

# Housing Aid Reimbursement

## FY 2024

### Guidance and Instructions

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# Introduction

Learning Education Agencies (LEAs) that complete approved school housing projects for repair, renovation or new construction may be eligible for state housing aid reimbursement, as governed by Title 16, Chapter 7, Sections 35 to 47. This law is designed to guarantee adequate school housing for all public school children and prevent the cost of school housing from interfering with the effective operation of the schools.

**Housing Aid forms are due each year by July 15<sup>th</sup>.** The law specifies a range of requirements for aid including:

- the funding sources of the project;
- the percent paid to each district;
- eligible reimbursable costs; and
- the term or period over which the aid is paid.

## **Recent Legislative Changes**

*These instructions will be posted prior to the completion of the 2023 General Assembly session; therefore, any changes to the statutes made during this session will not be reflected in these instructions.*

The FY 2022 General Assembly enacted a new reporting requirement, for vacant school buildings. This information will now be captured in a new Housing Aid form, F-120.

Voters in November 2022 approved a second \$250 million statewide bond to provide PayGo funding for school construction projects. Funds are awarded upon Council approval of a Stage II Necessity of School Construction application. The \$250 million statewide bond approved by voters in November 2018 has been fully awarded.

The FY 2018 General Assembly enacted several changes to school housing aid that are now in effect:

- Beginning in FY 2019, the school housing aid ratio applicable to each community will be determined at the time of approval by the Council on Elementary and Secondary Education.
- LEAs can temporarily receive up to 20% additional housing aid bonuses, which are currently scheduled to sunset starting December 30, 2023. (See appendix 1)
- All projects must ensure that prevailing wage laws are followed, and that minority businesses reach a minimum of 10% of the value of the bid.
- Environmental site remediation and temporary swing space are now eligible expense for reimbursement.

- LEAs are required to [invest annually in ongoing maintenance](#). LEAs must meet one of three spending requires defined in statute. LEAs that do not meet this requirement will have housing aid directed to a restricted fund dedicated solely to meeting maintenance requirements.
- Beginning July 1, 2019, for projects over \$10 million adjusted for inflation, the LEA's prime contractor must be prequalified by the School Building Authority (SBA). For FY 2023 that threshold was \$11.6 million. For FY 2024 that threshold will be \$13.9 million.
- Beginning July 1, 2019, all projects over \$1.5 million adjusted for inflation, must include an Owner's Program Manager (OPM) and Commissioning Agent. For FY 2023 that threshold was \$1.7 million. For FY 2024 that threshold will be \$2.0 million.

In FY 2015, the General Assembly passed legislation that created a School Building Authority Capital Fund (SBA Capital Fund), which provides upfront progress payments.

- Projects selected for SBA Capital Funding and projects fully funded by pay-as-you-go **must not** be submitted for Housing Aid reimbursement. **Projects partially funded by pay-as-you-go requesting Housing Aid must report the portions of projects that have already received School Construction Aid on their F-105 forms.**

## **Reminders for FY 2024 Housing Aid**

- **Debt Service Schedule** – When submitting a new bond on Form 110, districts are required to submit the original bond amortization schedule from the lender and the lender documents detailing the sources and uses of funds resulting from the bond financing. These documents should be included with any district prepared spreadsheets that total the principal and interest by the state fiscal year (July 1 to June 30). The requirement to report interest income on bond proceeds after project completion will remain unchanged in order to net these earnings from reported interest for aid purposes over the life of the bond.
- **Signatures** – All forms require the superintendent and municipal finance officer's signature. A designee's signature will not be accepted without a formal letter to the Chief Executive Officer of the School Building Authority at RIDE from the applicable party stating that the designee has been given signing authority for the program.
- **Northeast Collaborative for High Performance Schools (NECHPS)** - Projects approved after the adoption of the School Construction Regulations (May 2007) must comply with NECHPS. In order to streamline the approval process, a Post Construction Certification form has been created which satisfies compliance. LEA's architect or engineer certifies that projects meet all applicable provisions of the School Construction Regulations and the Green Buildings Act, as documented through the NECHPS protocol compliance path. **This is required for projects over \$500,000.** The SBA can perform audits of these materials to verify compliance.
- **Bonus Certification Forms** - All projects seeking a Housing Aid bonus, must submit a separate Bonus Certification form signed by the Architect/Engineer and the Chair of the School Committee. Bonus Certification forms can be used for multiple projects that qualify for the same bonus. For example, the Health and Safety Deficiencies Certification

form can include up to seven (7) projects. In this example, districts can submit one form that includes all seven (7) projects instead of seven (7) different forms. **Projects cannot receive a bonus without a Bonus Certification Form.** Further information about the bonuses can be found in Appendix 1.

