



SENATE FISCAL OFFICE
REPORT

SENATE TASK FORCE ON SCHOOL HOUSING AID

FINDINGS AND RECOMMENDATIONS

APRIL 16, 2014

Senate Task Force on School Housing Aid

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The full report as well as videos of the hearings and copies of distributed materials can be found at <http://www.rilin.state.ri.us/commissions/schoolhousing/pages/members.aspx>.



RHODE ISLAND SENATE
TASK FORCE ON SCHOOL HOUSING AID

I am pleased to submit these findings and recommendations on behalf of the Senate Task Force on School Housing Aid. With the expiration of the school housing aid moratorium on June 30, 2014, now is the time to clarify the goals of the state housing aid program and have an in-depth discussion of how the program works and where opportunities for improvement exist. The Rhode Island Department of Elementary and Secondary Education estimates that the moratorium, which began in FY2012, has resulted in a backlog of school housing projects totaling \$600.0 million. In addition, last year the Department published the *Public Schoolhouse Assessment*, which estimates that the total cost to bring all 276 district schools up to good condition will be \$1.8 billion. If we do not find new and innovative ways to manage and fund school construction, our school housing aid program will become unsustainable and our schools uninhabitable.

Over the course of several hearings, the Task Force heard testimony from local and national experts in the field of school housing aid, as well as from concerned citizens and organizations. We learned, among other things, that by shifting from the current build-and-borrow to a pay-as-you-build funding mechanism we could reduce costs by 40.0 percent, which is the average amount of housing aid reimbursements that fund bond interest today.

The recommendations of the Task Force outline a 10-year plan to meet the housing deficiencies identified by the Rhode Island Department of Elementary and Secondary Education while ensuring the maximum savings for state taxpayers through the implementation of innovative financing techniques and maximization of consolidation opportunities to exit underutilized facilities.

I am grateful to every member of the Task Force for their time and commitment, as well as their insightful observations and questions, and I want to express my gratitude to the dedicated experts who took time to inform and educate the Task Force. I also want to thank the professionals at the Department of Education whose dedication and hard work made the mission of the Task Force attainable.

In closing, I would like to remind us all of the following charge from Article XII of the Rhode Island Constitution:

"Duty of general assembly to promote schools and libraries. -- The diffusion of knowledge, as well as of virtue among the people, being essential to the preservation of their rights and liberties, it shall be the duty of the general assembly to promote public schools and public libraries, and to adopt all means which it may deem necessary and proper to secure to the people the advantages and opportunities of education and public library services."

Thank you,

A handwritten signature in black ink, appearing to read "Ryan W. Pearson".

Senator Ryan W. Pearson
District 19, Cumberland and Lincoln

Executive Summary

The expiration of the moratorium on school housing aid at the end of FY2014 triggers a need to review the current school housing aid program to determine the long-term financial viability of the program, while ensuring safe and modern schools across Rhode Island. The Senate Task Force on School Housing Aid was created to address this need through the development of a 10-year plan to meet the housing deficiencies identified by the Rhode Island Department of Elementary and Secondary Education (RIDE) while ensuring the greatest savings for state taxpayers through the implementation of creative financing techniques and the maximization of consolidation opportunities to exit underutilized facilities.

KEY FINDINGS

Based on testimony received during the public hearings, the Task Force made the following key findings:

- Based on the Department's *Public Schoolhouse Assessment*, the total estimated cost to bring all 276 district schools up to good condition is \$1.8 billion. The estimated need is, however, based on self-reported information and does not provide an objective, uniform, statewide assessment of facility needs. The analysis also does not provide a time-lapsed or by-district view of needs to estimate state obligations.
- Approvals from the Board of Education for Necessity of School Construction projects have ranged from \$22.0 million under the moratorium in FY2011 to \$265.0 million in FY2007, averaging \$74.8 million per year.
- The school construction policies should encourage districts to reduce excess capacity through means such as partnering with other districts, closing buildings, and altering grade configurations in certain buildings to maximize the use of square feet.
- Prior to meeting any new obligations to improve these facilities, legacy reimbursement programs continue to obligate the state to appropriate funds for projects completed by June 30, 2014, costing an average of approximately \$53.0 million annually from FY2015 through FY2025, or a total of about \$582.0 million.
- On average, approximately 40.0 percent of housing aid reimbursements fund bond interest rather than school improvements due to the historical reliance on bonding.
- The current housing aid program is not sustainable as it lacks any prioritization or cap on funds. Budgeted out-year forecasts understate the state budget structural deficit if the program continues as is post moratorium.

