

2015 -- S 0841

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

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A N A C T

RELATING TO EDUCATION - FOUNDATION LEVEL SCHOOL SUPPORT

Introduced By: Senators Metts, Goodwin, Ruggerio, Ciccone, and Goldin

Date Introduced: April 15, 2015

Referred To: Senate Finance

(by request)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 16-7-41 of the General Laws in Chapter 16-7 entitled "Foundation
2 Level School Support [See Title 16 Chapter 97 - The Rhode Island Board Of Education Act]" is
3 hereby amended to read as follows:

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

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

1 years for projects up to three million dollars (\$3,000,000); and up to twenty (20) years for
2 projects over three million dollars (\$3,000,000).

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

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

18 (d) Notwithstanding any provisions of law to the contrary, in connection with the
19 issuance of refunding bonds benefiting any local community, any net interest savings resulting
20 from the refunding bonds issued by such community or a municipal public buildings authority for
21 the benefit of the community or by the Rhode Island health and educational building corporation
22 for the benefit of the community, in each case in support of school housing projects for the
23 community, shall be allocated between the community and the state of Rhode Island, by applying
24 the applicable school housing aid ratio at the time of issuance of the refunding bonds, calculated
25 pursuant to § 16-7-39, that would otherwise apply in connection with school housing projects of
26 the community; provided however, that for any refundings ~~that occur between July 1, 2013 and~~
27 ~~December 31, 2015~~, the community shall receive eighty percent (80%) of the total savings and
28 the state shall receive twenty percent (20%). In connection with any such refunding of bonds, the
29 finance director or the chief financial officer of the community shall certify such net interest
30 savings to the commissioner of elementary and secondary education. Notwithstanding § 16-7-44
31 or any other provision of law to the contrary, school housing projects costs in connection with
32 any such refunding bond issue shall include bond issuance costs incurred by the community, the
33 municipal public buildings authority or the Rhode Island health and educational building
34 corporation, as the case may be, in connection therewith. In connection with any refunding bond

1 issue, school housing project costs shall include the cost of interest payments on such refunding
2 bonds, if the cost of interest payments was included as a school housing cost for the bonds being
3 refunded. A local community or municipal public buildings authority shall not be entitled to the
4 benefits of this subsection (d) unless the net present value savings resulting from the refunding is
5 at least three percent (3%) of 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 (g) For purposes of financing or refinancing school facilities in the city of Central Falls
31 through the issuance bonds through the Rhode Island Health and Educational Building
32 Corporation, the city of Central Falls shall be considered an "educational institution" within the
33 meaning of subdivision 45-38.1-3(13) of the general laws.

1 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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RELATING TO EDUCATION - FOUNDATION LEVEL SCHOOL SUPPORT

- 1 This act would remove the sunset date of December 31, 2015 relating to the distribution
- 2 of savings between the state and any local community resulting from refunding bonds.
- 3 This act would take effect upon passage.

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