based process. When funding is available through the award process, DRC communicates application information directly to all eligible localities and reviews and selects grantees via competitive process.

<b>Constitutional Authority</b>	Article VIII §2i
<b>Statutory Authority</b>	ORC Chapter 154
<b>Statutory Purpose</b>	Housing of branches and agencies of state government
<b>Minimum Agreement Term</b>	20 years
<b>Local Matching Funds Required</b>	No
<b>Administrative Fee Retained</b>	No
<b>Examples of Eligible Projects</b>	Community-Based Correctional Facilities Community residential program Local jails
<b>Additional Resources</b>	<a href="#">Ohio Administrative Code 5120.112</a> <a href="#">Full-Service Jail Construction/Renovation Criteria</a> <a href="#">Twelve Day Jail Construction/Renovation Criteria</a> <a href="#">Twelve Hour Jail Construction/Renovation Criteria</a>



**Ohio Department of Youth Service  
Juvenile Correctional Building Fund (7028)**

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Juvenile Correctional Building Fund projects are authorized pursuant to Section 2i of Article VIII of the Ohio Constitution and Sections 154.01 and 154.24 of the Revised Code. Proceeds from bond sales are utilized for the purpose of paying the costs of capital facilities to be leased to the Department of Youth Service (DYS) and for housing branches and agencies of state government. DYS is responsible for, among other functions, the confinement of felony offenders (ages 10 through 21) who have been adjudicated and committed by county courts of the State; the promotion and operation of programs for the rehabilitation of juvenile offenders and their reintegration into the community; providing community supervision and case management for relapse offenders; and assisting juvenile courts and local agencies in prevention and approaches to less serious adjudicated youth. In rare circumstances, earmarked projects have been authorized from the Fund. In addition to the DYS-managed facilities, the bond fund supports two award-based funding programs for Community-Based Rehabilitation Centers and Local Jail Detention Centers. Partnering entities will submit capital improvement requests to DYS for review and consideration into the agency’s wider capital bill funding request.

<b>Constitutional Authority</b>	Article VIII §2i
<b>Statutory Authority</b>	ORC Chapter 154
<b>Statutory Purpose</b>	Housing of branches and agencies of state government
<b>Minimum Agreement Term</b>	20 years
<b>Local Matching Funds Required</b>	No
<b>Administrative Fee Retained</b>	No
<b>Examples of Eligible Projects</b>	Juvenile correctional facilities Juvenile detention centers
<b>Additional Resources</b>	<a href="#">Ohio Administrative Code 5139-36-03</a> <a href="#">Ohio Administrative Code 5139-67-04</a>

**Ohio Facilities Construction Commission  
Cultural and Sports Facilities Building Fund (7030)**

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The Ohio Facilities Construction Commission (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 is also authorized to administer grants for cultural and sports facilities that, among other things, own, lease, equip, furnish, administer, and manage certain Ohio cultural facilities and Ohio sports facilities in the State. The OFCC disburses capital funds appropriated by the General Assembly for facility improvement projects at non-profit theaters, museums, art education facilities, historical sites, and publicly owned professional sports venues. The Cultural and Sports Facilities Building Fund projects are supported by bond proceeds authorized under Section 2i of Article VIII of the Ohio Constitution and Chapter 154 of the Revised Code.

<b>Constitutional Authority</b>	Article VIII §2i
<b>Statutory Authority</b>	ORC Chapter 154 and 123.28 and 123.281
<b>Statutory Purpose</b>	Housing of branches and agencies of state government that provide a presentation of culture to the public or support professional sports venues
<b>Minimum Agreement Term</b>	10 years
<b>Local Matching Funds Required</b>	Yes
Cultural Facilities	Local contributions totaling at least 50% of the state share.
Sports Facilities	A maximum 15% state share with at least an accompanying 85% local contribution match, but excluding any site acquisition cost
<b>Administrative Fee Retained</b>	0%
<b>Examples of Eligible Projects</b>	Art and cultural centers/museums Centers of science, technology, and industry Halls of fame Historical sites and facilities Memorials and monuments Nature, garden, and conservation centers Performing arts theatres and auditoriums Professional sports facilities and complexes Zoos and aquariums
<b>Additional Resources</b>	<a href="#">Cultural and Sports Facilities Grants</a>
	<a href="#">Eligibility Requirements</a>
	<a href="#">Project Approval Guidelines</a>
	<a href="#">Funding and Grant Process</a>
	Cooperative Use Agreement <a href="#">Template</a>

**Ohio Department of Natural Resources  
Parks and Natural Resources Fund (7031)**

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The Ohio Department of Natural Resources (ODNR) is responsible for providing, operating, and maintaining a system of state parks and promoting their use by the public. Through its Division of Parks and Watercraft, DNR plans, constructs, equips, and furnishes public service facilities in state parks. Projects funded from the Ohio Parks and Natural Resources Fund are financed under Section 2I of Article VIII of the Ohio Constitution and Chapter 151 of the Ohio Revised Code. The primary purpose of these obligations is to pay costs of natural resources projects related to the [NatureWorks](#) Program. The NatureWorks grant program provides up to 75% reimbursement assistance for local governments for the acquisition, development, and rehabilitation of recreational areas. ODNR’s Office of Real Estate administers the grant program and accepts applications on an annual basis. Grant funds are allocated to counties based on a formula that includes a per capita allocation and are then awarded to both county and local governments within that county. Projects are evaluated and selected based on factors that measure public benefit and recreational need. In limited instances, bond proceeds have supported legislative earmarks for local governmental entities that require safety improvements.

