

2023 -- S 0868

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2023

JOINT RESOLUTION
AND AN ACT

AUTHORIZING THE STATE TO ENTER INTO A FINANCING AGREEMENT RELATING
TO SCHOOL CONSTRUCTION IN THE CITY OF PAWTUCKET

Introduced By: Senators Cano, Kallman, Acosta, and Britto

Date Introduced: March 30, 2023

Referred To: Senate Finance

1 WHEREAS, Pursuant to Article XII of the Rhode Island Constitution, it is the duty of the
2 State of Rhode Island (the "state") and the Rhode Island general assembly to promote public
3 schools as the diffusion of knowledge is essential to the preservation of the rights and liberties of
4 the Rhode Island people; and

5 WHEREAS, It is the duty of the state and the Rhode Island general assembly to adopt all
6 means which they deem necessary and proper to secure to the people, the advantages and
7 opportunities of education and guarantee adequate public school housing for all public school
8 children in the state; and

9 WHEREAS, School facilities provide more than a place for instruction. The physical
10 learning environment contributes to the successful performance of educational programs designed
11 to meet students' educational needs, and good educational outcomes depend on safe healthy
12 school buildings. Every student needs a safe, healthy, and sanitary learning environment that
13 promotes student learning and development; and

14 WHEREAS, School buildings in the city of Pawtucket (the "city"), Rhode Island are in
15 need of major repairs and upgrades, presently interfere with the effective operation of schools,
16 and negatively affect the health, safety, and welfare of the children of Pawtucket; and

17 WHEREAS, At the general election held on November 8, 2022, the electors of the city
18 approved a project consisting of the acquisition, construction, improvement, furnishing
19 and equipping of a new high school and school facilities and all expenses incident

1 thereto including, but not limited to, costs of design, demolition, athletic fields, landscaping and
2 parking and costs of financing (the "project"); and

3 WHEREAS, Due to financial hardships of the city of Pawtucket, increases in interest
4 rates, and post-supply chain issues, the city is not currently able to finance the construction,
5 renovation, improvement, alteration, repair, furnishing and equipping of schools and school
6 facilities [without certain legislative changes and support from the state]; and

7 WHEREAS, The state currently provides state housing aid reimbursement to the city of
8 Pawtucket at a rate of approximately 83.7%; and

9 WHEREAS, The state's reimbursement costs are directly related to the interest rates the
10 city pays on its general obligation school bonds; and

11 WHEREAS, The state is able to issue appropriation-backed bonds at lower interest rates
12 than the city is able to obtain on its general obligation bonds; and

13 WHEREAS, It is less costly for the state to finance its share of the project at lower
14 interest rates than for the city to finance the project at higher interest rates and seek state housing
15 aid reimbursement from the state; and

16 WHEREAS, The project will be financed through bonds issued by the Rhode Island
17 Health and Educational Building Corporation (the "corporation") under its school financing
18 revenue bond program, with an expected term of not to exceed thirty (30) years and it is
19 anticipated that the state will be a signatory to the financing agreement with the corporation (the
20 "financing agreement"); and

21 WHEREAS, It is anticipated that the state's payment obligations to the corporation under
22 the financing agreement will be subject to appropriation therefor by the general assembly in each
23 budget year; and

24 WHEREAS, The Rhode Island public corporation debt management act (defined below)
25 requires the general assembly to provide its consent to the issuance or incurring by the State of
26 Rhode Island of certain obligations, including financing guarantees or other payment agreements;
27 and

28 WHEREAS, The total project costs covered by the financing agreement are expected to
29 be \$330,000,000 plus original issue premium, if any, and such additional amount as is required to
30 finance costs of issuance, funding of debt service reserves, if required, and capitalized interest.
31 Debt service payments will be supported by revenues received by the corporation under the
32 financing agreement which include annual appropriations for debt service made by the state and
33 payments from the city of Pawtucket under the financing agreement. Total debt service on the
34 bonds issued by the corporation (the "corporation bonds") is not expected to exceed \$22,201,000

1 annually and \$435,652,875 in the aggregate based on an average interest rate of five percent
2 (5.00%).

