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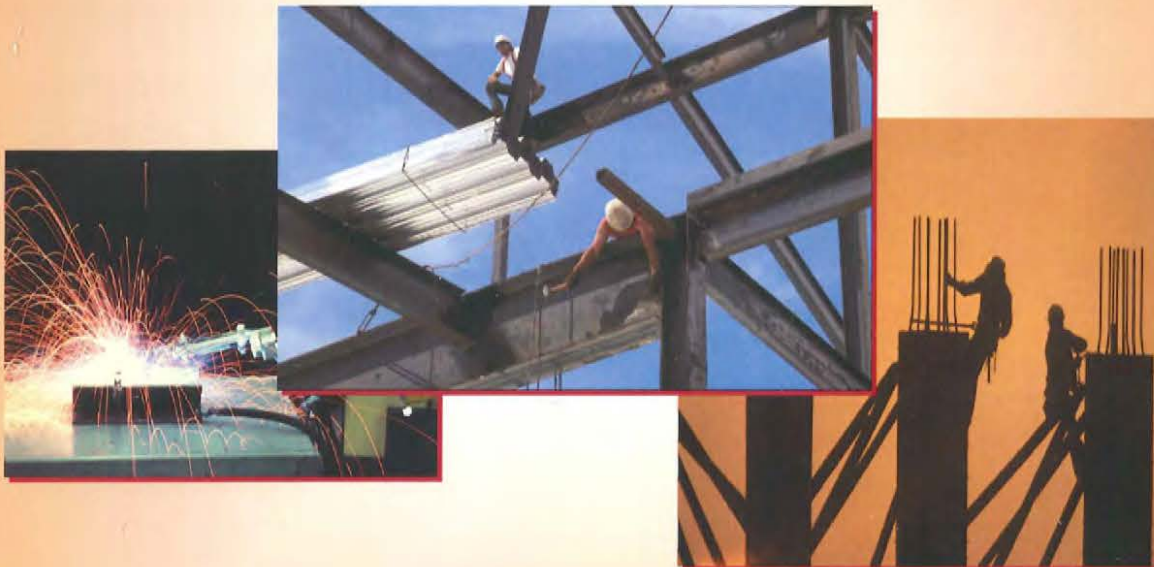
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MAINE

School Facilities

101

- *Major Capital Improvement*
- *Revolving Renovation Fund*




*The Joint Standing Committee on
Education and Cultural Affairs*


February 8, 2006

Joint Standing Committee of Education & Cultural Affairs
February 8, 2006


1. Overview of three approaches local School Administrative Units have available to meet their school facilities needs
 - A. Major Capital Construction Projects – Major renovation and/or addition or new schools
 - Local application & DOE team evaluation
 - Bonded by local school unit with state assistance for repayment
 - Local referendum required
 - B. Revolving Renovation Fund Projects – Improving existing facilities for health and safety related issues and more recently learning space upgrades
 - Funds flow from RRF and are repaid to the Fund over a five of ten year period
 - Local application with DOE and BGS evaluation
 - Local referendum required
 - C. Local only project – all design and funding carried out locally but subject to BGS oversight and DOE signoff
2. Detail of 21 step process for Major Capital Construction Process
 - Regional Study & Renovation vs. new analysis
 - Roles for each player – Local Unit, DOE, BGS, SBE, & others
 - DOE preparation and State Board of Education approvals
3. Timeline and Debt Impact Management
 - Current Priority List and “special priority list”
 - Increase of statutory debt ceiling
4. Summary of recent school site approvals by project (2001-2005)
 - Renovation & additions - existing or expanded existing sites
 - New construction – existing or expanded existing sites
 - New construction on new sites

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SCHOOL FACILITIES SERVICES/TRANSPORTATION INFORMATION

Federal Facility Grants (QZAB)
Lease Space Program
Revolving Renovation Fund
School Facilities Management Template
Alternate Delivery Projects
Pupil Transportation
Current and Proposed Rules
Major Capital Improvement Program (MCIP)
Contact List

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MAJOR CAPITAL IMPROVEMENT PROGRAM [MCIP]

Beginning in 1999, the State Board of Education modified the Major Capital Improvement Program for State subsidized major school construction and renovation. Under the present legislation and State Board of Education rule, school systems seeking State subsidized construction projects periodically apply to the Department of Education for a school construction project. A team from the Department of Education reviews the applications and conducts a site visit to each applicant's school district. Following the site visit, the team rates each potential project. The ratings are done from a matrix developed by rule and adopted by the State Board of Education. The Department of Education then creates a list of projects in decreasing order from the project with the greatest need followed by projects with lesser needs in descending order. The Commissioner of the Department of Education presents the list to the State Board of Education. The State Board of Education funds as many projects from the list as available debt limit funds allow. The Department of Education working in concert with the State Board of Education establishes both size and financial limits on projects. Local school units may exceed these limits at local expense. Under current state school subsidy formulas, the State bears the major financial burden of capital costs in most school units in Maine. In seeking solutions to educational facility issues, the Department of Education first looks to the possibility of renovations or renovations with additions. New school construction projects are only considered in those instances where renovation projects are not economically or educationally feasible. It should be noted that some school units in Maine have opted to finance capital projects at the local level without the assistance of State subsidy. This option remains open to all school units in Maine. For a more detailed explanation, refer to State Board of Education rules Chapter 61 - "State Board of Education Rules for Major Capital School Construction Projects."

- >> **[SCHOOL CONSTRUCTION PROJECT WORKBOOK](#)** - Updated September 2005
- >> **["An Analysis of Construction of Small Schools vs. Larger Schools"](#)** - Report presented to the State Board of Education on July 13, 2005
- >> **[2006 State Board of Education CONSTRUCTION COMMITTEE meetings](#)**


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REVOLVING RENOVATION FUND

The Revolving Renovation Fund Program was the result of State legislation that directed that an inventory be conducted of all public schools in Maine (H.P. 807, Legislative Document #1124). The inventory revealed a need in 1997 for repairs to address health and safety needs valued at \$62,014,616 and other repair needs of \$49,799,924. Based upon these identified needs, the Revolving Renovation Fund program was developed.

