

## DRAFT REPORT OF THE RHODE ISLAND SCHOOL BUILDINGS TASK FORCE

### **Introduction:**

Every child in Rhode Island deserves to go to a school that is warm, safe, dry and equipped with 21<sup>st</sup> century learning environments. Unfortunately, this is not the present reality for far too many of our students.

In September of this year, the Rhode Island Department of Education (RIDE) released the *2017 State of Rhode Island Schoolhouses Report*, which was compiled following an in-depth analysis of the condition of every public-school facility in the state. This report found over 50,000 deficiencies, many of them severe in nature, across Rhode Island's 306 public schools. These deficiencies range from direct threats to the health and safety of children, including the presence of hazardous materials and inadequate fire suppression systems, to programmatic deficiencies such as a lack of adequate science labs that speak directly to the ability of the state to prepare our students to be successful in the modern economy.

Following the release of the report, Governor Gina M. Raimondo appointed a Task Force charged with recommending specific actions to address Rhode Island's school facilities deficiencies. The Task Force, co-chaired by Education Commissioner Ken Wagner and General Treasurer Seth Magaziner, included representatives of the General Assembly, cities and towns, school districts, teachers, the business community, philanthropy, nonprofit leaders and the construction industry and trades. The Task Force met through the fall of 2017, hearing from a range of experts, including representatives of Jacobs Engineering, who authored the *Schoolhouses Report*, and the Massachusetts School Building Authority, widely regarded as a national model.

In addition, Governor Raimondo, Commissioner Wagner and Treasurer Magaziner attended a series of listening sessions throughout the state in which members of the public offered their ideas and insights for how Rhode Island's public-school buildings can be improved. A summary of key information presented to the task force can be found online, at <http://treasury.ri.gov/treasury-divisions/rhode-island-school-building-taskforce/>.

Throughout the process, the Task Force was particularly mindful of the cost of delaying action to address the condition of Rhode Island school buildings. The *Schoolhouses Report* identified \$2.2 billion of deficiencies in Rhode Island school buildings. At today's level of spending on school repairs, the total needs of our school buildings are projected to grow to \$2.9 billion over ten years, meaning that the cost of repairing Rhode Island's school buildings will increase an average of \$70 million per year in the absence of new action.

The Task Force recommends that the State of Rhode Island, in partnership with municipalities and school districts, embark on a once-in-a-generation investment to upgrade our public-school buildings. All public schools in Rhode Island should be warm, safe and dry, and equipped with 21<sup>st</sup> century learning

environments. Time is of the essence. The costs of delay are significant and the children of our state deserve better school buildings as soon as possible.

**Goals:**

In making the following recommendations, the Task Force aims to ensure that within the next ten (10) years:

**1. All schools will be warm, safe and dry.**

The *Schoolhouses Report* identified \$628 million of Priority 1 and Priority 2 deficiencies at Rhode Island school buildings. Priority 1 deficiencies include mission critical concerns such as building safety hazards, code violations or severe damage. Priority 2 deficiencies include issues that can become Priority 1 if unaddressed in the near-term, such as inadequate roofing and ventilation. The Task Force seeks to ensure that all Priority 1 and 2 deficiencies are remedied.

**2. All schools will have 21<sup>st</sup> century learning environments.**

As educational programs, curricula, and instruction methods evolve, it is essential that we invest in updates to school facilities that reflect these changes, and provide students with educationally appropriate facilities for 21<sup>st</sup> century learning. Many of our schools were not built with dedicated science labs that can house modern equipment or plumbing needs. Similarly, many facilities lack appropriate spaces for other STEAM related programs, career education, and early childhood classrooms. Targeting these opportunities will afford all children in Rhode Island better educational experiences through enhanced course offerings and better-equipped facilities.

**3. Every school district will see meaningful improvements to the condition of its public-school buildings.**

The *Schoolhouse Report* identified multiple building deficiencies in every school district and found that most districts have schools with significant condition needs. The Task Force was careful to ensure that the strategies outlined below were actionable and equitable, and that all school districts can benefit from the recommendations.

**Recommendations:**

The Task Force recommends that the State of Rhode Island and its municipalities and school districts invest more, invest smarter, and invest more efficiently to achieve the goals outlined above.