## **Calculation of State Aid**

Key points to remember that apply to both ways of calculating aid:

- **Aid begins after a project is complete**, not when a bond is issued.
- **Projects must be completed by June 30** to align housing aid payments to the state fiscal year. Projects missing the June 30 deadline will not receive aid until the next fiscal year.
- **Aid is paid the fiscal year after the project is completed in two installments** according to the debt service schedule, even if the bond has not been issued. For payments on RIHEBC-issued debt, one payment is in the fall and one in the spring. For payments on capital reserve-funded projects and non-RIHEBC debt, the two payments are equal and the first payment is paid by September 15 while the second payment is paid by March 15.
- Reimbursement ratios are calculated based on property values and student counts, pursuant to RIGL 16-7-39.

Districts provide the cost of the project and the related bond principal and interest schedule. The project cost and interest will be reimbursed as dictated in the bond amortization schedule, i.e. project cost will equal bond principal.

Aid is current, meaning aid calculated for FY 2024 will be based on principal and interest projected to be paid through June 30, 2024. The reimbursement percentage is held constant at the rate calculated at the time of Council on Elementary and Secondary approval.

If the bond is not issued prior to completion of the project, the project will be reimbursed based on the projected debt service schedule provided by the district. When the bond is issued, an adjustment will be made.

## **Program Restrictions**

The funding sources for school housing aid are limited to five options:

- general obligation bonds
- lease revenue bonds
- capital lease purchases
- capital reserve funds
- debt issued by RIHEBC

Projects cannot be paid out of operating funds. There must be a properly constituted capital reserve fund at the district and/or municipal level. Also, districts may only be reimbursed for interest payments if the bond is issued through RIHEBC, pursuant to RIGL 16-7-41.

## **Additional Restrictions**

- Equipment may not be reimbursed under school housing aid unless it is part of “furnishing and fitting” a new school, addition or major renovation. The term of any debt issued in support of a project shall not be longer than the useful life of the project.
- Categorically ineligible costs shall include the cost of legal services, municipal services, and the operation and routine maintenance of a school facility. Other ineligible costs include swimming pools, skating rinks, field houses, district administrative office space that is not incorporated into a school building, indoor tennis courts, and outdoor field surface materials on existing fields.
- Any other federal aid and other private or public funding, including capitalized interest, applied investment income, or debt service reserve funds, must be deducted from the cost of the project prior to requesting reimbursement.
- Only school districts (not municipalities) may apply for project approval under the necessity of construction process, and only those projects at school facilities under the care and control of the school committee qualify for aid. Facilities operated jointly with municipalities or other profit or non-profit entities do not qualify for aid.
- A new school is completed when it is occupied or officially accepted by the school committee as part of the school plant.
- Bond issuance costs are not reimbursable under housing aid. Demolition costs for surplus school buildings are not reimbursable under housing aid.
- Aid is only paid on capital lease purchase agreements and not on capital leases. The lease purchase agreement must demonstrate a direct benefit to the school, be located on school property, and exclude all non-capital costs such as maintenance.
- Districts must report all debt that has been refinanced or refunded to determine if aid should be recalculated based on a reduction in interest costs.

## **Reimbursement Schedule**

Projects are reimbursed over the same number of years as the term of the bond or lease issued in support of the project. Beginning in FY 2022, RIDE has been using a streamlined repayment cycle for projects supported by capital reserve funds in accordance with the schedule listed below:

<b>Capital Reserve Project Total Amount</b>	<b>Reimbursement paid over ...</b>
\$1 million or less	1 year
Greater than \$1 million, less than \$1.5 million	2 years
Equal or greater than \$1.5 million	3 years

## Use of the Forms

Housing aid is requested for a new project the year **before** that project is expected to be completed. This is done by completing a Form 100 and allows the project to be included in the aid projection for the next fiscal year. Payment for projects not submitted on a Form 100 can be withheld and paid in the subsequent year should state funding not be available.

When a project has actually been completed, aid is requested for the current fiscal year using Forms 105. It is possible to submit a 105 when a project is complete even if no bond/lease has been issued. In that case, a draft debt service schedule should be provided, and the actual debt service should be submitted when the bond is issued. **Districts submitting new construction or renovation projects exceeding \$500,000 on Form 105 must include a Post Construction Certification Form, Certificate of Occupancy, and Commissioning Report.**

Form 107 is used to report final maintenance spending expenditures for the year, and to report the shortfall (if any) that will be diverted from the housing aid payment.

Form 110 is used to report debt service (principal and interest payment) schedules for bonds and leases when they are issued or refinanced.

For refinancings, Form 110 is required so that we can update the bond information with the new interest rate, payment schedule, etc. Districts are required to compare the interest on the original bonds to the refinanced bonds to demonstrate the savings in bond interest. (See *Appendix 3 for more guidance on refinancings*)

Form 115 is used to report information on bonds/leases already issued and reported to RIDE and to track the refinancing of bonds.