The Revolving Renovation Fund has three major categories. The first category is called Priority 1. This category is limited to health and safety projects. Specifically, they address roofs, handicap codes, air quality, asbestos and other health and safety issues.

The second category is called Priority 2. This category covers projects that are not health and safety related. These include structural issues, windows, doors, water and septic systems.

The third category is called Priority 3. This category is limited to the upgrade of learning space and small capital projects.

The Commissioner of the Department of Education can consider other issues not identified in Priority 1, 2 or 3 definitions. The three categories in general have a limit of \$1 million in each category for each school building. There are some limited exceptions to this but they occur on a project-by-project basis.

Priority 1 and Priority 2 projects have been ongoing with school units submitting applications at any given time. The applications are rated at the Department of Education and reviewed by the Bureau of General Services. Applications that rate high enough to be funded result in a certificate signed by the Commissioner of the Department of Education and mailed to the school superintendent. The certificates are then presented to the Maine Bond Bank for funding.

Priority 1 and Priority 2 projects qualify for a debt forgiveness rate on a scale from 70% to 30%. The scale is based upon the percentage of State subsidy aid paid to the local school unit. Most loans are for a term of ten years and they are interest free.

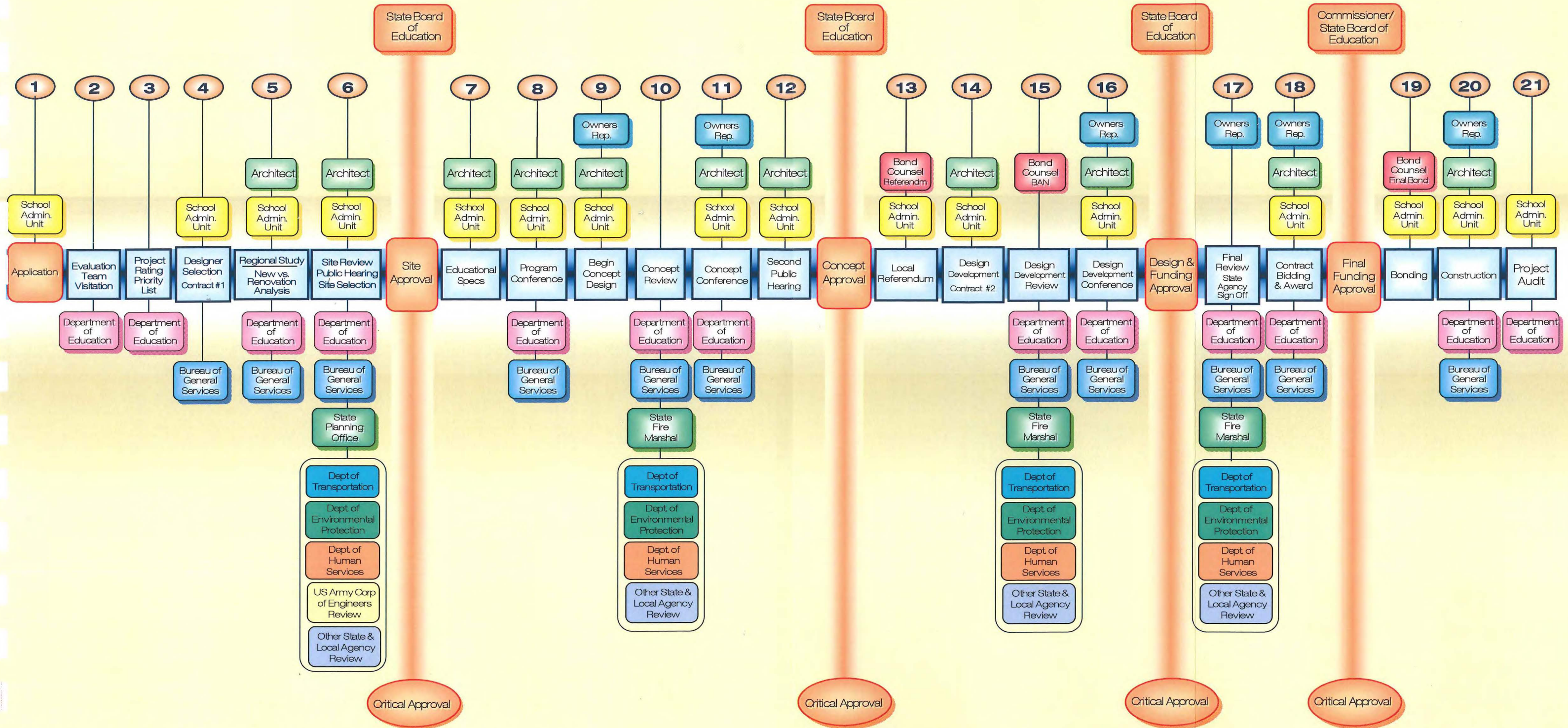
Priority 3 projects have been open for application only once. The forgiveness rate is on a scale from 50% to 20%. Currently, applications are not being accepted for Priority 3 projects.

For a more detailed explanation, refer to Department of Education rules [Chapter 64 - "Maine School Facilities Program and School Revolving Renovation Fund."](#)

MAJOR CAPITAL IMPROVEMENT PROGRAM

School Construction Review and Approval Process

○ Design-Bid-Build Project Delivery Method

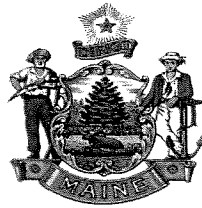


This guideline provides an overview for project planning purposes. Please refer to the School Construction Project Workbook & the State Board of Education Rules for School Construction for additional information on the school construction process.