RECOMMENDATIONS

The Task Force submits the following recommendations to frame the 10-year plan to meet the housing deficiencies outlined by RIDE, ensure the greatest savings for state taxpayers through alternative financing techniques, and maximize consolidation opportunities to exit underutilized facilities.

State Infrastructure Authority: Create a statewide infrastructure authority as a quasi-public agency empowered to manage the school housing aid program, and other state infrastructure programs through the consolidation of existing state and quasi-public functions, including the Rhode Island Clean Water Finance Agency, the Rhode Island Health and Educational Building Corporation (RIHEBC), and the School Housing Aid program at RIDE.

- The Board would consist of seven members: State Treasurer (Chair), Director of Administration, Commissioner of Elementary and Secondary Education, and four additional members appointed by the Governor and confirmed by the Senate who are professionals in construction, engineering, and public financing.

- The authority would be required to annually prioritize approved projects based on available funding. However, to ensure that all the LEAs are able to participate in the program, 50.0 percent of annual project resources shall be made available to fund projects in each LEA prior to allocation to the priority list.

Statewide Facility Assessment: Conduct a statewide, on-site facility assessment every five years, starting in 2014, designed to develop a consistent and refreshed cost estimate of need over each of the next ten years.

Designated Funding Stream: Shift the major project reimbursement program from bonding grants to pay-as-you-build funding to reduce overall bonding and interest costs, and earmark 1.0 percentage point of the State's 7.0 percent sales tax beginning in FY2016, a sustainable revenue stream, to meet the financial needs of running the authority and funding school construction programs.

Create Alternative Funding Mechanisms:

- Establish a revolving loan fund for smaller school upgrades/improvements offering LEAs a low-cost option to complete projects.
- Create an additional trust fund for school housing purposes encouraging opportunities for non-profits and foundations to contribute to school projects. Provide up to 10 percentage point bonuses on state reimbursement of projects for those where 10.0 percent or more of total project costs are funded by non-profits or foundations.
- Promote energy efficient facility improvements and other net present value (NPV) positive investments through incentive point bonuses.

Maximize Utilization and Reduce Statewide Stock of School Buildings:

- Allow overcrowded districts to send students to LEAs with excess capacity, pursuant to agreements negotiated between the relevant districts.
- Require annual maintenance of facilities as a condition of state housing aid, mandate 2.5 percent of local budgets annually go to facility upgrades/improvements, and ensure funding programs, such as a revolving loan fund for school districts, are in place to assist school districts with maintenance.
- Encourage LEAs through reimbursement ratio point bonuses and penalties to maximize utilization of school facilities to minimize excess capacity, including incentives to reduce the statewide stock of school buildings and through inter-district enrollment.
- Centralize state resources to career, technical and vocational education into a few institutions statewide to ensure each has sufficient technology and capital funding.

Implementation Timeline:

- June 2014 - Existing moratorium sunsets. Former program and funding streams remain in place: projects will continue to be approved through RIDE.
- July 2014 - RIDE begins statewide assessment.
- January 2015 - Governor nominates new Infrastructure Authority Board Members.
- February 2015 - RIDE completes statewide schoolhouse assessment.
- March 2015 - RI Infrastructure Authority is established encompassing RIHEBC, RIDE School Construction Staff, and the Rhode Island Clean Water Finance Agency.
- June 2015 - Authority promulgates revised housing aid programs.
- July 2015 - Dedicated funding stream to authority begins – 1.0 percentage point of sales tax.

Hearing Summaries

The Task Force held four meetings to explore and analyze the issues surrounding school housing in Rhode Island by gathering information from local and national experts in the field of school housing aid, as well as concerned organizations and citizens.

THE RHODE ISLAND SCHOOL HOUSING AID PROGRAM

The Task Force met on January 9, 2014, for an overview of the current program, including the goals, process, regulations, and the impact of the moratorium. Joseph P. DaSilva, NCARB, REFP LEED AP, the School Construction Coordinator at the Rhode Island Department of Education presented. Following is a summary of the presentation.