<b>Constitutional Authority</b>	Article VIII §2I
<b>Statutory Authority</b>	ORC Chapter 151.01 & 151.05
<b>Statutory Purpose</b>	Costs of natural resources projects for state and local entities
<b>Minimum Agreement Term</b>	15 years
<b>Local Matching Funds Required</b>	Based on the program (25% Local Match for NatureWorks)
<b>Administrative Fee Retained</b>	2% (2% not applicable for NatureWorks)
<b>Examples of Eligible Projects</b>	Flood control and flood damage reduction Shoreline restoration and preservation Stream and lake management Preservation of natural areas and reforestation Water management and dam safety
<b>Additional Resources</b>	<a href="#">ODNR Guide to Capital Improvement Community Recreation Projects, SB 310</a> <a href="#">ODNR Capital Improvement Project Guide, HB 687 &amp; HB 597</a>

**Department of Mental Health and Addiction Services  
 Department of Developmental Disabilities  
 Mental Health Facilities Improvement Fund (7033)**

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The Departments of Mental Health and Addiction Services and the Department of Developmental Disabilities have primary authority and responsibility with respect to providing programs, services, and support for persons who are mentally ill, developmentally disabled, or who suffer with alcohol and/or drug addiction. The Mental Health Facilities Improvement Fund proceeds are authorized for the purpose of paying costs of capital facilities to be leased to the "Mental Health Department". The Mental Health Improvement Fund projects are supported by bond proceeds authorized under Section 2i of Article VIII of the Ohio Constitution and Chapter 154 of the Revised Code.

<b>Constitutional Authority</b>	Article VIII §2i
<b>Statutory Authority</b>	ORC Chapter 154
<b>Statutory Purpose</b>	Financing capital facilities for mental health, developmental disabilities, and drug addiction purposes and for housing branches and agencies of state government
<b>Minimum Agreement Term</b>	30 years
<b>Local Matching Funds Required</b>	
Mental Health	Yes – the lesser of \$750,000 or 50% of total project costs
Developmental Disabilities	Yes – the lesser of \$750,000 or 50% of total project costs
<b>Administrative Fee Retained</b>	No
<b>Examples of Eligible Projects</b>	Alcohol and drug abuse treatment facilities Mental health rehabilitation and treatment centers Community facilities for mental health Community facilities for developmental disabilities
<b>Additional Resources</b>	<a href="#">MHA Capital Planning Programs and Services</a>
	<a href="#">MHA Community Capital Assistance Process Guidelines</a>
	<a href="#">MHA Contract Template</a>
	<a href="#">MHA Open End Mortgage Template</a>
	<a href="#">MHA Mortgage Note</a>
	<a href="#">Ohio Administrative Code 5122:3-1-05</a>

**Department of Higher Education  
Higher Education Improvement Fund (7034)**

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The Higher Education Improvement Fund receives bond proceeds under Section 2n of Article VIII of the Ohio Constitution authorizing the issuance of general obligation bonds or notes for the purpose of paying costs of capital facilities for state-supported and state-assisted institutions of higher education. Chapter 151 implements the state bond issuing aspects of those constitutional provisions. State institutions of higher education consist of 14 state universities (with 24 regional branch campuses), six medical colleges, six community colleges, nine state community colleges, eight technical colleges, and an agricultural research and development center. Community projects funded from this fund must partner with an Ohio public institution of higher education and demonstrate an educational benefit the community project will provide.

<b>Constitutional Authority</b>	Article VIII §2n
<b>Statutory Authority</b>	ORC Chapter 151
<b>Statutory Purpose</b>	Capital facilities for state-supported and state-assisted institutions of higher education
<b>Minimum Agreement Term</b>	20 years
<b>Local Matching Funds Required</b>	No
<b>Examples of Eligible Projects</b>	Business incubator and resource centers Workforce development and training Higher education/continuing education centers Hospitals and health/medical centers
<b>Administrative Fee Retained</b>	1.5%
<b>Educational Nexus/Benefit</b>	Required
<b>Additional Resources</b>	ODHE <a href="#">Capital Planning: Forms &amp; Guidelines</a> Joint Use Agreement <a href="#">Template</a>
	Ohio Administrative Code rule ( <a href="#">OAC 3333-1-03(E)</a> ) regarding the release of moneys for capital projects not owned by the State or a higher education institution and the joint use of such projects
	Examples of Educational Benefit/Use of Facility is located under <a href="#">signed directives</a>

**Ohio Department of Natural Resources  
Parks and Natural Resources Improvement Fund (7035)**

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The Department of Natural Resources (DNR) is responsible for providing, operating, and maintaining a system of state parks and promoting their use by the public. Through its Division of Parks and Watercraft, DNR plans, constructs, equips, and furnishes public service facilities in State parks. Proceeds from the sale of the Parks and Recreation Bonds are used to pay the costs of capital facilities to be leased to the Department of Natural Resources by the Ohio Public Facilities Commission pursuant to Section 2i of Article VIII of the Ohio Constitution and Chapter 154 of the Ohio Revised Code.

<b>Constitutional Authority</b>	Article VIII §2i
<b>Statutory Authority</b>	ORC Chapter 154
<b>Statutory Purpose</b>	To pay the costs of capital facilities for parks and recreation facilities to be leased to the Department of Natural Resources
<b>Minimum Agreement Term</b>	15 years
<b>Local Matching Funds Required</b>	No
<b>Administrative Fee Retained</b>	2%
<b>Examples of Eligible Projects</b>	Aquatic centers, splash pads, and swim pools Community playground and recreation facilities Parks, conservatories, and nature preserves Recreational trails (biking, hiking, etc.) Zoos and aquariums Boat docks and ramps Wildlife education centers
<b>Additional Resources</b>	<a href="#">ODNR Guide to Capital Improvement Community Recreation Projects, SB 310</a> <a href="#">ODNR Capital Improvement Project Guide, HB 687 &amp; HB 597</a>