Note: Timing and requirements for Owners Representative may vary.

State of Maine

Department of Education
School Facilities Services



School Facilities Priority List

Major Capital Improvement Program
Rating Cycle 2004-2005

Amended May 25, 2005

The Department of Education recommends the following list of School Facilities Priorities to the State Board of Education. This list is based on a rating of the overall needs of those school districts that submitted a Major Capital Improvement Application

<u>Priority</u>	<u>District</u>	<u>Project Name</u>	<u>Points</u>
1	Portland School Dept.	Nathan Clifford School	136.70
2	SAD #6 - Buxton	Frank Jewett/Hanson School	135.94
3	Peninsula CSD - Winter Harbor	Winter Harbor Grammar School	131.85
4	Ellsworth School Dept.	Gen. Bryant E. Moore School	129.68
5	SAD #54 - Norridgewock	Norridgewock Central School	128.87
6	Lewiston School Dept.	Pettingill School	128.81
7	SAD #32 - Ashland	Ashland Central School	125.99
8	Brewer School Dept.	State Street School	125.11
9	Westbrook School Dept.	Fred C. Wescott School	124.35
10	Gorham School Dept.	White Rock School	123.63
11	Durham School Dept.	Durham Elementary School	123.00
12	Machias School Dept.	Machias Memorial High School	121.84
13	Brunswick School Dept.	Hawthorne School	121.53
14	Jefferson School Dept.	Jefferson Village School	120.82
15	Chelsea School Dept.	Chelsea Elementary School	119.94
16	Woolwich School Dept.	Woolwich Central School	119.21
17	SAD #22 - Hampden	Hampden Academy	119.12
18	SAD #9 - Farmington	Mt. Blue High School	118.80
19	Falmouth School Dept.	D. W. Lunt School	116.76
20	SAD #9 - Farmington	W. G. Mallett School	116.72
21	SAD #75 - Topsham	Mt. Ararat High School	116.65
22	Sanford School Dept.	Sanford High School/Regional Voc. Ctr.	115.55
23	Portland School Dept.	Howard C. Reiche Community School	115.24
24	Lewiston School Dept.	Martel School	114.67
25	SAD #48 - Newport	Nokomis Regional High School	112.77
26	SAD #32 - Ashland	Ashland Community High School	112.37
27	Lisbon School Dept.	Lisbon High School	111.65
28	Orono School Dept.	Orono Middle/High School	111.62
29	Portland School Dept.	Cliff Island School	111.31
30	Brewer School Dept.	Pendleton Street School	110.16
31	Brunswick School Dept.	Jordan Acres School	108.88
32	Brewer School Dept.	Capri Street School	108.31
33	Brewer School Dept.	Brewer Middle School	107.20
34	Falmouth School Dept.	Plummer-Motz School	105.16
35	Ellsworth School Dept.	Dr. Charles C. Knowlton School	104.60
36	Brewer School Dept.	Washington Street School	103.63
37	Lewiston School Dept.	Lewiston Middle School	103.57
38	Brunswick School Dept.	Longfellow School	103.49
39	Lamoine School Dept.	Lamoine Consolidated School	101.51
40	SAD #61 - Sebago	Sebago Elementary School	101.03
41	Flanders Bay CSD - Sullivan	Sumner Memorial High School	100.43
42	Portland School Dept.	Peaks Island School	99.12
43	SAD #61 - Naples	Lake Region High School/Regional Tech. Ctr.	98.43
44	Auburn School Dept.	Edward Little High School	98.35

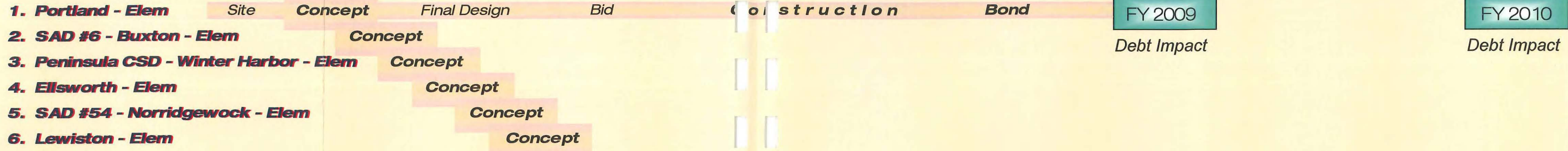
<u>Priority</u>	<u>District</u>	<u>Project Name</u>	<u>Points</u>
45	SAD #6 - Buxton	Bonny Eagle High School	96.97
46	SAD #34 - Morrill	Gladys Weymouth Elementary School	96.79
47	SAD #57 - Waterboro	Shapleigh Memorial School	96.36
48	Portland School Dept.	Longfellow School	95.08
49	Portland School Dept.	West School	94.89
50	SAD #6 - Hollis	Hollis School	93.80
51	Scarborough School Dept.	Benjamin Wentworth Intermediate School	93.18
52	Greenville School Dept.	Greenville Middle/High School	92.87
53	Portland School Dept.	Harrison Lyseth Elementary School	91.52
54	SAD #28 - Rockport	Rockport Elementary School East	90.89
55	Portland School Dept.	Fred P. Hall School	90.86
56	SAD #51 - Cumberland	Greely High School	90.77
57	SAD #6 - Standish	Steep Falls Elementary School	89.68
58	Brunswick School Dept.	Brunswick Jr. High School	89.33
59	Brunswick School Dept.	Coffin School	88.24
60	Scarborough School Dept.	Scarborough Middle School	85.55
61	Portland School Dept.	Presumpscot School	85.39
62	SAD #28 - Rockport	Rockport Elementary School West	82.47
63	Lewiston School Dept.	Lewiston High School/Regional Tech. Ctr.	82.25
64	SAD #61 - Casco	Crooked River Elementary	76.71
65	Falmouth School Dept.	Falmouth Middle School	70.59
66	SAD #34 - Searsmont	Ames Elementary School	62.54