- The goal of the current school housing aid program is to ensure that approvals for school construction reflect a statewide perspective, establish statewide uniformity in the quality of school buildings, and meet the needs of the district.
- Students need a safe, healthy school environment in order to learn and achieve at the highest levels. A safe, healthy building must be thermally, acoustically, and visually comfortable to students and educators, as well as responsive to curriculum and educational philosophy. School-age children spend more time in schools than any other building other than their home.
- The State's role in school construction includes establishing standards for design and construction to ensure a safe, healthy learning environment across all districts, and preventing the cost of school housing from interfering with the effective operation of schools through an equitable and sustainable funding program.
- The School Construction Regulations, enacted by RIDE, set standards for design and construction of school buildings which apply to all new school construction and school renovations projects where the total cost exceeds \$500,000. LEAs that exceed the regulatory standards can still acquire project approval; however, the LEA must bear the full cost of any portions of the project that exceed the standards, as that portion is not eligible for housing aid reimbursement.
- The regulations require all districts that seek reimbursement to develop, implement, and maintain an asset protection plan for every school building in the district, not just those for which aid is sought. This preventive maintenance prolongs building life and reduces long-term costs. Districts do not receive project approval from the Board of Education if they have not spent at least 50.0 percent of their asset protection budget in each of the previous three years prior to application.
- Due to the implementation of fiscally-prudent school construction regulations, the new approvals for Necessity of School Construction were reduced from a 10-year average of \$182.7 million to an average of \$74.8 million in the last three years prior to the moratorium. The regulations require educational facility planning to develop a master plan addressing district enrollment trends, physical plant conditions, and educational framework.
- The three-year moratorium on school construction approvals, except for projects necessitated by immediate health and safety, has created a backlog of projects, such as energy savings, educational program improvements, and other general repairs. RIDE estimates \$600.0 million of work has been deferred as a result.
- The Board of Education approves all projects; larger projects can take three to five years to complete after Board approval.
- The State reimburses cities and towns for a share of school capital projects, including principal and interest. A district's reimbursement rate (share ratio) is based on the municipality's assessed property

values (wealth) and average daily membership (attendance) compared to aggregate state wealth and attendance. State share ratios for districts range from 95.0 percent to 35.0 percent, with charter schools receiving 30.0 percent. Bonuses are available including 4.0 percent for projects where at least 75.0 percent of costs are for energy conservation, asbestos removal, and/or handicapped access; and, for regionalized districts, 2.0 percent for each regionalized grade and 4.0 percent for renovation.

- On average, approximately 40.0 percent of housing aid reimbursements fund bond interest. Typically, districts bond for larger projects, which receive reimbursement for the life of the bond (typically 20 years).
- Legislation enacted in 2003 designated the Rhode Island Health and Educational Building Corporation (RIHEBC) as the issuer of tax exempt debt for municipal school projects. RIHEBC bonds receive A1 programmatic rating from Moody's, helping lower rated communities to obtain better interest rates. Effective 2003, interest is only reimbursed to communities that bond through RIHEBC.
- In 2013, legislation was enacted to allow communities to retain 80.0 percent of savings from the refunding of their schools bonds, for those refundings that occur between July 1, 2013, and December 31, 2015.
- Most of the projects approved by the Board are for repairs, not for new buildings.
- In FY2014, 10 districts are projected to seek immediate health and safety approvals for projects totaling approximately \$50.0 million.

THE CURRENT CONDITION OF RHODE ISLAND SCHOOLS AND CAPACITIES

The Task Force met on January 14, 2014, for an overview of the current condition and excess capacity of Rhode Island's public schools. Joseph P. DaSilva, NCARB, REFP LEED AP, the School Construction Coordinator at the Rhode Island Department of Education presented. Following is a summary of the presentation.

- Adequate facilities are a necessary part of a thorough and high performing education system.
- In the *Public Schoolhouse Assessment*, published in FY2013, RIDE analyzed data collected from the LEAs, including age, facility rating, enrollment, maintenance costs, and capital improvement expenditures. Through data analysis, GIS mapping, and inter-agency collaboration, the Department developed findings and recommendations to improve the financing, design, construction, and operation of school facilities in the State. When submitting the data, LEAs were asked to rate building conditions on a scale from 1 to 4, with 1 being in good condition, requiring general maintenance and minor repairs, and 4 being in poor condition, requiring major renovation and/or replacement.
- 70.0 percent of the State's schools were built 25 to 75 years ago, with an average age of 58 years.
- Student enrollments are projected to decline over the next five years in all but seven districts, with double digit declines in 12 districts. Middle schools currently have the largest percentage of excess capacity.
- In FY2012, the State had 276 school facilities operated by local school districts, 16 public charter schools, and eight career and technical centers.
- Based on the analysis, the total estimated cost is \$1.8 billion to bring all 276 district schools up to a 1 Rating. It does not include the 16 public charter schools in existence in FY2012 or the 8 district career and technical centers. Also, since the estimate is based on district-based, self-assessment, the estimated cost does not provide an objective, uniform, statewide assessment of facility need.
- In FY2012, the districts reported a combined building capacity of 165,761 seats and statewide enrollment of 134,521 students, leaving 31,240 excess seats (18.8 percent).