Form 120 is new for FY 2024 and is to notify RIDE of surplus buildings.

Please note that all LEAs must complete Forms 107 and 115 each year unless they are charter schools that do not own any buildings. The other forms are completed only on an as needed basis as new projects are completed.

## Matching Projects to Council Approval

Only projects and the related costs approved by the Council on Elementary and Secondary Education are eligible for aid, and it is the obligation of the district to ensure that this takes place. Capital improvement projects submitted for reimbursement through housing aid must be tracked against these approvals to ensure that the total amount of work completed does not exceed the total amount of the current approval.

## Housing Aid Bonuses

There are currently eight bonuses available for certain projects, and most provide 5% increase to the percent reimbursed for that particular project in that particular year. They are:

1. School Safety and Security
2. Health and Safety Deficiencies
3. Educational Enhancements
4. Replacement of a facility with a Facility Condition Index (FCI) of 65% or Higher

5. Increased Utilization
6. Decrease Overcrowding
7. Newer and Fewer
8. Regional Repairs and Renovations (for Regional School Districts only)

More than one bonus can apply to a project, for a maximum total of 20% bonus incentives. For the bonuses to apply, districts **must** submit a signed Bonus Certification Form for each bonus sought. Bonus Certification Forms are not required for projected projects submitted on the F-100 form. Expanded guidance on bonuses is available in appendix 1.

## **How to Complete the Forms**

### **Form 100 (for projects expected to complete next year)**

This form is used for projects expected to be completed by June 30, 2024 that will receive aid in FY 2025.

- The project cost must be net of all other federal aid or private or public funding, including gifts, capitalized interest, and any other available funds.
- The reimbursement schedule will be either the actual or estimated term of the bond/lease or the number of years determined by the dollar amount for capital projects.
- The Municipal Finance Officer's signature is required on the Form 100. A designee's signature will not be accepted without a formal letter to Chief Executive Officer of the School Building Authority at RIDE from the applicable party stating that the designee has been given signing authority for the program.
- Form 100s need to be **resubmitted** if the project did not complete by June 30, 2023 and therefore does not qualify for FY 2024 aid. Projected projects identified on Form 100s in one year do not carry forward into the next year.
- Bonus Certification Forms are not required for projected projects.

### **Form 105 (for completed projects)**

This form is used for projects completed by June 30, 2023 that will receive aid in FY 2024.

- The project cost must be net of all other federal aid or private or public funding, including gifts, capitalized interest, and investment income on excess bond proceeds or reinvested housing aid.
- The reimbursement schedule will be either the actual or estimated term of the bond/lease or the number of years determined by the dollar amount for capital projects.

- For bond-funded projects the interest schedule is provided using Form 110 if the bond has been issued or else estimated through 6/30/2024 if the bond/lease has not been issued.
- Projects over \$500,000 are required to submit: 1) Certificate of Occupancy, 2) Commissioning Report, and 3) Post Construction Certification Form.
- The Municipal Finance Officer's signature is required on the Form 105. A designee's signature will not be accepted without a formal letter to the Chief Executive Officer of the School Building Authority at RIDE from the applicable party stating that the designee has been given signing authority for the program.
- Bonus Certification Forms **must be attached** for each bonus the project is applying for.
- By signing the form, the Superintendent and Municipal Finance Officer certify that the project complies with the requirements of RIGL 16-7-41-1, which includes using a prequalified prime contractor for projects over \$10 million adjusted for inflation, using an Owner's Program Manager and Commissioning Agent for all projects over \$1.5 million adjusted for inflation, and ensuring that prevailing wage laws and WMBE requirements have been met.

### **Form 110**

This form is used to report bond/lease principal and interest payments for original or refinanced bonds/leases. This form should be completed whenever the debt is issued regardless of when the project is completed.

- Attach the original amortization schedule and the lender document detailing the sources and uses of funds resulting from the bond financing that are included with the bond documents. Provide the **net** debt service schedule, which deducts applied funds, such as capitalized interest or investment income.
- For refinanced bonds, a spreadsheet comparing the remaining interest on the original bond and interest on the refinanced bond must also be submitted.
- The Municipal Finance Officer's signature is required on the Form 110. A designee's signature will not be accepted without a formal letter to the Chief Executive Officer of the School Building Authority at RIDE from the applicable party stating that the designee has been given signing authority for the program.

### **Form 115**

This form must be completed each year and is used to report current debt service payments and refinanced bonds/leases.

- You can enter the information directly on the form or prepare a spreadsheet showing the information requested. If you attach a separate spreadsheet please put the district name and form number on the spreadsheet.