MAJOR CAPITAL CONSTRUCTION SCHEDULE FOR APPROVAL

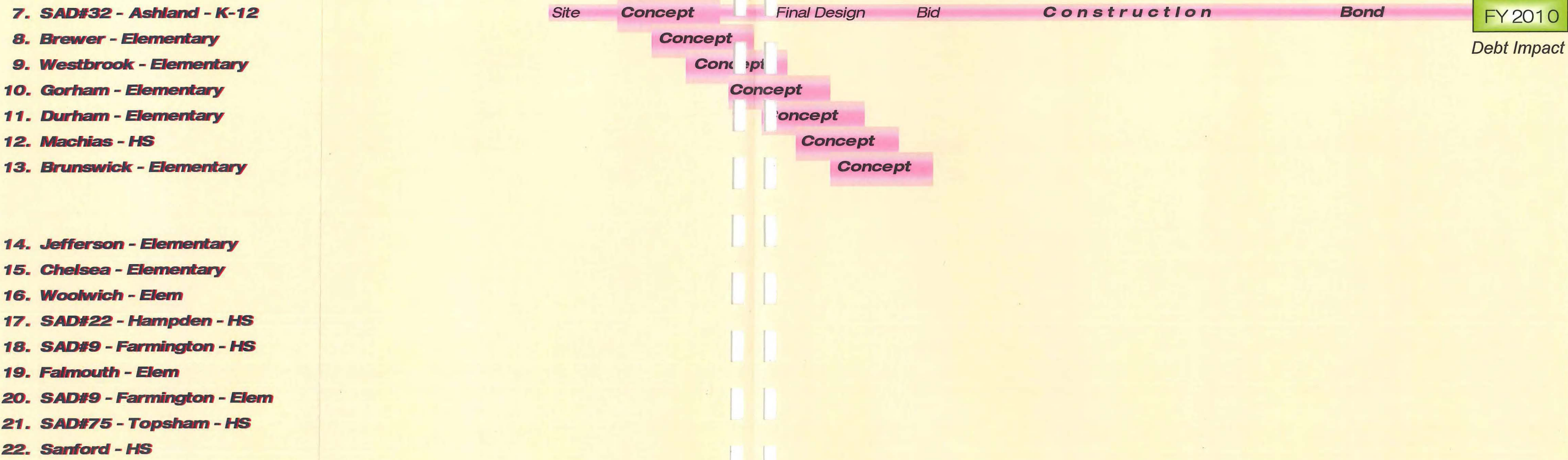
2005
2006
2007
2008
2009

March 9, 2005
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July
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July

