

2013 -- S 0262

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2013

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A N A C T

RELATING TO EDUCATION - FOUNDATION LEVEL SCHOOL SUPPORT

Introduced By: Senators Pearson, and Picard

Date Introduced: February 12, 2013

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 16-7-41 and 16-7-41.1 of the General Laws in Chapter 16-7
2 entitled "Foundation Level School Support" are hereby amended to read as follows:

3 **16-7-41. Computation of school housing aid.** -- (a) In each fiscal year the state shall pay
4 to each community a grant to be applied to the cost of school housing equal to the following:

5 The cost of each new school housing project certified to the commissioner of elementary
6 and secondary education not later than July 15 of the fiscal year shall be divided by the actual
7 number of years of the bond issued by the local community or the Rhode Island Health and
8 Educational Building Corporation in support of the specific project, times the school housing aid
9 ratio; and provided, further, with respect to costs of new school projects financed with proceeds
10 of bonds issued by the local community or the Rhode Island Health and Educational Building
11 Corporation in support of the specific project, the amount of the school housing aid payable in
12 each fiscal year shall not exceed the amount arrived at by multiplying the principal and interest of
13 the bonds payable in each fiscal year by the school housing aid ratio and which principal and
14 interest amount over the life of the bonds, shall, in no event, exceed the costs of each new school
15 housing project certified to the commissioner of elementary and secondary education. If a
16 community fails to specify or identify the appropriate reimbursement schedule, the commissioner
17 of elementary and secondary education may at his or her discretion set up to a five (5) year
18 reimbursement cycle for projects under five hundred thousand dollars (\$500,000); up to ten (10)
19 years for projects up to three million dollars (\$3,000,000); and up to twenty (20) years for

1 projects over three million dollars (\$3,000,000).

2 (b) Aid shall be provided for the same period as the life of the bonds issued in support of
3 the project and at the school housing aid ratio applicable to the local community at the time of the
4 bonds issued in support of the project as set forth in § 16-7-39.

5 (c) Aid shall be paid either to the community or in the case of projects financed through
6 the Rhode Island Health and Educational Building Corporation, to the Rhode Island Health and
7 Educational Building Corporation or its designee including, but not limited to, a trustee under a
8 bond indenture or loan and trust agreement, in support of bonds issued for specific projects of the
9 local community in accordance with this section, § 16-7-40 and § 16-7-44. Notwithstanding the
10 preceding, in case of failure of any city, town or district to pay the amount due in support of
11 bonds issued on behalf of a city or town school project financed by the Rhode Island Health and
12 Educational Building Corporation, upon notification by the Rhode Island Health and Educational
13 Building Corporation, the general treasurer shall deduct the amount from aid provided under this
14 section, § 16-7-40, § 16-7-44 and § 16-7-15 through § 16-7-34.3 due the city, town or district and
15 direct said funding to the Rhode Island Health and Educational Building Corporation or its
16 designee. Provided, if a community's school department undertakes repairs eligible for school
17 housing aid reimbursement and funds such repairs from the school district's budget, as opposed
18 to the community's municipal budget, then the reimbursement aid shall be paid directly to the
19 school department.

20 (d) Notwithstanding any provisions of law to the contrary, in connection with the
21 issuance of refunding bonds benefiting any local community, any net interest savings resulting
22 from the refunding bonds issued by such community or a municipal public buildings authority for
23 the benefit of the community or by the Rhode Island health and educational building corporation
24 for the benefit of the community, in each case in support of school housing projects for the
25 community, shall be allocated between the community and the state of Rhode Island, by applying
26 the applicable school housing aid ratio at the time of issuance of the refunding bonds, calculated
27 pursuant to § 16-7-39, that would otherwise apply in connection with school housing projects of
28 the community. In connection with any such refunding of bonds, the finance director or the chief
29 financial officer of the community shall certify such net interest savings to the commissioner of
30 elementary and secondary education. Notwithstanding § 16-7-44 or any other provision of law to
31 the contrary, school housing projects costs in connection with any such refunding bond issue shall
32 include bond issuance costs incurred by the community, the municipal public buildings authority
33 or the Rhode Island health and educational building corporation, as the case may be, in
34 connection therewith. In connection with any refunding bond issue, school housing project costs

1 shall include the cost of interest payments on such refunding bonds, if the cost of interest
2 payments was included as a school housing cost for the bonds being refunded. A local community
3 or municipal public buildings authority shall not be entitled to the benefits of this subsection (d)
4 unless the net present value savings resulting from the refunding is at least three percent (3%) of
5 the refunded bond issue.