- Statewide, there is overcrowding at the elementary level and excess capacity at the middle schools.
- The projected statewide FY2017 enrollment of 131,965 represents a 1.9 percent decrease from FY2012.
- During FY2017, 25 districts will have projected excess capacity of at least 16.0 percent or greater, with a combined maintenance and utility cost of \$21.5 million annually.
- The FY2013 Budget as Enacted provided \$20.0 million in certificates of participation for upgrades to the technology infrastructure of LEAs.
- Since the elementary schools do not have much excess capacity and it is hard to find schools with classrooms that meet the code requirements for kindergarten, we will see necessity for additions to accommodate full-day kindergarten.
- RIDE makes the following recommendations:
 - Encourage LEAs to investigate opportunities for maximum utilization of school facilities.
 - Promote energy savings through facility improvements.
 - Encourage LEAs to establish and use capital reserve funds. The majority of districts do not have a capital reserve fund.
 - Reduce the minimum share ratio.
 - Establish a State capital reserve fund.
 - Limit costs associated with bonding and consider a mechanism to allow LEAs with poor bond ratings to borrow at lower interest rates.

COMPARING RHODE ISLAND TO OTHER STATES

The Task Force met on January 28, 2014, for a presentation and discussion on best practices and how the Rhode Island School Housing Aid Program compares to other states. Michael Griffith, Senior Policy Analyst, from the Education Commission of the States presented. Following is a summary of the presentation.

- The first steps in creating a capital funding plan include conducting a needs assessment, based on a professional survey of schools; a determination of priorities; and, the codification of building options the state will not fund, such as auditoriums or swimming pools.
- In determining funding mechanisms, the state must determine an affordable level of spending; the intended length of the program, whether for a single-year, multiple years or indefinitely; and, whether the state will earmark a funding stream or appropriate annually.
- In FY2011, Rhode Island spent \$304 per pupil on school construction, relative to \$921 in Connecticut and \$855 in Massachusetts, as calculated by the United States Census.
- Currently, 25 states provide grants to districts for capital projects, allowing the state to equalize support based on district wealth and target funds based on statewide priorities. This includes all New England states.
- 10 states provide capital funding through a per-pupil allocation in the funding formula which provides districts with flexibility but assumes all the districts have the same capital needs.
- 12 states provide indirect capital funding such as debt service grants (8 states), bond guarantees (5 states), and loans (4 states).
- Connecticut provides school construction grants as part of a biennial, budget appropriation process. The state Department of Education continuously studies of the need for school facilities. The State

ranks projects based on health and safety needs, school environment, and capacity issues, but the Legislature does not have to follow the ranking or provide a specific amount of funding. The Commissioner of Education can approve projects for roofs and code violations outside of the legislative process. The program is funded through general obligation bonds: no state general revenues are used to fund the projects; however, the State does have to repay the bonds.

- Massachusetts created the Massachusetts School Building Authority (MSBA), a quasi-independent government authority, to reform the process of funding capital improvement projects in the Commonwealth's public schools. The MSBA is funded through a dedicated revenue stream of one penny of the state's 6.25 percent sales tax. In 2010, the State launched its second on-site, needs assessment of all public K-12 schools in the State, as required by the enabling statute: the first periodic Needs Assessment was completed in 2005. The MSBA has targeted funding to schools with the lowest assessed ratings, reflecting highest need; implemented a competitive grant program to invest in otherwise-sound high school facilities by focusing capital spending on prototype designs for science labs; and, launched the Vocational, Technical and Agricultural School Renew and Repair Program initiative. In Massachusetts, most of the schools in the lowest category were built before 1910 and it is difficult to deal with state mandates for old buildings.
- No perfect system, however, Massachusetts seems to have done it the best.
- One way to encourage districts to build capital reserve funds is to mandate a percentage of operating costs to be set aside from annual district budgets.
- Cost share models only work if districts can afford to pay their share.