- The Municipal Finance Officer's signature is required on the Form 115. A designee's signature will not be accepted without a formal letter to the Chief Executive Officer of the School Building Authority at RIDE from the applicable party stating that the designee has been given signing authority for the program.

**F-120**

- Report vacant buildings no longer used as educational facilities or buildings that are expected to become vacant in the next 6 months. If a building has received school housing aid from RIDE but not remained in service for fifty years, RIDE may recapture at its discretion a portion of the housing aid reimbursement.
- Please note, the School Construction Regulations require districts to notify RIDE in writing six months prior to the sale, lease, demolition, or other removal from service of any school facility in the district's jurisdiction. The notification must include the district's plan for accommodating any displaced school programs or services and a plan for accommodating district students within remaining school buildings as a result of this sale, lease, or removal from service.

**General Comments**

- Please do not submit information that has already been submitted to RIDE for review. For instance, RIDE does not need copies of the capital improvement plans attached to the housing aid forms. Also, if a bond schedule has already been submitted on a Form 110, please do not submit it again unless the bond has been refinanced.
- Housing Aid bonuses are only applied if they are checked off on the Housing Aid forms and include the applicable Bonus Certification Form. LEAs may be asked for supplemental information if bonuses are checked off.

***INCOMPLETE FORMS WILL NOT BE USED IN AID CALCULATIONS.  
IF REPEATED REQUESTS FOR ADDITIONAL INFORMATION GO  
UNANSWERED, PROJECTS WILL NOT BE ELIGIBLE FOR REIMBURSEMENT  
DURING THE FY 2024 AID CYCLE.***

**Definitions**

- 1) A general obligation bond is a bond issued by the city/town/regional school district that is secured by the pledge of tax revenues; these bonds are backed by the full faith and credit of the municipality.
- 2) A lease revenue bond is a bond issued by a public building authority (PBA) secured by lease payments that are backed by the municipality's commitment to make annual appropriations in support of the lease.
- 3) A capital lease purchase is a financial arrangement whereby the municipality agrees to make an annual appropriation in support of a lease with entities other than a PBA, e.g.,

lease purchase of a Catholic school. Please note that only lease purchase arrangements are eligible for housing aid.

- 4) A capital reserve fund is a reserve set up by a municipality or school district specifically for capital improvements used in lieu of borrowed funds.
- 5) Environmental Site Remediation includes the removal of pollution or contaminants from environmental media, such as soil, groundwater, sediment, or surface water. Districts must obtain SBA approval for environmental site remediation as part of their Necessity of School Construction application.

Appendix 1 – Bonus Incentive Guidance

Appendix 2 – Guidelines on Refinancing

# APPENDIX 1

## **BONUS INCENTIVES GUIDANCE**

### **Bonus Overview – RIGL 16-7-40**

The FY19 State Budget replaced the incentive bonus for energy conservation, access for people with disabilities, and/or asbestos removal bonus with one permanent bonus for school safety and security. Passage of the statewide bond activated six temporary bonuses. The permanent and temporary bonuses are each worth five percent increases to the base state share ratio for Housing Aid reimbursement.

#### **Permanent:**

##### **1. School Safety and Security:**

In order to qualify for the bonus, 75 percent of a project must be specifically for the purposes of School Safety and Security.

#### **Temporary:**

##### **2. Health and Safety Deficiencies:**

In order to qualify for the bonus, 25 percent of the project costs or a minimum of \$500,000 must be spent for the purpose of addressing Health and Safety Deficiencies. The project must also commence with construction by December 30, 2023, and complete by December 30, 2028.

##### **3. Educational Enhancements:**

In order to qualify for the bonus, 25 percent of the project costs or a minimum of \$500,000 must be spent for the purpose of addressing Educational Enhancements such as Early Childhood Education and Career and Technical Education. The project must also commence with construction by December 30, 2023, and complete by December 30, 2028.

##### **4. Replacement of a facility with Facility Condition Index (FCI) of 65% or Higher:**

In order to qualify for the bonus, 25 percent of the project costs or a minimum of \$500,000 must be spent for the purpose of replacing a facility that has a Facility Condition Index of 65 percent or higher. The project must also commence with construction by December 30, 2023, and complete by December 30, 2028.

##### **5. Increased Utilization:**

In order to qualify for the bonus, 25 percent of the project costs or a minimum of \$500,000 must be spent for the purpose of new construction or renovation that increases functional utilization from less than 60 percent to more than 80 percent. The project must also commence with construction by December 30, 2023, and complete by December 30, 2028.

**6. Decrease Overcrowding:**

In order to qualify for the bonus, 25 percent of the project costs or a minimum of \$500,000 must be spent for the purpose of new construction or renovation that decreases overcrowding from more than 120 percent functional utilization to between 85 and 105 percent. The project must also commence with construction by December 30, 2023, and complete by December 30, 2028.