6 (e) Any provision of law to the contrary notwithstanding, the commissioner of
7 elementary and secondary education shall cause to be monitored the potential for refunding
8 outstanding bonds of local communities or municipal public building authorities or of the Rhode
9 Island Health and Educational Building Corporation issued for the benefit of local communities
10 or municipal public building authorities and benefiting from any aid referenced in this section. In
11 the event it is determined by said monitoring that the net present value savings which could be
12 achieved by refunding such bonds of the type referenced in the prior sentence including any
13 direct costs normally associated with such refundings is equal to (i) at least one hundred thousand
14 dollars (\$100,000) and (ii) for the state and the communities or public building authorities at least
15 three percent (3%) of the bond issue to be refunded including associated costs then, in such event,
16 the commissioner (or his or her designee) may direct the local community or municipal public
17 building authority for the benefit of which the bonds were issued, to refund such bonds. Failure of
18 the local community or municipal public buildings authority to timely refund such bonds, except
19 due to causes beyond the reasonable control of such local community or municipal public
20 building authority, shall result in the reduction by the state of the aid referenced in this § 16-7-4.1
21 associated with the bonds directed to be refunded in an amount equal to ninety percent (90%) of
22 the net present value savings reasonably estimated by the commissioner of elementary and
23 secondary education (or his or her designee) which would have been achieved had the bonds
24 directed to be refunded been refunded by the ninetieth (90th) day (or if such day is not a business
25 day in the state of Rhode Island, the next succeeding business day) following the date of issuance
26 of the directive of the commissioner (or his or her designee) to refund such bonds. Such reduction
27 in the aid shall begin in the fiscal year following the fiscal year in which the commissioner issued
28 such directive for the remaining term of the bond.

29 (f) Payments shall be made in accordance with § 16-7-40 and this section.

30 **16-7-41.1. Eligibility for reimbursement.** -- School districts, not municipalities, may
31 apply for and obtain approval for a project under the necessity of school construction process set
32 forth in the regulations of the board of regents for elementary and secondary education. Such
33 approval will remain valid until June 30 of the third fiscal year following the fiscal year in which
34 the board of regents for elementary and secondary education's approval is granted. Only those

1 projects undertaken at school facilities under the care and control of the school committee and
2 located on school property may qualify for reimbursement under §§ 16-7-35 - 16-7-47. Facilities
3 with combined school and municipal uses or facilities that are operated jointly with any other
4 profit or non-profit agency do not qualify for reimbursement under §§ 16-7-35 - 16-7-47. Projects
5 completed by June 30 of a fiscal year are eligible for reimbursement in the following fiscal year.
6 A project for new school housing or additional housing shall be deemed to be completed when
7 the work has been officially accepted by the school committee or when the housing is occupied
8 for its intended use by the school committee, whichever is earlier.

9 Notwithstanding the provisions of this section, the board of regents shall not grant final
10 approval for any project between June 30, 2011 and June 30, 2014 except for projects that are
11 necessitated by immediate health and safety reasons. In the event that a project is requested
12 during the moratorium because of immediate health and safety reasons, those proposals shall be
13 reported to the chairs of the house and senate finance committees.

14 Any project approval granted prior to the adoption of the school construction regulations
15 in 2007, and which are currently inactive; and any project approval granted prior to the adoption
16 of the school construction regulations in 2007 which did not receive voter approval or which has
17 not been previously financed, are no longer eligible for reimbursement under this chapter. The
18 department of elementary and secondary education shall develop recommendations for further
19 cost containment strategies in the school housing aid program.

20 Provided, if a community's school department undertakes repairs eligible for school
21 housing aid reimbursement and funds such repairs from the school district's budget, as opposed to
22 the community's municipal budget, then the reimbursement aid shall be paid directly to the school
23 department.

24 SECTION 2. 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 provide that if a community's school department undertakes repairs
2 eligible for school housing aid reimbursement and funds such repairs from the school district's
3 budget, as opposed to the community's municipal budget, then the reimbursement aid would be
4 paid directly to the school department.

5 This act would take effect upon passage.

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