COMMUNITY PROJECT BOND FUNDING ELIGIBILITY
Tips for Successfully Securing Project Funding

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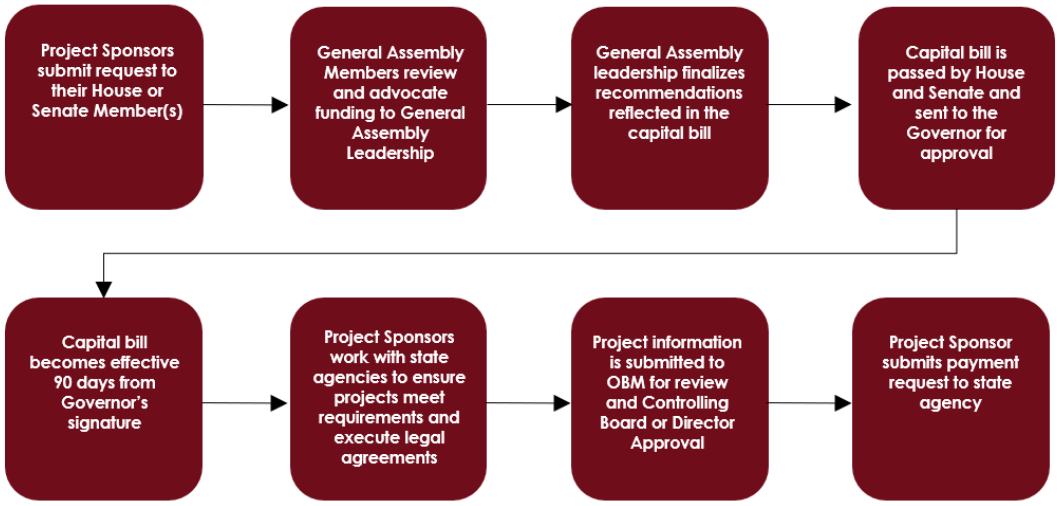
Preface

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.*"

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

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.

Fund	Agency and Bond Fund	Example Projects
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

Types of Projects Not Funded by State Bonds

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

COMMUNITY PROJECT INFORMATION BY BOND FUND

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)

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.

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

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

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.

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

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

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.

Constitutional Authority	Article VIII §2i
Statutory Authority	ORC Chapter 154 and 123.28 and 123.281
Statutory Purpose	Housing of branches and agencies of state government that provide a presentation of culture to the public or support professional sports venues
Minimum Agreement Term	10 years
Local Matching Funds Required	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
Administrative Fee Retained	0%
Examples of Eligible Projects	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
Additional Resources	Cultural and Sports Facilities Grants
	Eligibility Requirements
	Project Approval Guidelines
	Funding and Grant Process
	Cooperative Use Agreement Template

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

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 2l 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.

Constitutional Authority	Article VIII §2l
Statutory Authority	ORC Chapter 151.01 & 151.05
Statutory Purpose	Costs of natural resources projects for state and local entities
Minimum Agreement Term	15 years
Local Matching Funds Required	Based on the program (25% Local Match for NatureWorks)
Administrative Fee Retained	2% (2% not applicable for NatureWorks)
Examples of Eligible Projects	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
Additional Resources	ODNR Guide to Capital Improvement Community Recreation Projects, SB 310 ODNR Capital Improvement Project Guide, HB 687 & HB 597

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

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.

Constitutional Authority	Article VIII §2i
Statutory Authority	ORC Chapter 154
Statutory Purpose	Financing capital facilities for mental health, developmental disabilities, and drug addiction purposes and for housing branches and agencies of state government
Minimum Agreement Term	30 years
Local Matching Funds Required	
Mental Heath	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
Administrative Fee Retained	No
Examples of Eligible Projects	Alcohol and drug abuse treatment facilities Mental health rehabilitation and treatment centers Community facilities for mental health Community facilities for developmental disabilities
Additional Resources	MHA Capital Planning Programs and Services
	MHA Community Capital Assistance Process Guidelines
	MHA Contract Template
	MHA Open End Mortgage Template
	MHA Mortgage Note
	Ohio Administrative Code 5122:3-1-05

Department of Higher Education
Higher Education Improvement Fund (7034)

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.

Constitutional Authority	Article VIII §2n
Statutory Authority	ORC Chapter 151
Statutory Purpose	Capital facilities for state-supported and state-assisted institutions of higher education
Minimum Agreement Term	20 years
Local Matching Funds Required	No
Examples of Eligible Projects	Business incubator and resource centers Workforce development and training Higher education/continuing education centers Hospitals and health/medical centers
Administrative Fee Retained	1.5%
Educational Nexus/Benefit	Required
Additional Resources	ODHE Capital Planning: Forms & Guidelines
	Joint Use Agreement Template
	Ohio Administrative Code rule (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
	Examples of Educational Benefit/Use of Facility is located under signed directives

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

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.

Constitutional Authority	Article VIII §2i
Statutory Authority	ORC Chapter 154
Statutory Purpose	To pay the costs of capital facilities for parks and recreation facilities to be leased to the Department of Natural Resources
Minimum Agreement Term	15 years
Local Matching Funds Required	No
Administrative Fee Retained	2%
Examples of Eligible Projects	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
Additional Resources	ODNR Guide to Capital Improvement Community Recreation Projects, SB 310 ODNR Capital Improvement Project Guide, HB 687 & HB 597