PUBLIC COMMENT

The Task Force met on February 11, 2014, for a public comment period.

Stephen A. Nardelli, Executive Director, Rhode Island League of Charter Schools

- Charter schools are public schools, and yet they only qualify for a reimbursement of 30.0 percent under current law, whereas the minimum reimbursement for traditional public schools is 35.0 percent.
- The majority of charter schools rent or lease their facilities and fund facility expenses out of the operating budget, which can consume a significant portion of resources.
- The 30.0 percent reimbursement for school construction costs is roughly the national average.
- While a specific funding model was not recommended, the possibility of requiring districts to give charter schools access to vacant schools for \$1 per year was highlighted.
- The Rhode Island League of Charter School's report, *An Analysis of the Charter School Facility Landscape in Rhode Island*, is available at <http://www.richarterschools.com/wp-content/uploads/2012/11/Charter-School-Facilities-Report-FINAL-2013-2.pdf>.

Timothy C. Duffy, Executive Director, Rhode Island Association of School Committees (RIASC)

- RIASC supports the expiration of the moratorium and is concerned that, even with the expiration, some districts may be unable to pass a referendum to borrow for housing construction due to the economic times, creating larger facility gaps between districts. Providence is the only district in the State that can accrue debt without voter approval.
- Perhaps consider creation of a revolving fund for school construction, similar to the new Municipal Road and Bridge Revolving Fund.
- Charter schools are different from municipally-owned buildings where the municipality assumes the debt.

- Recommends allowing moratorium to expire and implementing a funding mechanism that does not necessitate a district referendum.

Gregory A. Mancini, Executive Director and General Counsel, BuildRI

- There is currently an unemployment rate of 40.0 percent in Rhode Island's construction industry; consequently, the industry is ready, willing, and able to provide any form of expedited construction.
- Historically, governments would increase infrastructure work in a down economy to stimulate jobs: Rhode Island imposed a school housing moratorium contributing to the unemployment rate in the construction industry in the State.
- The debt costs associated with bond issuance are expensive and reduce the funds available for actual construction.
- Supports implementation of a funding mechanism similar to the Municipal Road and Bridge Revolving Fund.

Paul MacDonald, representing Building Trades

- Supports investing in facilities to raise the standards of schools and to help with 40.0 percent unemployment over last 4-5 years.

Bill Bryant, Gilbane

- Speaking as a 32-year Rhode Island resident, who raised children in Rhode Island and sent them through public schools, as well as working for Gilbane Building Company, one of largest builders of schools in the United States and the largest in Rhode Island.
- The assessment report by the Department does not address the issue of upgrading school space for the best educational practices.
- Education is the foundation for economic development and a state cannot deliver a first-class education in second-rate facilities.

Christine Lopes Metcalf, Executive Director, RI-CAN

- How current the housing aid program falls short:
 - Barriers, such as challenges obtaining bonded debt, lengthy process, and low reimbursement rates for public charter schools, make program funding inaccessible at times.
 - The system is not effective at strategically directing funds.
 - The program is unreliable due to the moratorium.
- Recommendations:
 - Improve access by lowering amount LEAs must finance and look at the Massachusetts pay-as-you-go model.
 - Create a new set of programs, such as a revolving loan fund, financial hardship loans, and a rubric to define funding based on priorities.
 - Treat all public schools fairly and equitably by including charter schools.
 - Create a separate authority to manage facility funding, for an example look at Massachusetts.
 - Secure sustainable funding, possibly through a dedicated revenue stream and/or a state capital reserve fund.

The RI-CAN's full report, *Great Schoolhouses for All*, is available at http://ri-can.org/sites/ri-can.org/files/RI-CAN-Facilities-Report_FINAL.pdf.

Findings of the Task Force

Based on testimony received during the public hearings, the Task Force concluded the following.