SPECIAL PRIORITY I

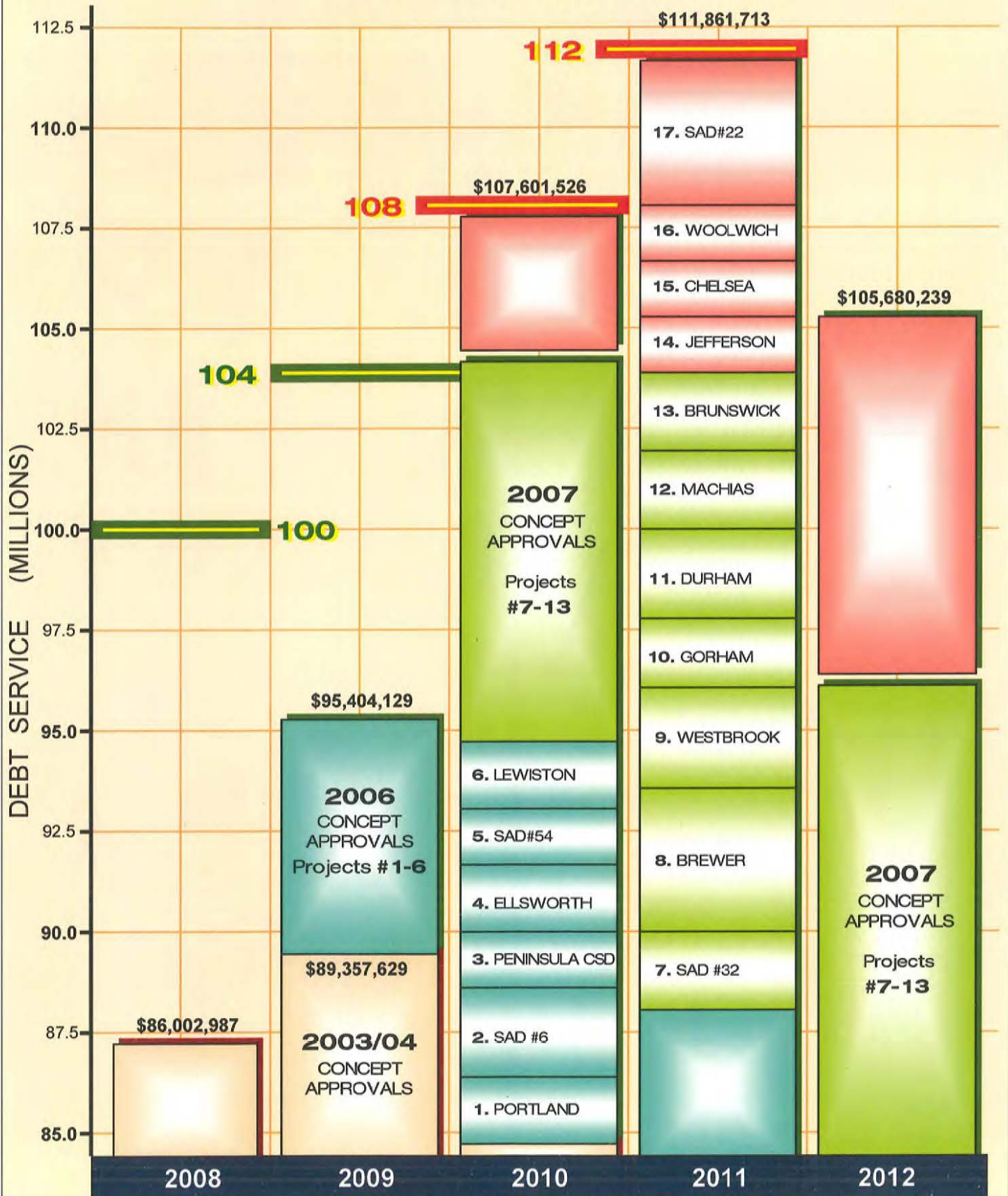


SPECIAL PRIORITY II



MAJOR CAPITAL IMPROVEMENT

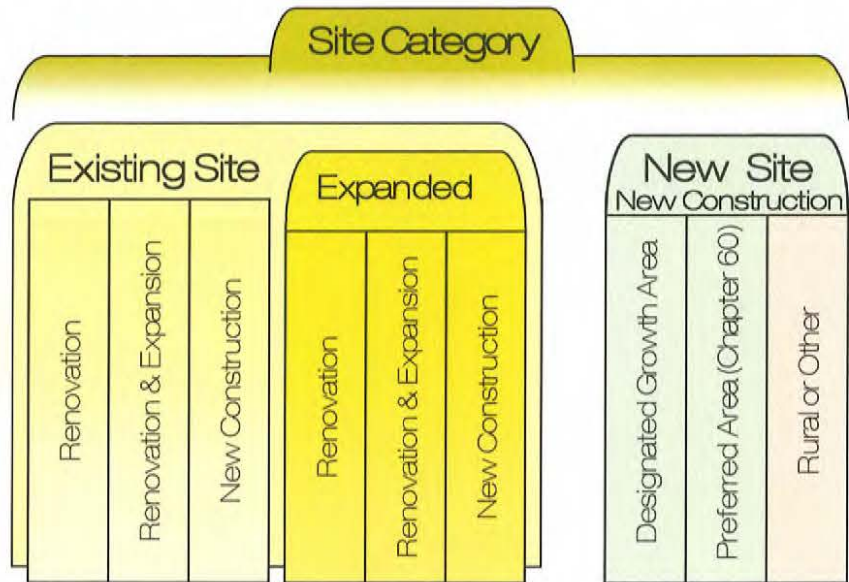
Debt Service Impact



SUMMARY OF MAJOR CAPITAL CONSTRUCTION SITE APPROVALS

Site Approvals Granted From: **July 1, 2000 through June 30, 2001**

'01



Project Description

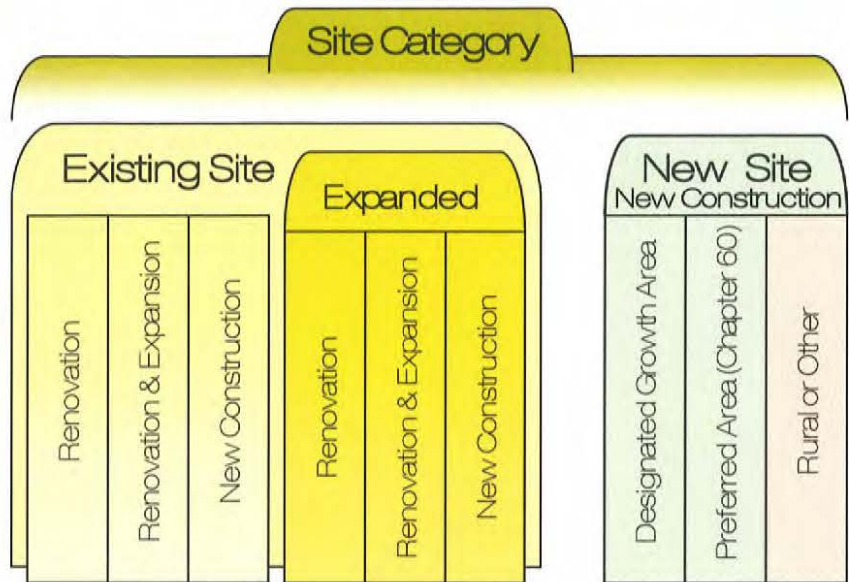
(School Administrative Unit)

Project Description (School Administrative Unit)	Existing Site			Expanded			New Site New Construction		
	Renovation	Renovation & Expansion	New Construction	Renovation	Renovation & Expansion	New Construction	Designated Growth Area	Preferred Area (Chapter 60)	Rural or Other
1. Edgecomb Elementary (Town of Edgecomb)							X		
2. Hebron Elementary (SAD #17 South Paris)									X
3. Vinalhaven K-12 (SAD #8 Vinalhaven)						X			
4. Messalonskee Middle School (SAD #47 Oakland)	X					X			
5. Gorham Middle School (Town of Gorham)							X		
6. Old Town Elementary (Town of Old Town)							X		
7. Bucksport Middle School (Town of Bucksport)						X			
8. Searsport Middle/High School (SAD #56 Searsport)		X							
9. Winthrop High School (Town of Winthrop)						X			
Total	1	1	0	0	0	4	3	0	1

