

# **Statewide School Construction Bond**

## **Bonus Incentives Guidance & \$250 Million Pay-As-You-Go Guidance**



**School Building Authority**

**1/25/19**

## Background

The Fiscal Year 2019 (FY19) Rhode Island State Budget included substantial changes to the oversight, management, and funding of public school construction. These changes follow the first-of-its-kind [statewide assessment](#) of the condition of Rhode Island's 306 public school buildings, issued in September 2017. A Facilities Map that contains school-by-school and district-by-district information was collected as part of the assessment. Assessment data, including current deficiencies, five year life cycle forecast, Facility Condition Index, and capacity and enrollment information can be found [here](#).

The statewide assessment identified more than \$3 billion in deficiencies throughout the state. In response, the Governor and General Assembly included in the budget a Statewide School Construction Bond to incentivize Local Education Agencies (LEAs) and communities to complete their high priority school construction projects. The bond incentivizes LEAs in two ways: it allows LEAs to receive up to an additional 20 percent in state reimbursement through temporary bonuses, and secondly provides \$250 million in upfront funds on a pay-as-you-go basis.

On November 6, 2018, Rhode Island voters approved the Statewide School Construction Bond. The bond activated six new temporary bonus incentives and access to \$250 million in upfront funding to support the state share of foundation school housing aid. Funding for the school construction program is governed by Rhode Island General Laws 16-7, sections 35 to 47, 16-105, sections 1 to 9, and 45-38.2.

With the passage of [Article 9](#) in the FY19 State Budget, and the increased public commitment to school facilities through passage of the statewide construction bond, the Rhode Island Department of Education/School Building Authority (RIDE/SBA) is working closely with LEAs and municipalities to ensure that every school district sees meaningful improvements to the condition of its public school buildings over the next five years. This commitment will help our state to create learning environments that support the attainment of the academic, social, emotional, career readiness, skills, and competencies necessary to be successful in the 21st century.

# 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 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, 2022, and complete by December 30, 2027.

#### 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, 2022, and complete by December 30, 2027.

#### 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 ( $20 \text{ percent} / 2 = 10 \text{ percent}$ ). 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 ( $35 \text{ percent} / 2 = 17.5 \text{ percent}$ ). (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. Bonuses are applied at the completion of a project to verify that all eligibility requirements have been met.

**FIGURE 1****FY2019 Housing Aid Share Ratios and Bonus Limit**

<b>LEA</b>	<b>Share Ratio</b>	<b>Local Share</b>	<b>Bonus Limit</b>
<b>Barrington</b>	35%	65%	17.5%
<b>Burrillville</b>	53%	47%	20.0%
<b>Central Falls</b>	97%	3%	1.5%
<b>Coventry</b>	44%	56%	20.0%
<b>Cranston</b>	52%	48%	20.0%
<b>Cumberland</b>	45%	55%	20.0%
<b>East Greenwich</b>	35%	65%	17.5%
<b>East Providence</b>	53%	47%	20.0%
<b>Foster</b>	35%	65%	17.5%
<b>Glocester</b>	35%	65%	17.5%
<b>Jamestown</b>	35%	65%	17.5%
<b>Johnston</b>	40%	60%	20.0%
<b>Lincoln</b>	35%	65%	17.5%
<b>Little Compton</b>	35%	65%	17.5%
<b>Middletown</b>	35%	65%	17.5%
<b>Narragansett</b>	35%	65%	17.5%
<b>Newport</b>	35%	65%	17.5%
<b>New Shoreham</b>	35%	65%	17.5%
<b>North Kingstown</b>	35%	65%	17.5%
<b>North Providence</b>	57%	43%	20.0%
<b>North Smithfield</b>	35%	65%	17.5%
<b>Pawtucket</b>	84%	16%	8.0%
<b>Portsmouth</b>	35%	65%	17.5%
<b>Providence</b>	82%	18%	9.0%
<b>Scituate</b>	35%	65%	17.5%
<b>Smithfield</b>	35%	65%	17.5%
<b>South Kingstown</b>	35%	65%	17.5%
<b>Tiverton</b>	35%	65%	17.5%
<b>Warwick</b>	35%	65%	17.5%
<b>Westerly</b>	35%	65%	17.5%
<b>West Warwick</b>	64%	36%	18.0%
<b>Woonsocket</b>	88%	12%	6.0%
<b>Bristol Warren</b>	68%	32%	16.0%
<b>Exeter-West</b>	65%	35%	17.5%
<b>Chariho</b>	65%	35%	17.5%
<b>Foster-Glocester</b>	53%	47%	20.0%
<b>All Charter Schools</b>	30%	70%	15.0%

