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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 Pichardo, Kettle, P Fogarty, Bates, and Crowley

Date Introduced: February 28, 2013

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

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

3 **16-7-41.1. Eligibility for reimbursement.** -- School districts, not municipalities, may
4 apply for and obtain approval for a project under the necessity of school construction process set
5 forth in the regulations of the board of regents for elementary and secondary education. Such
6 approval will remain valid until June 30 of the third fiscal year following the fiscal year in which
7 the board of regents for elementary and secondary education's approval is granted. Only those
8 projects undertaken at school facilities under the care and control of the school committee and
9 located on school property may qualify for reimbursement under sections 16-7-35 -- 16-7-47.
10 Facilities with combined school and municipal uses or facilities that are operated jointly with any
11 other profit or non-profit agency do not qualify for reimbursement under sections 16-7-35 -- 16-7-
12 47. Projects completed by June 30 of a fiscal year are eligible for reimbursement in the following
13 fiscal year. A project for new school housing or additional housing shall be deemed to be
14 completed when the work has been officially accepted by the school committee or when the
15 housing is occupied for its intended use by the school committee, whichever is earlier.

16 ~~Notwithstanding the provisions of this section, the board of regents shall not grant final~~
17 ~~approval for any project between June 30, 2011 and June 30, 2014 except for projects that are~~
18 ~~necessitated by immediate health and safety reasons. In the event that a project is requested~~
19 ~~during the moratorium because of immediate health and safety reasons, those proposals shall be~~

1 ~~reported to the chairs of the house and senate finance committees.~~

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

8 SECTION 2. Chapter 16-7 of the General Laws entitled "Foundation Level School
9 Support" is hereby amended by adding thereto the following section:

10 **16-7-41.2. School modernization and reconstruction trust fund.** – (a) As used in this
11 section, the following words shall, unless the context requires otherwise, have the following
12 meanings:

13 (1) "Corporation" means the Rhode Island health and educational building corporation,
14 established pursuant to chapter 45-38.1, the "Rhode Island Health and Educational Building
15 Corporation Act."

16 (2) "Dedicated sales tax revenue amount" means all moneys received by the state equal to
17 1 percent (1%) of the following taxes set forth in chapter 44-18 ("Sales and Use Taxes – Liability
18 and Computation"); sales taxes pursuant to section 44-18-18; local meals and beverage taxes
19 pursuant to section 44-18-18.1; and use taxes pursuant to section 44-18-20.

20 (3) "Receipts from sales" means gross receipts from nonexempt sales, less amounts
21 abated or reimbursed.

22 (4) "Sales price of purchases" means sales price of nonexempt purchases, less amounts
23 abated or reimbursed.

24 (b) There shall be established a separate fund from the general fund, to be known as the
25 school modernization and reconstruction trust fund. There shall be credited to the fund the
26 dedicated sales tax revenue amounts collected. Annual receipts into the fund on account of any
27 fiscal year shall be considered to meet the full obligation of the state to the corporation for such
28 fiscal year.

29 (c) Amounts in the fund shall be held by the state treasurer or his or her designee, as
30 trustee and not on account of the state, exclusively for the purposes of the corporation, and the
31 state treasurer shall disburse amounts in the fund to the corporation, without further
32 appropriation, upon the request from time to time of the chairperson of the corporation. All
33 amounts in the fund, including investment earnings, shall be available for expenditure by the
34 corporation for any lawful purpose, including without limitation payment of debt service on debt

1 obligations issued by the corporation, and may be pledged to secure debt of the corporation in
2 such manner and according to such priority as the corporation may determine.

3 (d) The corporation shall certify annually to the treasurer as trustee with copies provided
4 to the clerks of the house and senate and to the house and senate finance committees that it has
5 made provision in its annual budget for sufficient amounts to be available to meet debt service
6 payments or other payments due under financing obligations, including, without limitation, leases
7 or grant obligations.

8 (e) Subject to applicable restrictions contained in any bond resolution, trust or security
9 agreement or credit enhancement agreement, surety bond or insurance policy related to
10 indebtedness incurred by the corporation, including without limitation coverage requirements, if
11 the corporation shall determine that the balance of the fund exceeds the amount necessary to
12 achieve the purposes of the corporation, including, without limitation, to meet debt service
13 payments, lease payments and grant obligations, the corporation may transfer the excess amount
14 to the state.

15 (f) In order to increase the marketability of any bonds or notes of the trust which may be
16 secured by or payable from amounts held in the fund, the sums to be credited to the fund are
17 hereby impressed with a trust for the benefit of the trust and the holders from time to time of the
18 bonds or notes, and in consideration of the acceptance of payment for the bonds or notes, the state
19 covenants with the purchasers and all subsequent holders and transferees of the bonds or notes
20 that while the bond or note shall remain outstanding, and so long as the principal of or interest on
21 the bond or note shall remain unpaid, the sums to be credited to the fund shall not be diverted
22 from the control of the trust and, so long as the sums are necessary, as determined by the
23 corporation in accordance with any applicable bond resolution, trust or security agreement or
24 credit enhancement agreement, surety bond or insurance policy related to indebtedness incurred
25 by the trust, for the purposes for which they have been pledged.

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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1 This act would establish the Rhode Island School Modernization and Reconstruction
2 Trust Fund. The fund would be funded through the state sales and use taxes, as well as the meals
3 tax. The purpose of the fund would be to provide a new mechanism for funding building projects
4 through the Rhode Island Health and Educational Building Corporation. This act would also
5 repeal a current moratorium on granting approval for certain new school building construction
6 projects.

7 This act would take effect upon passage.

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