**7. Newer and Fewer:**

In order to qualify for the bonus, 25 percent of the project costs or a minimum of \$500,000 must be spent for the purpose of consolidating two or more school buildings into one school building. The project must also commence with construction by December 30, 2023, and complete by December 30, 2028.

**Bonus Limits, Combinations and Calculations – RIGL 16-7-39(2)**

**Bonus Limits:**

LEAs are eligible to receive an increase of no more than 20 incentive percentage points for projects that commence by December 30, 2023. Projects that commence after that date will only be eligible for an increase of five incentive percentage points. Statute also provides that a district's share cannot be increased or decreased by more than half.

Pursuant to Rhode Island General Law (RIGL) 16-7-39(2):

*"No district shall receive a combined total of more than twenty (20) incentive percentage points for projects that commence construction by December 30, 2023, and five incentive points for projects that commence construction thereafter; provided further, these caps shall be in addition to amounts received under §§ 16-7-40(a)(1) and 16-7-40(a)(2). Furthermore, a district's share shall not be decreased by more than half of its regular share irrespective of the number of incentive points received nor shall a district's state share increase by more than half of its regular share, including amounts received under §§ 16-7-40(a)(1) and 16-7-40(a)(2), irrespective of the number of incentive points received."*

For example, an LEA with an 80 percent state share and a 20 percent local share, would be eligible to receive up to 10 percent bonus points. Any more than 10 percent bonus points would result in a decrease of the local (regular) share by more than half (20 percent/2 = 10 percent). An LEA with a 35 percent state share and a 65 percent local share, would be eligible to receive up to 17.5 percent bonus points. Any more than 17.5 percent bonus points would result in an increase of the local (regular) share by more than half (35 percent/2 = 17.5 percent). (See Figure 1)

**Bonus Combinations:**

As stated above, the statute allows combination of bonuses up to 20 percent, as long as an LEA's share is not increased or decreased by more than half. In addition to eligibility requirements for each bonus, there are restrictions on combining bonuses, as follow:

- Safety projects, as defined below, may qualify for either the School Safety and Security bonus or the Health and Safety bonus, but not both.
- Projects may qualify for the Newer and Fewer bonus or one of the functional utilization bonuses, but not both.
- Projects may qualify for the Replacement Bonus or one of the functional utilization bonuses, but not both.

**Bonus Calculations:**

Bonus points will be calculated and applied to the state share ratio once a project is complete and Housing Aid forms are submitted to RIDE/SBA, including applicable bonus certification forms

## School Safety and Security – Permanent Bonus

### RIGL 16-7-40(b)

Projects undertaken by districts specifically for the purposes of school safety and security may qualify for an increased five percent to the state share ratio in the calculation of school housing aid. In order to qualify for the increased share ratio, 75 percent of the project costs must be specifically directed to School Safety and Security measures. The increased share ratio shall continue to be applied for as long as the project(s) receives state housing aid.

#### Definitions:

**Safety Projects:** Capital improvements that safeguard students, teachers, and other building occupants from harm that may be caused or exacerbated by building conditions, including those that address general physical safety, fire safety, building egress, and accessibility.

*Project Examples: Fire alarm and sprinkler; structural defects; and building envelope repairs that impact the safety of students*

**Security Projects:** Capital improvements that protect students, teachers, and other building occupants from internal and external threats, including building and site hardening and access control.

*Project Examples: Door hardware; security vestibules; emergency communications infrastructure; and security camera infrastructure*

**Bonus Documentation:** LEAs must submit a School Safety and Security Bonus Certification form along with their Housing Aid forms. The form must document that at least 75 percent of the project is specifically for the purposes of school safety and security and be certified by a registered professional and the Chair of the School Committee.

## Health and Safety Deficiencies – Temporary Bonus

### RIGL 16-7-40(c)

Projects undertaken by districts for the purpose of addressing health and safety deficiencies may qualify for an increased five percent to the state share ratio in the calculation of school housing aid. In order to qualify for the bonus, 25 percent of the project costs or a minimum of \$500,000 must be spent for the purpose of addressing Health and Safety Deficiencies.

#### Definitions:

**Health Projects:** Capital improvements that address deficiencies that impact students, teachers and staff health including indoor air quality, thermal health, water quality, ventilation, and acoustics.

*Project Examples: HVAC (including adding ventilation where it does not exist); lead pipe replacement; and building envelope repairs that impact the health of students (such as leaking roof that is allowing moisture to form mold)*

**Safety Projects:** Capital improvements that safeguard students, teachers, and other building occupants from harm that may be caused or exacerbated by building conditions, including those that address general physical safety, fire safety, building egress, and accessibility.