- Approvals for Necessity of School Construction average \$74.8 million per year.
- On average, approximately 40.0 percent of housing aid reimbursements fund bond interest rather than school improvements due to the historical reliance on bonding.
- In FY2011, Rhode Island spent \$304 per pupil on school construction, relative to \$921 in Connecticut and \$855 in Massachusetts, as calculated by the United States Census.
- During FY2017, 25 districts will have projected excess capacity of at least 16.0 percent or greater, with a combined maintenance and utility cost of \$21.5 million annually.
- The school construction policies should encourage districts to reduce excess capacity through means such as partnering with other districts, closing buildings, and altering grade configurations in certain buildings to maximize use of square feet.
- In the *Public Schoolhouse Assessment*, published in FY2013, the Rhode Island Department of Education (RIDE) analyzed data collected from the LEAs, including age, facility rating, enrollment, maintenance costs, and capital improvement expenditures. When submitting the data, LEAs were asked to rate building conditions on a scale from 1 to 4, with 1 being in good condition, requiring general maintenance and minor repairs, and 4 being in poor condition, requiring major renovation and/or replacement.
- Based on RIDE's analysis, the total estimated cost is \$1.8 billion to bring all 276 district schools up to a 1 Rating. The estimated need is, however, based on self-reported information and does not provide an objective, uniform, statewide assessment of facility needs. The analysis also does not provide a time-lapsed or by-district view of needs to estimate state obligations.

Condition of Rhode Island Schools

Facility Condition	Number of Schools	Construction Needs	Average Cost per Square Foot	Estimated Cost to Bring Facilities to 1 Rating ¹
1 Good Condition	68	General Maintenance	\$3	\$16,153,253
2 Generally Good Condition, some system needs	137	Minor Renovations	86	943,116,420
3 Fair to Poor Condition	39	Moderate to Major Renovation	147	492,582,741
4 Poor Condition	14	Major Renovations or Replacement	273	338,283,855
Unrated ²	18			
Total	276			\$1,790,136,269

¹ Calculated based on square foot cost estimates, condition ratings, and actual square footage. Estimated cost does not include savings from potential efficiencies in facility utilization through consolidation.

² Buildings distributed as follows: Chariho (1), Johnston (8), Pawtucket (1), Providence (7), and Warwick (1).

Source: "FY2013 Public Schoolhouse Assessment," Rhode Island Department of Elementary and Secondary Education.

- Prior to meeting any obligations to improve these facilities, legacy reimbursement programs continue to obligate the state to appropriate funds for projects completed by June 30, 2014, will cost an average of approximately \$53.0 million annually from FY2015 through FY2025, or a total of about \$582.0 million. Obligations in FY2015 are anticipated to be approximately \$68.0 million, trending down to \$38.5 million by FY2025.
- The current five-year budget forecast includes \$68.0 million in FY2015 growing to \$70.4 million in FY2019.
- The regulations require all districts that seek reimbursement to develop, implement, and maintain an asset protection plan for every school building in the district, not just those for which aid is sought;

however, districts only need to spend 50.0 percent of their self-determined, asset protection budget in the each of the previous three fiscal years to be eligible to receive project approval from the Board of Education.

- For many communities, the lack of annual maintenance and repair funding has led to a pattern of schools falling into disrepair and then needing substantial renovation where state reimbursements are provided. Some districts have had difficulty obtaining voter approval for bonds especially due to the current need to bond for the entire amount including state reimbursement.
- The current housing aid program is not sustainable as it lacks any prioritization or cap to funds. Budgeted out-year forecasts understate the state budget structural deficit if the program continues as is post moratorium.
- The first steps in creating a capital funding plan include conducting a needs assessment, based on a professional survey of schools; a determination of priorities; and, the codification of building options the State will not fund, such as auditoriums or swimming pools.

Task Force Recommendations

The Task Force submits the following recommendations to frame the 10-year plan to meet the housing deficiencies outlined by the Rhode Island Department of Elementary and Secondary Education (RIDE), ensure the greatest savings for state taxpayers through alternative financing techniques, and maximize consolidation opportunities to exit underutilized facilities.

State Infrastructure Authority: Create a statewide infrastructure authority as a quasi-public agency empowered to manage the school housing aid program, and other state infrastructure programs through the consolidation of existing state and quasi-public functions, including the Rhode Island Clean Water Finance Agency, the Rhode Island Health and Educational Building Corporation (RIHEBC), and the School Housing Aid program at RIDE.

- The Board would consist of seven members: State Treasurer (Chair), Director of Administration, Commissioner of Elementary and Secondary Education, and four additional members appointed by the Governor and confirmed by the Senate who are professionals in construction, engineering, and public financing.
- The authority would be required to annually prioritize approved projects based on available funding. However, to ensure that all the LEAs are able to participate in the program, 50.0 percent of annual project resources shall be made available to fund projects in each LEA prior to allocation to the priority list.