## 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 architect or engineer 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 architect and/or engineer 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 2023, any LEA seeking this bonus must also submit a copy of the executed contract documents dated prior to December 30, 2022.

## **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, educational common learning space.

**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 an Educational Enhancement Bonus Certification form along with their Housing Aid forms. The certification form must be signed by a registered architect and/or engineer 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 2023, any LEA seeking this bonus must also submit a copy of the executed contract for construction dated prior to December 30, 2022.

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

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

For 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, this methodology 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.

**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.

## **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, this methodology serves as the official metric for this bonus.

**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.

**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 form documenting Functional Utilization (per the [2017 Statewide Assessment](#)) and Design Utilization 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, this methodology serves as the official metric for this bonus.

**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 form documenting Functional Utilization (per the [2017 Statewide Assessment](#)) and Design Utilization 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.

**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) 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.

# \$250 Million PAY-AS-YOU-GO GUIDANCE

## Upfront Funding (Pay-Go) Overview

The \$250 million provided through the Statewide School Construction bond will be offered up front to LEAs to support the state share of foundational housing aid awarded (Necessity of School Construction Approvals) on a pay-as-you go basis.

In order to provide LEAs ample time to conduct Educational Facility Master Plans and to provide a transparent and consistent method for offering upfront funding, funding is based on a set percentage of foundational housing aid awarded. Based on data from existing applications, information from the Statewide Facilities Assessment, local bonding capacities, and direct LEA communication, the state will offer LEAs 15 percent of the state share of their Necessity of School Construction approval as upfront funding on a pay-as-you-go basis.

### Example:

If an LEA with a 50 percent share ratio (reimbursement rate) receives a \$50 million approval, then the amount of upfront funding would be \$3,750,000.

To determine the amount of upfront funding, the approval amount (\$50 million) is multiplied by the share ratio (.5) to obtain the state share (\$25 million) of the project. Once the state share of the project costs is calculated, the amount can be determined. In this example, the LEA would receive \$3,750,000 on a pay-as-you-go basis (15 percent of \$25 million).

### **Eligibility:**

Any LEA that is awarded a Necessity of School Construction approval through November 2020 is eligible to receive 15% of their share in up front funding through a pay-as-you-go basis. Additionally, any LEAs approved between May 1, 2015, and January 1, 2019, with projects that have not yet completed or bonded through the Rhode Island Health and Education Building Corporation (RIHEBC) are eligible to receive 15 percent of the state share on a pay-as-you-go basis. LEAs applying in calendar year 2021 may also be eligible for upfront funding, subject to availability.

### **Process:**

- LEAs seeking Necessity of School Construction Approvals will be offered 15 percent of the state share of their total approval as upfront funding on a pay-as-you-go basis.
- LEAs will enter into a Memorandum of Agreement with the School Building Authority at the Rhode Island Department of Education. Pay-as-you-go funding will be provided on approved invoices sent to the SBA.

LEAs will have two years to spend their pay-as-you-go funding allocation. This requires that funding be used during the first two years of projects from the LEA's Necessity of School Construction approval.

### What types of projects are eligible:

Any project that receives Necessity of School Construction approval and has not been completed, is eligible for pay-as-you-go funding. This includes new school construction, major renovations, security projects, site purchases, swing space, and general capital improvements funded by bonds or local capital reserve accounts. Projects that have not completed, and are funded by RIHEBC bonds that have already been issued, are not eligible for pay-as-you-go funding.