3 SECTION 1. NOW THEREFORE, be it resolved and enacted by the general assembly as
4 follows:

5 RESOLVED AND ENACTED, That this act shall serve as the joint resolution required
6 pursuant to chapter 18 of title 35 of the Rhode Island General Laws ("Rhode Island public
7 corporation debt management act"); and be it further

8 RESOLVED AND ENACTED, That this general assembly hereby approves the
9 financing for the project in an amount up to \$330,000,000, plus original issue premium, if any,
10 and such additional amount as is required to finance costs of issuance, funding of debt service
11 reserves, if required, and capitalized interest thereon; and be it further

12 RESOLVED AND ENACTED, That the state, acting through the governor and the
13 general treasurer, may execute the financing agreement as contemplated herein and any other
14 agreements necessary to effectuate the purposes of this act; and be it further

15 RESOLVED AND ENACTED, That the corporation bonds will be special obligations of
16 the corporation payable from funds received by the corporation under the financing agreement
17 and other revenues received by the corporation, in any combination or priority as may be
18 designated in the proceedings of the corporation authorizing the issuance of such debt. The total
19 debt service on the corporation bonds is estimated to average approximately twenty-two million,
20 two hundred one thousand dollars (\$22,201,000) per year or approximately four hundred thirty-
21 five million six hundred fifty-two thousand and eight hundred seventy-five dollars
22 (\$435,652,875) in the aggregate, at an average interest rate of approximately five percent (5%)
23 and an approximately thirty (30) year maturity; and be it further

24 RESOLVED AND ENACTED, That the corporation bonds will not constitute
25 indebtedness of the state or any of its subdivisions or a debt for which the full faith and credit of
26 the state or any of its subdivisions is pledged; and be it further

27 RESOLVED AND ENACTED, That the state's authority to incur the obligations set forth
28 herein will expire within five (5) years of the date of passage of this act if such financing
29 transaction is not executed prior to that date; and be it further

30 RESOLVED AND ENACTED, That from and after the date that the governor and the
31 general treasurer enter into such financing agreement, that the project shall not be eligible for
32 state housing aid reimbursement calculated pursuant to § 16-7-39 but shall be eligible for state
33 housing aid "bonus" incentives pursuant to § 16-7-40 and foundational aid offered on a pay-as-
34 you-go basis pursuant to § 45-38.2-4; and be it further

1 RESOLVED AND ENACTED, That no corporation bonds shall be issued unless the
2 project shall be approved by the Rhode Island department of education; and be it further

3 RESOLVED AND ENACTED, that the governor, the general treasurer, on behalf of the
4 state are hereby authorized to execute such documents or other papers as either of them deem
5 necessary or desirable to carry out the intent of this act and are also authorized to take all actions
6 and execute all documents or agreements necessary to comply with federal tax and securities
7 laws, which documents or agreements may have a term coextensive with the maturity of the
8 corporation bonds authorized hereby, including Rule 15c2-12 of the Securities and Exchange
9 Commission (the "rule") and to execute and deliver a continuing disclosure agreement or
10 certificate in connection with the corporation bonds in the form as shall be deemed advisable by
11 such officers in order to comply with the rule.

12 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
JOINT RESOLUTION
AND AN ACT

AUTHORIZING THE STATE TO ENTER INTO A FINANCING AGREEMENT RELATING
TO SCHOOL CONSTRUCTION IN THE CITY OF PAWTUCKET

1 This act would serve as the joint resolution required pursuant to chapter 18 of title 35 of
2 the Rhode Island general laws ("Rhode Island public corporation debt management act")
3 authorizing the State of Rhode Island to finance the acquisition, construction, improvement,
4 furnishing and equipping of a new high school and school facilities and all expenses incident
5 thereto, including but not limited to costs of design, demolition, athletic fields, landscaping and
6 parking.

7 The project would not be eligible for state housing aid reimbursement calculated pursuant
8 to § 16-7-39 but would be eligible for state housing aid "bonus" incentives pursuant to § 16-7-40
9 and foundational aid offered on a pay-as-you-go basis pursuant to § 45-38.2-4. No bonds would
10 be issued under the act unless the school projects have been approved by the Rhode Island
11 Department of Education.

12 This act would take effect upon passage

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