*Project Examples: Fire alarm and sprinkler; structural defects; and building envelope repairs that impact the safety of students.*

**Time Requirements:** In order to qualify for this bonus, LEAs must start construction by December 30, 2022, and complete the project by December 30, 2027. For the purposes of this bonus, the start of construction will be measured by the date of the executed contract for construction and the project completion will be verified by a certificate of substantial completion and/or School Committee acceptance for occupancy.

**Bonus Documentation:** LEAs must submit a Health and Safety Bonus Certification form, signed by a registered professional and the Chair of the School Committee, with their Housing Aid forms. LEAs must also submit a certificate of substantial completion or documentation of School Committee acceptance for occupancy. Beginning in July 2024, any LEA seeking this bonus must also submit a copy of the executed contract documents dated prior to December 30, 2023.

## **Educational Enhancement - Temporary Bonus**

### **RIGL 16-7-40(d)**

Projects undertaken by districts for the purpose of educational enhancement, including projects devoted to the enhancement of early childhood education and career and technical education may qualify for an increased five percent to the state share ratio in the calculation of school housing aid. In order to qualify for the increased share ratio, 25 percent of the project costs or a minimum of \$500,000 must be specifically directed to these purposes.

#### **Definitions:**

**Educational Enhancement:** Capital improvements that enhance educational learning spaces for students in early childhood education, career and technical education, and that align with the LEAs approved educational program.

*Project Examples: Early childhood education, career tech spaces, new or renovated science labs, common learning space.*

**Time Requirements:** In order to qualify for this bonus, LEAs must start construction by December 30, 2023, and complete the project by December 30, 2028. For the purposes of this bonus, the start of construction will be measured by the date of the executed contract for construction and the project completion will be verified by a certificate of substantial completion and/or School Committee acceptance for occupancy.

**Bonus Documentation:** LEAs must submit an Educational Enhancement Bonus Certification form along with their Housing Aid forms. The certification form must be signed by a registered professional and the Chair of the School Committee. LEAs must also submit a certificate of substantial completion or documentation of School Committee acceptance for occupancy. Beginning in July 2024, any LEA seeking this bonus must also submit a copy of the executed contract for construction dated prior to December 30, 2023.

## **Replacement of a Facility that has an FCI of 65% or Higher - Temporary Bonus**

**RIGL 16-7-40(e)**

The replacement of a facility that has a Facilities Condition Index of 65 percent or higher, may qualify for an increased five percent to the state share ratio in the calculation of school housing aid. In order to qualify for the increased share ratio, 25 percent of the project costs or a minimum of \$500,000 must be specifically directed to this purpose. Projects that qualify for the Replacement Bonus are not eligible for either of the functional utilization bonuses.

**Facility Condition Index (FCI):** An industry standard indicator of a building's health, calculated by dividing the total cost of repair by the total replacement costs. As part of the [2017 Statewide Assessment](#), each school was assigned an FCI score, which serves as the official metric for this bonus.

**Eligible Projects:** This bonus is limited to projects that replace a facility with an FCI of 65 percent or higher, as documented in the [2017 Statewide Assessment](#). LEAs that do not meet the threshold as reported on the Statewide Assessment, may request an updated FCI Score. A non-refundable Housing Aid deduction up to \$50,000 will be used to procure an updated assessment of the facility. If the updated FCI score is higher than 65%, the bonus will be added to the project.

**Time Requirements:** In order to qualify for this bonus, LEAs must start construction by December 30, 2023, and complete the project by December 30, 2028. For the purposes of this bonus, the start of construction will be measured by the date of the executed contract for construction and the project completion will be verified by a certificate of substantial completion and/or School Committee acceptance for occupancy.

**Bonus Documentation:** LEAs must submit a School Closure form along with their Housing Aid forms. The bonus will be applied if the school(s) listed on the School Closure form have an FCI of 65 percent or higher, as documented on the Statewide Assessment. LEAs must also submit a certificate of substantial completion or documentation of School Committee acceptance for occupancy. Beginning in July 2024, any LEA seeking this bonus must also submit a copy of the executed contract for construction dated prior to December 30, 2023.

**Requesting an FCI Score Update:** If an LEA believes that the facility in question may meet or exceed the 65% FCI threshold listed in the Statewide Assessment, the LEA may request, in writing, an updated FCI score. The review process of the FCI score includes two phases of evaluation. The first step involves the SBA adjusting the 2017 data for escalation and inflation, which will provide LEAs with an updated score. If after this step, the score remains below 65% and the LEA wishes to pursue a revised score, the LEA must submit a FCI Reevaluation Form.