**State Share Bonuses**

To encourage school districts to embark on more school repair and construction projects, and to incentivize projects that meet the goals laid out by the Task Force, a system of “bonuses” to the state share formula for school construction should be implemented. Bonuses to the state share ratio are common in other states, including Massachusetts, and have been used in Rhode Island in the past to support and incentivize certain projects, including asbestos remediation, ADA compliance and energy efficiency.

In addition to the existing bonus points already allowed for by state law, the Task Force recommends implementing additional bonus points targeted at achieving the three goals outlined above. Each “bonus point” shall represent an additional 1% of project costs for school construction or renovation born by the state on top of the standard state share for a district. The Task Force recommends that a district be eligible to receive up to 20 bonus points for a school construction or repair project on top of its regular state share. However, the Task Force also recommends that a district’s share not be decreased by more than half of its regular level, regardless of the number of bonus points a district receives for a project.

The Task Force recommends the following additional, expiring bonuses:

- 5 point bonus for Priority 1 and Priority 2 projects, including the removal of hazardous materials, to incentivize “warm, safe and dry” schools. These projects must commence no later than December 2022 to receive the bonus.
- 5 point bonus for projects devoted to enhancing the teaching of science, technology, engineering, arts, math (STEAM), early childhood education or career and technical education, to incentivize more school facilities to be equipped for 21<sup>st</sup> century learning. These projects must commence no later than December 2022 to receive the bonus.
- Bonuses for “newer and fewer” projects that address cost effectiveness and space utilization within schools that meet one or more of the characteristics outlined below. These projects must commence no later than December 2023 to receive the bonus.
  - 5 point bonus for replacement of a facility that has a Facilities Condition index of 65% or higher.
  - 5 point bonus for any new construction or renovation that leads to the functional utilization of any facility increasing from less than 60% to more than 80%. This can include consolidation of buildings within or across Districts.
  - 5 point bonus for any new construction or renovation that leads to the functional utilization of a building decreasing from more than 120% to between 85% and 105%.

The Task Force recommends that these new bonuses apply to school housing aid and capital fund projects beginning with those approved by the state Board of Elementary and Secondary Education in FY 2018, as well as to those projects that were previously approved within the last 5 years but have not yet broken ground.

In order to encourage action by the school districts, for all of the new expiring bonuses the Task Force recommends that the bonus be applied to the full cost of the project so long as a minimum of 25% or \$250,000 of the total project cost consists of the factor eligible for the bonus.

### **State General Obligation Bonds**

To meet the ambitious goals laid out by the Task Force, both the state and municipalities must commit to prioritizing school facilities in budgets and capital plans going forward. While we live in an era of constrained budgets and competing priorities, the safety and wellbeing of children must be paramount.

The Massachusetts School Building Authority uses state-level bonding to fund the state share of school construction spending in that state. Rhode Island previously used state-level bonding to fund K-12 facilities spending as well, but has not put a K-12 bonding proposal to referendum since 1994.

In the spring of 2017, the Rhode Island Public Finance Management Board released the first Debt Affordability Study to be conducted in Rhode Island since 1999. The Study found that Rhode Island has the capacity to issue approximately \$1.2 billion of state tax-supported debt over the next 10 years while remaining safely within responsible borrowing guidelines. The Task Force recommends that \$500 million, or slightly less than half of the state's borrowing capacity over the next decade, be reserved for K-12 public school upgrades. Specifically, the Task Force recommends:

- A referendum to the voters on the 2018 ballot for authorization to issue \$250 million of General Obligation bonds for public school construction and repair over a five-year period, with no more than \$100 million to be issued in any one year.
- A referendum on the 2022 ballot for authorization to issue \$250 million of General Obligation bonds for public school construction and repair over a five-year period, with no more than \$100 million to be issued in any one year.

The Task Force further recommends that bond proceeds be prioritized as follows:

1. Ensuring the School Building Authority Capital Fund has adequate funding to meet the state share for fast-track emergency conditions that pose a mission critical threat to the operation of a school building
2. Funding a portion of the state's share for all housing aid projects on a "pay as you go" basis rather than a reimbursement basis. This will allow municipalities and the state to avoid unnecessary interest expense associated with municipal bonding.