SUMMARY OF MAJOR CAPITAL CONSTRUCTION SITE APPROVALS

Site Approvals Granted From: **July 1, 2001 through June 30, 2002**

'02



Project Description

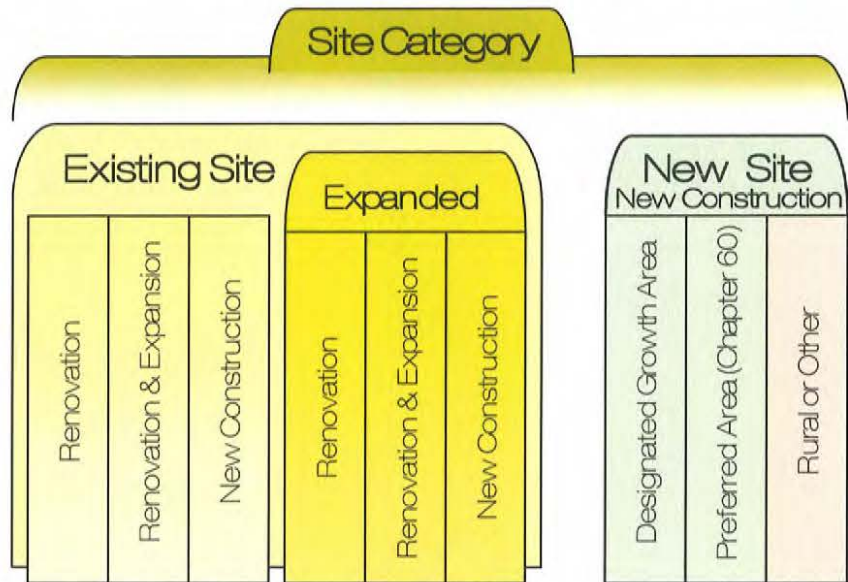
(School Administrative Unit)

Project Description (School Administrative Unit)	Existing Site			Expanded			New Site New Construction		
	Renovation	Renovation & Expansion	New Construction	Renovation	Renovation & Expansion	New Construction	Designated Growth Area	Preferred Area (Chapter 60)	Rural or Other
1. Cumberland Middle School (SAD #51 Cumberland)						X			
2. Windham High School (Town of Windham)					X				
3. Lisbon Elementary (Town of Lisbon)								X	
4. Calais Middle School (City of Calais)	X				X				
5. Kennebunk Elementary (SAD #71 Kennebunk)							X		
6. Biddeford Middle School (City of Biddeford)	X					X			
7. Sabattus Elementary (Town of Sabattus)	X							X	
8. Windsor Elementary (Town of Windsor)					X				
9. Belfast Elementary (SAD #34 Belfast)						X			
Total	3	0	0	0	3	3	1	2	0

SUMMARY OF MAJOR CAPITAL CONSTRUCTION SITE APPROVALS

Site Approvals Granted From: **July 1, 2002 through June 30, 2003**

'03



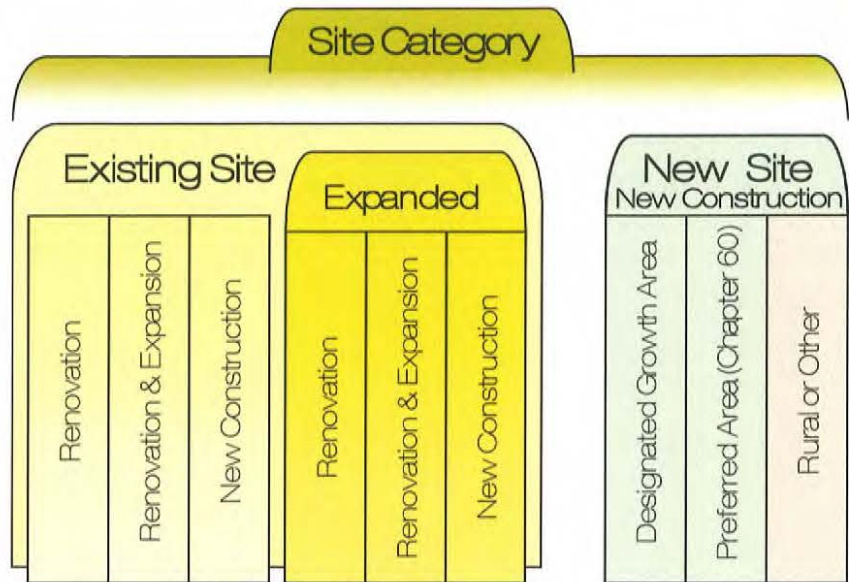
Project Description (School Administrative Unit)

Project Description (School Administrative Unit)	Existing Site			Expanded			New Site New Construction		
	Renovation	Renovation & Expansion	New Construction	Renovation	Renovation & Expansion	New Construction	Designated Growth Area	Preferred Area (Chapter 60)	Rural or Other
1. North Anson Elementary (SAD #74 North Anson)		X							
2. Lincolnville Elementary (Town of Lincolnville)			X						
3. Waterboro Middle School (SAD#57 Waterboro)								X	
4. Augusta-Cony High School (City of Augusta)						X			
Total	0	1	1	0	0	1	0	1	0

SUMMARY OF MAJOR CAPITAL CONSTRUCTION SITE APPROVALS

Site Approvals Granted From: **July 1, 2003 through June 30, 2004**

'04



Project Description

(School Administrative Unit)

Project Description (School Administrative Unit)	Existing Site			Expanded			New Site New Construction		
	Renovation	Renovation & Expansion	New Construction	Renovation	Renovation & Expansion	New Construction	Designated Growth Area	Preferred Area (Chapter 60)	Rural or Other
1. Middle School (SAD #40 – Waldoboro)			X						
2. Mt. View School PreK-12 (SAD #3 – Thorndike)			X			X			
3. Dover-Foxcroft Elementary (SAD #68 – Dover-Foxcroft)			X		X				
4. Hallowell Elementary (SAD #16 – Hallowell)							X		
5. Middle School (SAD #55 – Sacopee Valley)			X						
6. Paris Elementary School (SAD #17 – Paris)							X		
7. East End Elementary School (Portland School Dept.)			X						
8. Farwell Elementary School (Lewiston School Dept.)			X						
9. Auburn Elementary School (Auburn School Dept.)							X		
Total	0	0	6	0	1	1	3	0	0

Chapter 60: NEW SCHOOL SITING APPROVAL

Summary: This rule governs State Board of Education action in the siting of new school construction projects, not including additions to existing schools, that receive state funding.

