



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUDGET OFFICE
One Capitol Hill
Providence, R.I. 02908-5886

Memorandum

To: The Honorable Steven M. Costantino
Chairman, House Finance Committee

The Honorable Daniel DaPonte
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: March 12, 2010

Subject: Revised Article 14 for FY 2011 Appropriations Act (10-H-7397)

The Governor requests Article 14 of the FY 2011 Appropriations Act entitled "Relating to School Housing Aid" be replaced with the attached version. The revised version restores language that was struck in section 16-7-41 in the original amendment. The department and RIHEBC expressed concern that deleting that language would force a change in how housing aid reimbursement is calculated. In section 16-7-45 language is added that specifies a repayment schedule over three years and also excludes amounts to be deferred if they are under \$500,000. The revised language is indicated by shading.

If you have any questions regarding the revised article, please feel free to call me at 222-6300 or Carolyn Dias at 222-4645.

TAM:sm 10-25

Attachment

cc: Representative Robert A. Watson
Senator Dennis L. Algieri
Sharon Reynolds Ferland
Peter Marino
Tim Costa
Michael Cronan
Rosemary Booth Gallogly
Carolyn Dias
William Trimble
Gregory Stack

ARTICLE 14 (Revised 3/9/10)

RELATING TO SCHOOL HOUSING AID

SECTION 1. Sections 16-7-41 and 16-7-45 of the General Laws in Chapter 16-7 entitled “Foundation Level School Support” are hereby amended to read as follows:

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

The cost of each new school housing project certified to the commissioner of elementary and secondary education not later than July 15 of the fiscal year shall be divided by the actual number of years of the bond issued by the local community or the Rhode Island Health and Educational Building Corporation in support of the specific project, times the school housing aid ratio; and provided, further, with respect to costs of new school projects financed with proceeds of bonds issued by the local community or the Rhode Island Health and Educational Building Corporation in support of the specific project, the amount of the school housing aid payable in each fiscal year shall not, except to the extent permitted by Section 16-7-45, exceed the amount arrived at by multiplying the principal and interest of the bonds payable in each fiscal year by the school housing aid ratio and which principal and interest amount over the life of the bonds, shall, in no event, exceed the costs of each new school housing project certified to the commissioner of elementary and secondary education. If a community fails to specify or identify the appropriate reimbursement schedule, the commissioner of elementary and secondary education may at his or her discretion set up to a five (5) year reimbursement cycle for projects under five hundred thousand dollars (\$500,000); up to ten (10) years for projects up to three million dollars (\$3,000,000); and up to twenty (20) years for projects over three million dollars (\$3,000,000).

(b) Aid shall be provided for the same period as the life of the bonds issued in support of the project and at the school housing aid ratio applicable to the local community at the time of the bonds issued in support of the project.

(c) Aid shall be paid either to the community or in the case of projects financed through the Rhode Island Health and Educational Building Corporation, to the Rhode Island Health and Educational

Building Corporation or its designee including, but not limited to, a trustee under a bond indenture or loan and trust agreement, in support of bonds issued for specific projects of the local community in accordance with this section, § 16-7-40 and § 16-7-44. Notwithstanding the preceding, in case of failure of any city, town or district to pay the amount due in support of bonds issued on behalf of a city or town school project financed by the Rhode Island Health and Educational Building Corporation, upon notification by the Rhode Island Health and Educational Building Corporation, the general treasurer shall deduct the amount from aid provided under this section, § 16-7-40 and § 16-7-44 due the city, town or district and direct said funding to the Rhode Island Health and Educational Building Corporation or its designee.

(d) Notwithstanding any provisions of law to the contrary, in connection with the issuance of refunding bonds benefiting any local community, any net interest savings resulting from the refunding bonds issued by such community or a municipal public buildings authority for the benefit of the community or by the Rhode Island health and educational building corporation for the benefit of the community, in each case in support of school housing projects for the community, shall be allocated between the community and the state of Rhode Island, by applying the applicable school housing aid ratio at the time of issuance of the refunding bonds, calculated pursuant to § 16-7-39, that would otherwise apply in connection with school housing projects of the community. In connection with any such refunding of bonds, the finance director or the chief financial officer of the community shall certify such net interest savings to the commissioner of elementary and secondary education. Notwithstanding § 16-7-44 or any other provision of law to the contrary, school housing projects costs in connection with any such refunding bond issue shall include bond issuance costs incurred by the community, the municipal public buildings authority or the Rhode Island health and educational building corporation, as the case may be, in connection therewith. In connection with any refunding bond issue, school housing project costs shall include the cost of interest payments on such refunding bonds, if the cost of interest payments was included as a school housing cost for the bonds being refunded. A local community or municipal public buildings authority shall not be entitled to the benefits of this subsection (d) unless the net present value savings resulting from the refunding is at least three percent (3%) of the refunded bond issue.

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

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

§ 16-7-45 Annual appropriations. – The general assembly shall annually appropriate those sums that it may deem necessary to carry out the purposes of §§ 16-7-35 to 16-7-47, and the state controller is authorized and directed to draw his or her orders upon the general treasurer for the payment of the sum, or so much of it as may be required from time to time, upon the receipt by the controller of

properly authenticated vouchers. In the event that the full amount of housing aid has not been appropriated in a particular fiscal year, school housing aid will not be ratably reduced. In such cases, aid computed for school housing costs for debt service which has been paid by the local community prior to project completion will be deferred. Such aid will be paid in three equal installments beginning the fiscal year after project completion. This deferral provision shall only be applicable if the computed aid for debt service paid by the local community prior to project completion exceeds \$500,000.

SECTION 2. This article shall take effect upon passage, and shall apply to all projects that have not been fully reimbursed by July 1, 2010.