To ensure a consistent and statewide methodology is applied the SBA will send out a team perform a new Facility Assessment. A non-refundable Housing Aid deduction of up to \$50,000 per school assessed will be used to procure an updated assessment of the facility in question. The Superintendent and Municipal Finance Officer will be required to complete and execute the FCI Assessment Reevaluation Form, which includes the authorization to deduct the assessment fee from the district's Housing Aid. The result of this facility assessment reevaluation will be final.

## **Utilization Bonuses (RIGL 16-7-40(f) & RIGL 16-7-40(g))**

### **Increased Utilization - Temporary Bonus**

#### **RIGL 16-7-40(f)**

For any new construction or renovation that increases the functional utilization of any facility from less than 60 percent to more than 80 percent, including the consolidation of school buildings within or across districts, may qualify for an increased five percent to the state share ratio in the calculation of school housing aid. In order to qualify for the increased share ratio, 25 percent of the project costs or a minimum of \$500,000 must be specifically directed to this purpose. Projects that qualify for the Increased Utilization Bonus are not eligible for the Replacement or Newer and Fewer Bonuses.

**Functional Utilization:** A capacity measurement based on an inventory of all instructional spaces and their current use. As part of the [2017 Statewide Assessment](#), each LEA was provided with a functional utilization percent, which serves as the official metric for this bonus. LEAs can use enrollments included in the 2017 Statewide Assessment or October 1st enrollments from the fiscal year of their Necessity of School Construction approval.

**Eligible Projects:** This bonus is limited to new construction or renovation that increases functional utilization from less than 60 percent to more than 80 percent, including the consolidation of school buildings. LEAs that do not meet the threshold as reported on the Statewide Assessment, can obtain an updated Functional Utilization Capacity. A non-refundable Housing Aid deduction up to \$50,000 will be used to procure an updated capacity of the facility. If the updated Functional Utilization score is below 60%, and the Design Utilization is higher than 80%, the bonus will be added to the project.

**Time Requirements:** In order to qualify for this bonus, LEAs must start construction by December 30, 2023, and complete the project by December 30, 2028. For the purposes of this bonus, the start of construction will be measured by the date of the executed contract for construction and the project completion will be verified by a certificate of substantial completion and/or School Committee acceptance for occupancy.

**Bonus Documentation:** LEAs must submit a Functional Utilization Bonus Certification Form along with their Housing Aid forms. The bonus will be applied if the school(s) listed on the form have a design utilization of 80 percent or higher at the time of project completion and have a functional utilization below 60 percent in the Statewide Assessment. LEAs must also submit a certificate of substantial completion or documentation of School Committee acceptance for

occupancy. Beginning in July 2024, any LEA seeking this bonus must also submit a copy of the executed contract documents dated prior to December 30, 2023.

## **Decrease Overcrowding - Temporary Bonus**

### **RIGL 16-7-40(g)**

For any new construction or renovation that decreases the functional utilization of any facility from more than 120 percent, to between 85 percent to 105 percent, may qualify for an increased five percent to the state share ratio in the calculation of school housing aid. In order to qualify for the increased share ratio, 25 percent of the project costs or a minimum of \$500,000 must be specifically directed to this purpose. Projects that qualify for the Decreased Overcrowding Bonus are not eligible for the Replacement or Newer and Fewer Bonuses.

**Functional Utilization:** A capacity measurement based on an inventory of all instructional spaces and their current use. As part of the [2017 Statewide Assessment](#), each school was provided with a functional utilization percent, which serves as the official metric for this bonus. LEAs that do not meet the threshold as reported on the Statewide Assessment, can obtain an updated Functional Utilization Capacity. A \$50,000 non-refundable Housing Aid deduction will be used to procure an updated capacity of the facility. If the updated Functional Utilization score is above 120%, and the Design Utilization is between 105% and 85%, the bonus will be added to the project. LEAs can use enrollments included in the 2017 Statewide Assessment or October 1st enrollments from the fiscal year of their Necessity of School Construction approval.

**Eligible Projects:** This bonus is limited to new construction or renovation that decreases the functional utilization of any facility from more than 120 percent to between 105 and 85 percent.

**Time Requirements:** In order to qualify for this bonus, LEAs must start construction by December 30, 2023, and complete the project by December 30, 2028. For the purposes of this bonus, the start of construction will be measured by the date of the executed contract for construction and the project completion will be verified by a certificate of substantial completion and/or School Committee acceptance for occupancy.

**Bonus Documentation:** LEAs must submit a Functional Utilization Bonus Certification Form along with their Housing Aid forms. The bonus will be applied if the school(s) listed on the form have a new functional utilization between 105 and 85 percent at the time of project completion and have functional utilization of 120 percent in the statewide assessment. LEAs must also submit a certificate of substantial completion or documentation of School Committee acceptance for occupancy. Beginning in July 2024, any LEA seeking this bonus must also submit a copy of the executed contract documents dated prior to December 30, 2023.