The amount of annual state bond proceeds allocated for fast-track emergency repairs in a given year will be decided annually by the School Building Authority based on the level of time-sensitive emergency repairs that pose an immediate mission critical threat to a school building. All state funding for

emergency repairs through the Capital Fund will be made on a paygo basis. All state bond funding not used for this purpose in a given year will be used to provide paygo financing for the state's share of major projects approved through the regular housing aid program. The amount of paygo financing allocated to each school district for major projects will be in proportion to the total amount of state funding pledged to proposed school projects in that year.

In addition, although the total state budget impact of enhanced support for school facilities will depend on the level of municipal demand for new projects, the Task Force anticipates that the state will need to continue to budget a minimum of \$80 million per year in general revenue funds for fiscal years 2019-2021 exclusive of state GO debt service, and modestly more thereafter.

### **Cost Controls and Asset Protection**

The Task Force recognizes that an increased level of state investment in school facilities also requires heightened oversight and stewardship to ensure that resources are spent efficiently, projects are completed on budget, and buildings are adequately maintained to prevent future deterioration. With these concerns in mind, the Task Force recommends the following measures:

- School Districts will be required to hire an Owners Project Manager (OPM) of the state's choosing for all projects greater than \$1.5 million. This mirrors the practice in Massachusetts, where the OPM acts as an agent for the state and municipalities, working to ensure that projects are executed properly from the design phase through completion. The cost of the OPM will be shared by the state and district at the same cost sharing ratio as the overall project. The use of an OPM is expected to reduce the cost of school construction projects over time, while also reducing the chances that a project experiences delays or glitches.
- The state will select Commissioning Agents for each project greater than \$1.5 million. Commissioning Agents evaluate major building systems at the end of the construction phase, to ensure that building systems operate correctly. This mirrors the commissioning process employed in Massachusetts.
- The Rhode Island School Building Authority will develop and maintain a "kit of parts", in which common designs for different types of building features such as gyms, early childhood classrooms, auditoriums and science labs are maintained for Districts to use on an optional basis. The use of common designs reduces project costs, both in the design and construction phase.
- If a newly constructed school is sold to a private entity within 30 years of construction, the state shall receive a portion of sale proceeds equal to that project's housing aid reimbursement rate at the time of construction. This policy, similar to one in effect in Massachusetts, ensures that the state's investment in new school construction is used for its intended purpose.

- The Task Force recommends that General Contractors wishing to bid on projects exceeding \$10 million in total cost, first be certified by the state to ensure that work is being done by reputable vendors without a history of significant cost overruns, legal breaches, poor safety or quality control issues. This mirrors a process in place in Massachusetts, and ensures that large school projects are executed by reputable contractors.
  
- It is vital that school buildings be regularly and properly maintained to prevent deterioration and reduce the need for costly repairs. Rhode Island currently requires Districts to keep a maintenance plan for each building, with the state reserving the right to withhold state aid if a district fails to spend at least 50% of its budgeted maintenance amount for three years in a row. This requirement has not been sufficient to ensure that adequate maintenance occurs within our school facilities. As a result, the Task Force recommends strengthening this requirement in three ways.
  - o Requiring that the minimum annual spending for building maintenance be at least 3% of the replacement value of the school in accordance with national best practices. School Districts will have an opportunity to request waivers for this requirement only if they can present compelling evidence that a different spending level is warranted.
  
  - o Raising the threshold of maintenance spending that could trigger a loss of state aid from 50% three years in a row to 66.7% three years in a row.
  
  - o Directing RIDE to establish a required statewide maintenance checklist for all school buildings, and minimum facilities standards for school buildings to be phased in over time.

### **Other Recommendations**

#### *Lower the cost of municipal bonding by strengthening the RIHEBC Intercept Program and Encouraging Outside Investment*

To lower the cost of bonding for municipalities that float school Housing aid Bonds through RIHEBC, the Task Force recommends increasing the frequency of required debt service payments made by municipal issuers from semi-annually to quarterly. Increasing the frequency of debt service payments could cause RIHEBC bonds to receive more favorable pricing from investors, leading to a lower cost of interest for municipalities. In addition, the Task Force encourages RIHEBC to explore partnering with managers of private capital who might be willing to make short-term impact investments to assist municipalities with project financing.

#### *Women and Minority Owned Contractors*

In order to support the local economy and promote the state’s workforce and economic development goals, all school facilities projects that receive state funding will be required to adhere to the requirements under Chapter 37-14.2 of state law that encourages a minimum of 10% of project costs be awarded to minority business enterprises. This requirement will be enforced by the Department of Administration as a condition for Districts to receive state aid for school facilities.