1. Applicability

This rule applies to the siting of all new school construction projects that receive state funding, including major capital improvement projects as defined in Maine Department of Education Reg. 61 (April 4, 2000) if the major capital improvement projects are not additions to existing schools and are projects that receive state funding.

2. Request for Site Approval

School administrative units requesting site approval must submit the application materials described in Maine Department of Education Reg. 61, Rules for School Construction Projects, Section 4 no later than one month prior to the meeting of the State Board of Education at which the request is scheduled to be considered.

3. Considerations

When reviewing a request for site approval, the State Board of Education must consider the following:

- A. the adequacy of the site to provide for the long-term educational program space needs and playfield requirements of the school administrative unit;
- B. the comprehensive enrollment analysis for the school administrative unit;
- C. a comprehensive and complete "Renovation-vs.-New-Analysis" of the existing building and site;
- D. community involvement in the selection process;
- E. site development costs, both on and off the primary location of the project;
- F. the impact on student transportation, vehicular traffic and student safety;

- G. the allowance for future expansion;
 - H. the proximity to power, water, and sewerage facilities;
 - I. subsurface analyses of soils and ledge;
 - J. the survey of the site for wetlands; and
 - K. the environmental issues related to the site.
4. Additional Considerations Required for Requests for New Schools on New Sites
- A. When a school administrative unit's request for site approval specifies that a new school on a new site is the school administrative unit's preference, the State Board of Education must consider the preferred areas for school siting defined below in addition to the considerations listed in (3), above:
 - i. a locally designated growth area identified in the municipality's comprehensive plan adopted pursuant to the Maine Revised Statutes, 30-A, chapter 187, subchapter II; and
 - ii. in the absence of a comprehensive plan:
 - a. an area that, if served by a public sewer system, has the capacity for the school construction project;
 - b. an area identified by the latest Federal Decennial Census as a census-designated place; or
 - c. a compact area of an urban compact municipality.
 - B. When a site is requested that is not a preferred area as defined in (4)(A)(i) or (4)(A)(ii), above, the school administrative unit must provide a written explanation of its site selection for State Board of Education consideration prior to the meeting scheduled by the State Board of Education for review of the school administrative unit's request for site approval.
5. Review and Decision
- A. The Construction Subcommittee of the State Board of Education must consider all the factors listed in (3) and (4), above, before forwarding its recommendation regarding the request for site approval to the State Board of Education.
 - B. When site approval for a new school on a new site that is not a preferred area as defined in (4)(A)(i) or (4)(A)(ii), above, is recommended by the Construction

Subcommittee of the State Board of Education, the Sub-committee must provide written justification for its recommendation to the State Board of Education. The written justification must include any and all considerations that provide the basis for recommending a location that is not in a preferred area as defined in (4)(A)(i) or (4)(A)(ii) and must be made a part of the written record of the State Board of Education.

- C. The State Board of Education must consider requests for site approval no later than two (2) regularly scheduled State Board of Education meetings prior to the State Board of Education's consideration of concept approval for the same project as defined in Maine Department of Education Reg. 61, Rules for School Construction Projects, Section 1(A)(1).
 - D. When considering a request for site approval, the State Board of Education will involve all appropriate federal, state and local agencies. However, the decision regarding final site approval rests entirely with the State Board of Education.
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STATUTORY AUTHORITY: P.L. 1999 c. 776, §21

EFFECTIVE DATE:

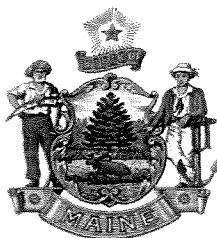
August 12, 2001 - final adoption 2001-256 filed July 13, 2001 - major substantive chapter

05-071

**STATE OF MAINE
STATE BOARD OF EDUCATION**

CHAPTER 61

**RULES FOR MAJOR CAPITAL
SCHOOL CONSTRUCTION PROJECTS**



**Maine Department of Education
Augusta, ME 04333-0023**

Revised: August 4, 2004

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05 DEPARTMENT OF EDUCATION

071 SCHOOL FACILITIES SERVICES TEAM

Chapter 61: STATE BOARD OF EDUCATION RULES FOR MAJOR CAPITAL SCHOOL CONSTRUCTION PROJECTS

Summary: This Chapter defines the conditions under which the State will subsidize Major Capital school construction projects.

SECTION 1. DEFINITIONS

For the purposes of this Chapter, the following terms have the following meanings:

1. "Arbitrage" – Arbitrage means, in the municipal market, the difference in interest earned on funds borrowed at a lower tax-exempt rate and interest on funds that are invested at a higher-yielding taxable rate. Under the 1986 Tax Act, with very few exceptions, arbitrage earnings must be rebated back to the federal government.
2. "Bond" - Bond means the written evidence of debt, bearing a stated rate or stated rates of interest, or stating a formula for determining that rate, that matures on a date certain on which date and upon presentation a fixed sum of money plus interest is payable to the holder or owner.
3. "Bond Anticipation Note (BAN)" – Bond Anticipation Note (BAN) means a note issued in anticipation of a later issuance of bonds, usually payable from the proceeds of the sale of the bonds or of renewal notes. BANs can also be general obligations of the issuer. A general obligation bond is a bond secured by the pledge of the issuer's full faith, credit, and taxing power.
4. "Bond Bank" – Bond Bank means the Municipal Bond Bank created by 30-A M.R.S.A. §5953(E). The Bond Bank may make loans to a school administrative unit to promote efficient capital financing activities for the construction, renovation and maintenance of school facilities.
5. "Capital Renewal" – Capital Renewal means capital reinvestment or capital replacement, but the town is not limited to activities having to do with replacement, in whole or substantial part, of a building component that renews its life expectancy. Activities that bring facilities up to current codes and standards are categorized as capital renewal. Capital renewal activities involve the substantial renewal or replacement of fixed assets (e.g., replacing a roof covering, replacing a boiler, new windows).
6. "Completed Building" – Completed Building means completion of a construction project. The project is considered completed when all invoices have been paid, all existing litigation/arbitration issues have been resolved, all applicable arbitrage computations have been prepared by bond counsel, the school administrative unit auditor, or other authorized person, and no further financial transactions are anticipated. Where required, certificates of occupancy shall have been obtained.

