

2023 -- S 0860

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2023

A N A C T

RELATING TO EDUCATION -- FOUNDATION LEVEL SCHOOL SUPPORT

Introduced By: Senators Cano, Britto, Acosta, and Kallman

Date Introduced: March 30, 2023

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. WHEREAS, Pursuant to Article XII of the Rhode Island Constitution, it is
2 the duty of the State of Rhode Island (the “state”) and the Rhode Island general assembly to promote
3 public schools as the diffusion of knowledge is essential to the preservation of the rights and
4 liberties of the Rhode Island people; and

5 WHEREAS, It is the duty of the state and the Rhode Island general assembly to adopt all
6 means which they deem necessary and proper to secure to the people the advantages and
7 opportunities of education and guarantee adequate public school housing for all public school
8 children in the state; and

9 WHEREAS, School facilities provide more than a place for instruction. The physical
10 learning environment contributes to the successful performance of educational programs designed
11 to meet students’ educational needs, and good educational outcomes depend on safe healthy school
12 buildings. Every student needs a safe, healthy, and sanitary learning environment that promotes
13 student learning and development; and

14 WHEREAS, School buildings in various municipalities and school districts in Rhode
15 Island are in need of major repairs and upgrades, presently interfere with the effective operation of
16 schools, and negatively affect the health, safety and welfare of the children of such municipalities
17 and school districts; and

18 WHEREAS, At the general elections held on November 6, 2018, and November 8, 2022,
19 the electors of the State of Rhode Island approved a total of \$500,000,000 in general obligation

1 bonds of the state to provide funding for construction and renovation of public schools; and

2 WHEREAS, The state currently provides state housing aid reimbursement to
3 municipalities and districts for school housing construction as a percentage of debt service; and

4 WHEREAS, The state's reimbursement costs are directly related to the interest rates the
5 municipalities and school districts pay on their general obligation school bonds; and

6 WHEREAS, The state is able to issue appropriation-backed bonds at lower interest rates
7 than many municipalities and districts are able to obtain on their general obligation bonds; and

8 WHEREAS, It is less costly for the state to finance its share of a school project at lower
9 interest rates than for such municipalities and districts to finance the projects at higher interest rates
10 and seek state housing aid reimbursement from the state. NOW THEREFORE:

11 SECTION 2. Section 16-7-40 of the General Laws in Chapter 16-7 entitled "Foundation
12 Level School Support [See Title 16 Chapter 97 — The Rhode Island Board of Education Act]" is
13 hereby amended to read as follows:

14 **16-7-40. Increased school housing ratio.**

15 (a)(1) In the case of regional school districts, the school housing aid ratio shall be increased
16 by two percent (2%) for each grade so consolidated.

17 (2) Regional school districts undertaking renovation project(s) shall receive an increased
18 share ratio of four percent (4%) for those specific project(s) only, in addition to the combined share
19 ratio calculated in § 16-7-39 and this subsection.

20 (b) In the case of projects undertaken by districts specifically for the purposes of school
21 safety and security, the school housing aid share ratio shall be increased by five percent (5%) for
22 these specific projects only, in the calculation of school housing aid. The increased share ratio shall
23 continue to be applied for as long as the project(s) receives state housing aid. In order to qualify for
24 the increased share ratio, seventy-five percent (75%) of the project costs must be specifically
25 directed to school safety and security measures. The council on elementary and secondary
26 education shall promulgate rules and regulations for the administration and operation of this
27 section.

28 (c) For purposes of addressing health and safety deficiencies as defined by the school
29 building authority, including the remediation of hazardous materials, the school housing aid ratio
30 shall be increased by five percent (5%) so long as the construction of the project commences by
31 December 30, ~~2023~~ 2024, is completed by December 30, ~~2028~~ 2029, and a two hundred fifty
32 million dollar (\$250,000,000) general obligation bond is approved on the November 2018 ballot.
33 In order to qualify for the increased share ratio, twenty-five percent (25%) of the project costs or a
34 minimum of five hundred thousand dollars (\$500,000) must be specifically directed to this purpose.

1 (d) For purposes of educational enhancement, including projects devoted to the
2 enhancement of early childhood education and career and technical education, the school housing
3 aid ratio shall be increased by five percent (5%) so long as construction of the project commences
4 by December 30, ~~2023~~ 2024, is completed by December 30, ~~2028~~ 2029, and a two hundred fifty
5 million dollar (\$250,000,000) general obligation bond is approved on the November 2018 ballot.
6 In order to qualify for the increased share ratio, twenty-five percent (25%) of the project costs or a
7 minimum of five hundred thousand dollars (\$500,000) must be specifically directed to these
8 purposes.

9 (e) For replacement of a facility that has a facilities condition index of sixty-five percent
10 (65%) or higher, the school housing ratio shall be increased by five percent (5%) so long as
11 construction of the project commences by December 30, ~~2023~~ 2024, is completed by December 30,
12 ~~2028~~ 2029, does not receive a bonus pursuant to subsection (f) or subsection (g), and a two hundred
13 fifty million dollar (\$250,000,000) general obligation bond is approved on the November 2018
14 ballot. In order to qualify for the increased share ratio, twenty-five percent (25%) of the project
15 costs or a minimum of five hundred thousand dollars (\$500,000) must be specifically directed to
16 this purpose.

17 (f) For any new construction or renovation that increases the functional utilization of any
18 facility from less than sixty percent (60%) to more than eighty percent (80%), including the
19 consolidation of school buildings within or across districts, the school housing aid ratio shall be
20 increased by five percent (5%) so long as construction of the project commences by December 30,
21 ~~2023~~ 2024, is completed by December 30, ~~2028~~ 2029, and a two hundred fifty million dollar
22 (\$250,000,000) general obligation bond is approved on the November 2018 ballot. In order to
23 qualify for the increased share ratio, twenty-five percent (25%) of the project costs or a minimum
24 of five hundred thousand dollars (\$500,000) must be specifically directed to this purpose.