#### *Investing in Energy Efficiency*

School districts can save a significant amount of money by investing in projects to make school facilities more energy efficient and environmentally sustainable. The Rhode Island Infrastructure Bank operates several programs that help municipalities secure low-cost financing for energy and environmental projects. The programs have helped cities and towns save millions of dollars by retrofitting municipal buildings, upgrading water systems and remediating environmental hazards. To encourage extending these benefits to schools, the Task Force recommends that energy efficiency and environmental projects for schools funded by the Rhode Island be eligible to receive the same state funding shares as the existing School Housing Aid program.

In addition, the Task Force recommends continuing the existing 4% bonus on the state’s share of school projects that include energy efficiency, as well as programs currently administered by National Grid to assist in energy retrofits at school buildings.

#### *Construction Swing Space*

To accommodate increased levels of construction throughout the school year, districts may need to lease or procure temporary spaces to facilitate classroom learning during renovations. The Task Force recommends that the cost of this temporary “swing” space be included as a reimbursable expense, so long as: the district can demonstrate that no other viable option to temporarily house students is available; and the costs of these temporary facilities are included in the existing 20% overall cap on soft construction costs.

#### *Community Facility Use*

The Task Force encourages school facilities to be available for community uses when appropriate, and when it does not interfere with K-12 use. The Task Force recommends amending RIGL 16-7-41.1(a) with new language clarifying this intent, while still requiring that the building be used primarily for pre-K through 12<sup>th</sup> grade education to be eligible for reimbursement.

#### *Environmental Remediation*

Recognizing the difficulties that school districts face in locating appropriate sites for new school construction, often resulting in costly environmental remediation to prepare a site for new construction, the Task Force recommends that state share for housing aid be applied to environmental remediation for land that is to be a site for new school construction, with a cap of \$1 million per site and provided

that Districts have demonstrated reasonable effort to locate alternative sites and to obtain any applicable public and private funding for environmental cleanup costs.

### *Streamlined Application Process*

The Task Force recommends that the Housing Aid Capital Fund and Necessity of Need approval processes at RIDE, by which school districts apply for state funding, under go a LEAN review to ensure that the application process be as efficient and timely as possible. Additionally, the Task Force recommends that RIDE engage with DEM to explore ways to streamline the environmental approval process for large school construction projects.

### **Staffing and Governance**

The introduction of aggressive bonuses and pay-go funding to the state's share of school projects are anticipated to significantly increase the volume of construction projects to repair and replace public school buildings. This, along with the desire of the Task Force to strengthen state oversight of projects to ensure timely and cost effective delivery, will significantly add to the work load of the state's School Building Authority.

The Massachusetts School Building Authority has a staff of more than 70 professionals, including engineers and architects, to ensure that school projects across the state are managed appropriately. In contrast, the Rhode Island School Building Authority has a full-time staff of 3. Even when the staff of the Rhode Island Health and Education Building Corporation (RIHEBC) is added to this total, and the total is scaled for the relative populations of the states, it is clear that Rhode Island's School Building Authority is woefully understaffed.

For the above recommendations to be adequately effectuated, the Task Forces believes that the Rhode Island School Building Authority will likely need to increase staffing levels to manage vetting and oversight of school construction projects across the state. The staffing level will need to be adequate to handle new responsibilities including overseeing Owners Project Managers and Commissioning, producing Kit of Parts designs, promulgating minimum standards for school buildings, collecting and monitoring information on building maintenance, and managing general contractor certification, while also facilitating what is likely to be a higher number of applications for funding than have been made by school districts in the past. These new functions largely relate to cost control measures, will ultimately help the state and municipalities realize savings on the cost of school projects.

### **Conclusion**

Every child in Rhode Island deserves to go to a school that is warm, safe, dry and equipped with 21<sup>st</sup> century learning environments. By making a once in a generation investment in our school facilities and using national best practices to control costs, we can ensure that all students in Rhode Island have the opportunity to attend school in high quality school buildings. We cannot afford to wait. The cost to repair our school buildings grows by an average of \$70 million each year. We must act quickly and



decisively to create world class learning environments in our PK-12 schools. Rhode Island children deserve no less.