## **Newer and Fewer - Temporary Bonus**

### **RIGL 16-7-40(h)**

For consolidation of two or more school buildings, within or across districts into one school building, may qualify for an increased five percent to the state share ratio in the calculation of school housing aid. In order to qualify for the increased share ratio, 25 percent of the project costs or a minimum of \$500,000 must be specifically directed to this purpose. Projects that qualify for the Newer and Fewer Bonus are not eligible for either of the functional utilization bonuses.

**Eligible Projects:** This bonus is limited to consolidation of two or more school buildings into one school building. In order to qualify, a district must have fewer school buildings at project completion than at the time of Necessity of School Construction approval (i.e., 5 schools at completion, 6 schools at approval). Buildings do not have to be physically demolished, but the School Department can no longer use the facility for any purpose, including for administration space. LEAs that qualify for the newer and fewer bonus, but later reopen or reuse a closed school building, will have the Newer and Fewer bonus removed. For the purpose of this bonus, stand-alone Administration Buildings are not considered school buildings, even if located in a former academic space or building, and thus the bonus would not apply to closure consolidation of these facilities.

**Time Requirements:** In order to qualify for this bonus, LEAs must start construction by December 30, 2023 and complete the project by December 30, 2028. For the purposes of this bonus, the start of construction will be measured by the date of the executed contract for construction and the project completion will be verified by a certificate of substantial completion and/or School Committee acceptance for occupancy.

**Bonus Documentation:** LEAs must submit a copy of the School Closure form (submitted six months prior to school closure), and a Newer and Fewer Bonus Certification along with their Housing Aid forms. LEAs must also submit a certificate of substantial completion or documentation of School Committee acceptance for occupancy. Beginning in July 2024, any LEA seeking this bonus must also submit a copy of the executed contract documents dated prior to December 30, 2023.

## APPENDIX 2

### **Guidelines for Refinancing or Refunding of School Bonds**

#### Introduction

In 1990, the General Assembly made bond interest a reimbursable expense under school housing aid for bonds issued after July 1, 1988. Since then, lower interest rates have in certain instances given school districts the opportunity to lower total debt service for a project by refinancing or refunding bonds already issued. When bonds are refunded, however, the interest payments go down but the total amount of the bond principal goes up. This is because certain charges such as interest, costs of issuance and redemption premiums are added to the original principal amount of the bonds. Under current law, aid can only be paid on the total cost of the project as originally submitted (usually equal to the original bond principal); however, if districts meet the criteria listed below, the additional principal costs (called refunding premium) may be added to the accrued interest so that the district can take advantage of lower interest rates to refund existing bonds.

#### Eligibility Criteria

1. Refinancing or refunding of a bond will not change the payback schedule on the cost of the project (i.e., the original bond principal). This will continue to be calculated on the principal amount and the term of the original bonds.
2. The total accrued interest plus the redemption premium (additional costs) of the new refunding bonds must be equal to or less than the balance of accrued interest on the original bonds (i.e., the accrued interest from the year the refunding bonds are issued up to and including the last year of the original bonds).
3. The refunding bonds must support the original project(s) as approved by the Board of Regents.
4. The bond agent must prepare and the district must submit a schedule comparing the original accrued interest and the refunding accrued interest and redemption premium by state fiscal year (July 1 to June 30). This display must clearly demonstrate that the remaining accrued interest on the original bonds is equal to or more than the accrued interest and redemption premium for the new refunding bonds.
5. The refunding bonds must comply with the provisions of the Rhode Island General Laws 45-12-5.2.

\* \* \*

**Please Note:** No request for interest aid on refinanced bonds will be honored which results in an increase to the total state aid commitment for the original bonds. Also, if submission of a refinanced bond schedule increases the projected state aid entitlement for the next fiscal year, the amount that the revised actual aid exceeds the projection may be paid as an adjustment in the subsequent fiscal

year. This will happen only if the total state appropriation for housing aid is insufficient to pay the new revised aid amount the first year after the revised bond interest schedule is submitted.

If the refinanced bond **does not have equal to or less interest** than the original bond, the refinancing should still be reported on the Form 110 and the Form 115. The interest “test,” i.e. the comparison between the old and new bonds should be submitted with the forms. The refinancing will be documented in the system to note that the original bond interest will be used for reimbursement purposes. This scenario might occur, for example, if the district decided to extend the term of a bond, thus lowering annual principal payments but increasing overall interest costs.

### **Definitions**

“Refunding bonds” means bonds issued to provide proceeds to refinance a prior issue of bonds.

“Refunding premium” means interest, redemption premium and costs of issuance incurred in connection with the issuance of refunding bonds.

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