Statewide Facility Assessment: Conduct a statewide, on-site facility assessment every five years, starting in 2014, designed to develop a consistent and refreshed cost estimate of need over each of the next ten years.

Designated Funding Stream: Shift the major project reimbursement program from bonding grants to pay-as-you-build funding to reduce overall bonding and interest costs, and earmark 1.0 percentage point of the State's 7.0 percent sales tax beginning in FY2016, a sustainable revenue stream, to meet the financial needs of running the authority and funding school construction programs.

Create Alternative Funding Mechanisms:

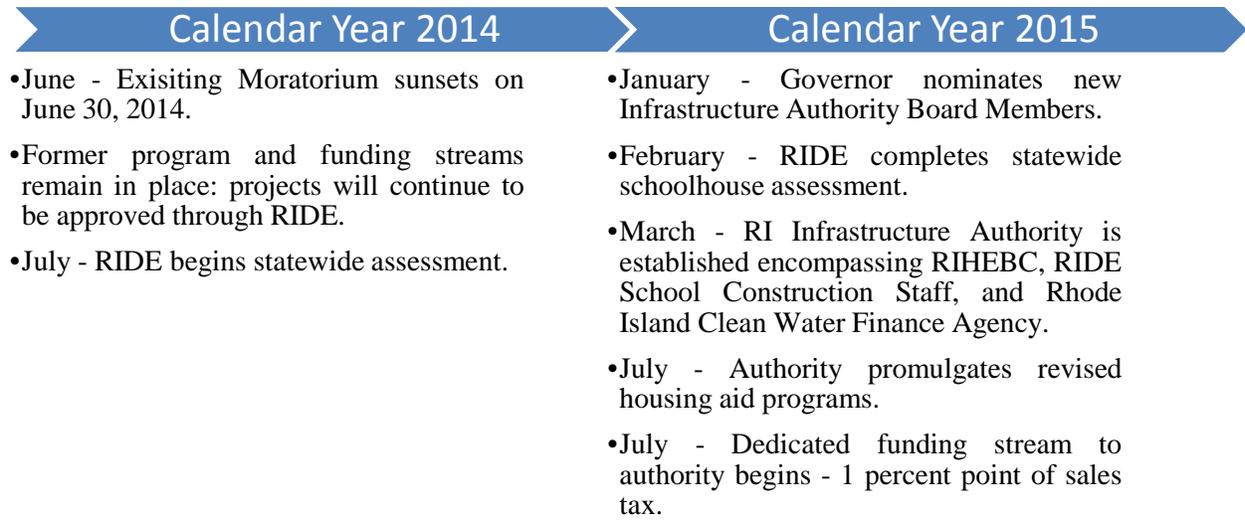
- Establish a revolving loan fund for smaller school upgrades/improvements offering LEAs a low-cost option to complete projects. Create an additional trust fund for school housing purposes encouraging opportunities for non-profits and foundations to contribute to school projects. Provide up to 10 percentage point bonuses on state reimbursement of projects for those where 10.0 percent or more of total project costs are funded by non-profits or foundations.
- Promote energy efficient facility improvements and other net present value (NPV) positive investments through incentive point bonuses. NPV is a standard method of using the time value of money to appraise long-term projects and investments.

Maximize Utilization and Reduce Statewide Stock of School Buildings:

- Allow overcrowded districts to send students to LEAs with excess capacity, pursuant to agreements negotiated between the relevant districts.
- Require annual maintenance of facilities as a condition of state housing aid, mandate 2.5 percent of local budgets annually go to facility upgrades/improvements, and ensure funding programs, such as a revolving loan fund for school districts, are in place to assist school districts with maintenance obligations.

- Encourage LEAs through reimbursement ratio point bonuses and penalties to maximize utilization of school facilities to minimize excess capacity, including incentives to reduce the statewide stock of school buildings and through inter-district enrollment.
- Centralize state resources to career, technical and vocational education into a few institutions statewide to ensure each has sufficient technology and capital funding.

Implementation Timeline



Senate Fiscal Office

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Economic Development Corporation
Ethics Commission
General Treasurer
Human Rights Commission
Labor and Training
Military Staff
Public Utilities Commission
Quonset Development Corporation

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Elementary and Secondary Education
Environmental Management
Narragansett Bay Commission
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Historic Preservation and Heritage Commission
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Child Advocate
Children, Youth, and Families
Commission on Deaf and Hard of Hearing
Commission on Disabilities
Health
Human Services
Mental Health Advocate