25 (g) For any new construction or renovation that decreases the functional utilization of any
26 facility from more than one hundred twenty percent (120%) to between eighty-five percent (85%)
27 to one hundred five percent (105%), the school housing ratio shall be increased by five percent
28 (5%) so long as construction of the project commences by December 30, ~~2023~~ 2024, is completed
29 by December 30, ~~2028~~ 2029, and a two hundred fifty million dollar (\$250,000,000) general
30 obligation bond is approved on the November 2018 ballot. In order to qualify for the increased
31 share ratio, twenty-five percent (25%) of the project costs or a minimum of five hundred thousand
32 dollars (\$500,000) must be specifically directed to this purpose.

33 (h) For consolidation of two (2) or more school buildings, within or across districts into
34 one school building, the school housing aid ratio shall be increased by five percent (5%) so long as

1 construction of the project commences by December 30, ~~2023~~ 2024, is completed by December 30,
2 ~~2028~~ 2029, a two hundred fifty million dollar (\$250,000,000) general obligation bond is approved
3 on the November 2018 ballot, and does not receive a bonus pursuant to subsection (f) or subsection
4 (g). In order to qualify for the increased share ratio, twenty-five percent (25%) of the project costs
5 or a minimum of five hundred thousand dollars (\$500,000) must be specifically directed to this
6 purpose.

7 (i) Any regionalized and/or non-regionalized school district receiving an increased share
8 ratio for a project approved prior to July 1, 2018, shall continue to receive the increased share ratio
9 for as long as the project receives state housing aid.

10 (j) For any projects which have received approvals, including passage of an enabling act
11 by the general assembly, otherwise required by law for the issuance of school bonds or capital
12 leases, the state may, in lieu of providing state housing aid reimbursement on debt service on a
13 municipality's or district's school bonds enter into a financing agreement ("financing agreement")
14 to fund its payment obligation if such financing arrangement will result in a savings to the state
15 rather than paying state housing aid as a reimbursement on the municipality's or district's debt
16 service, as projected by a municipal advisor registered with the United States Securities and
17 Exchange Commission. The state, acting through the governor and the general treasurer, may
18 finance the state's housing aid contribution directly through bonds issued by the Rhode Island
19 health and educational building corporation (the "corporation") and execute financing agreements
20 with the corporation. The amount financed by the corporation bonds and the state financing
21 agreement for any project shall not exceed the principal amount, plus original issue premium, if
22 any, required to finance the state's contribution to the project including any such additional amount
23 as is required to finance costs of issuance, funding of debt service reserves, if required, and
24 capitalized interest on the corporation bonds. The corporation bonds will not constitute
25 indebtedness of the state or any of its subdivisions or a debt for which the full faith and credit of
26 the state or any of its subdivisions is pledged. The state's payment obligations on the corporation's
27 bonds pursuant to the financing agreement shall be subject to, and dependent on annual
28 appropriations made by the general assembly. From and after the date that the governor and the
29 general treasurer enter into such a financing agreement, the financed project shall not be eligible
30 for state housing aid reimbursement calculated pursuant to § 16-7-39 but shall be eligible for state
31 housing aid "bonus" incentives pursuant to § 16-7-40 and foundational aid offered on a pay-as-
32 you-go basis pursuant to § 45-38.2-4. No corporation bonds shall be issued to finance the state's
33 housing aid contribution for a project unless the project shall be approved by the Rhode Island
34 department of education. The corporation bonds and the financing agreements of the state

1 authorized by this section shall not be subject to chapter 18 of title 35 (“public corporation debt
2 management”). The governor and the general treasurer on behalf of the state are hereby authorized
3 to execute such financing agreements and other papers as they deem necessary or desirable to carry
4 out the intent of this section and are also authorized to take all actions and execute all documents
5 or agreements necessary to comply with federal tax and securities laws, which documents or
6 agreements may have a term coextensive with the maturity of the corporation bonds authorized
7 hereby, including Rule 15c2-12 of the Securities and Exchange Commission (the “rule”) and to
8 execute and deliver a continuing disclosure agreement or certificate in connection with the
9 corporation bonds in the form as shall be deemed advisable by such officers in order to comply
10 with the rule.

11 (k) The deadlines for construction and completion set forth in § 16-7-40 are not related to,
12 or conditioned on, the two hundred fifty million dollar (\$250,000,000) general obligation bond
13 approved by state voters on the November 8, 2022 ballot. Increased housing aid provided for in
14 this section is funded from state bonds proceeds, annual state appropriations and other sources.

15 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO EDUCATION -- FOUNDATION LEVEL SCHOOL SUPPORT

1 This act would authorize the state to enter into financing agreements with the Rhode Island
2 health and educational buildings corporation (the “corporation”) in lieu of providing state housing
3 aid reimbursement if such financing arrangement would result in a savings to the state rather than
4 paying state housing aid as a reimbursement on the municipality’s or district’s debt service. School
5 projects funded in this manner would not be eligible for state housing aid reimbursement calculated
6 pursuant to § 16-7-39 but would be eligible for state housing aid “bonus” incentives pursuant to §
7 16-7-40 and foundational aid offered on a pay-as-you-go basis pursuant to § 45-38.2-4. No
8 corporation bonds would be issued unless the school projects had been approved by the Rhode
9 Island department of education. This act would also amend the commencement and completion
10 deadlines for increased housing aid bonus points by one year.

11 This act would take effect upon passage.

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