7. “Concept Approval” – Concept Approval means the initial approval of a school construction project by the state board which indicates: acknowledgement of the local need; approval of the preliminary design; approval of estimated costs; and the state board’s intent to issue final approval subject to a favorable local vote and approval of final cost estimates.
8. “Contingency Funds” – Contingency Funds are project funds that have been set aside or reserved to cover bidding overruns, project errors and omissions.
9. “Debt Service Costs” – Debt Service Costs are defined in 20-A M.R.S.A. §15603(26-A)(C) as principal and interest on approved school construction costs as described in subsection 8, paragraph A, excluding payments made with funds from State and local government accounts established under the Federal Internal Revenue Code and regulations for disposition of excess, unneeded proceeds of bonds issued for a school project.
10. “Debt Service Principal” – Debt Service Principal means the face amount of a bond exclusive of accrued interest and payable at maturity.
11. “Department” - Department means the State of Maine Department of Education.
12. “Design and Funding Approval” – Design and Funding Approval means that a Major Capital Improvement construction project has been developed to the extent that the design is complete, has gained the recommendation of the Department, and has been approved by the State Board.
13. “Educational Specifications” – Educational Specifications are the means by which a school administrative unit describes its educational goals and activities, and the interrelationships between those educational goals and activities and their associated spaces, that need to be provided in a proposed new or renovated school facility.
14. “Final Funding Approval” – Final Funding Approval means that a Major Capital Improvement construction project has gone through the bid process and the Commissioner has adjusted the state/local budget based upon the selected bid.
15. “Initiation Date” – Initiation Date is the date established by the Department on which the school administrative unit may start the construction phase on a new or renovation construction project.
16. “Moveable Equipment” – Moveable Equipment means equipment for a school construction project that supports the educational program described in the Department’s publication, *Educational Specifications*. Moveable equipment has an expected life of at least five years and is not attached to the building.
17. “Notes” – Notes means short-term promises to pay specified amounts of money. Notes may be secured by specific sources of future revenues, such as taxes, federal and state aid payments, and bond proceeds.
18. “Priority List” – Priority List means the list of applicants established by the Department’s School Facilities Services Team for a given rating cycle. The Priority List is based on the Rating System outlined in Section 5 of this Chapter.

-
19. "Project Budget" – Project Budget means the listing of line item costs allocated to complete a school construction project.
 20. "Project Funds" - Project Funds means BAN proceeds, bond proceeds, note proceeds, loan proceeds for initial start-up costs, interest earnings on project proceeds, and all other proceeds or earnings.
 21. "Rating Cycle" – Rating Cycle means a two-year period of time established by the State Board during which the School Facilities Services Team accepts applications from school administrative units for Major Capital Improvement construction projects, visits each facility, rates each facility, and develops a Priority List to be recommended to the State Board.
 22. "Routine Maintenance" – Routine Maintenance means those activities having to do with scheduled and unscheduled repairs, upkeep, minor alterations and enhancements of buildings. Routine maintenance is also defined as preventive maintenance work necessary to achieve the design life expectancy of building systems and components.
 23. "School Administrative Unit" – School Administrative Unit is defined in 20-A M.R.S.A., Chapter 609, §15901, sub-§6.
 24. "Special Priority List" – Special Priority List means the list of projects from the Priority List that the State Board intends to fund for a given rating cycle.
 25. "State Board" – State Board means the State Board of Education.
 26. "Substantially Renovated" – Substantially Renovated means any renovation for which the cost exceeds 50% of the building's current value prior to renovation.
 27. "Team" – Team means the School Facilities Services Team within the Department of Education having the responsibility for administration of all programs relating to school facilities, including Major Capital Improvement/Construction, Lease Space of School Facilities, Revolving Renovation Fund, and Federal School Construction/Renovation Grants.
 28. "Technology Equipment" – Technology equipment is defined as those items necessary for end users to access the capabilities defined in the technology plan applicable to the project. These items may include, but not be limited to, computers, servers, printers, copiers, scanners, smart boards, AV equipment, and telephone equipment.
 29. "Technology Infrastructure" – Technology Infrastructure is defined as essential built-in elements that are necessary to implement the technology plan applicable to the project. This budget line item may include, but not be limited to, cables, hubs, conduits, access points, wide area networking and general infrastructure to support education, security, and other technology and communications systems.

SECTION 2. MAJOR CAPITAL SCHOOL CONSTRUCTION PROCESS FLOW CHART, APPLICATION FORM AND SUBMISSION DEADLINES**1. Categories of School Construction Projects**

- A. Major Capital Improvement Projects – Major Capital Improvement Projects are new construction and major renovation projects that meet the educational program needs of the school. Costs necessary to bring a building into conformance with current state recognized building and safety codes shall be included in the project budget.
- B. Emergency Project - An emergency project is any school construction project requiring the replacement of all or a significant portion of a school facility, resulting from an unanticipated and sudden natural or human disaster, and which is declared uninhabitable by an authorized local, state or federal government agency or individual (e.g., the State Fire Marshal's Office).

2. Major Capital School Construction Process Flow Chart

Each school administrative unit developing a school construction project shall follow the steps in the order in which they are outlined on the Major Capital School Construction Process Flow Chart as approved by the State Board and available from the Department.

3. Application Form

Each school administrative unit seeking state funding for a proposed school construction project shall submit a completed application form to the Department. Application forms are available from the Department.

The application must include the results of a study of the availability and accessibility of space in other facilities within the applicant school's administrative unit. The study must address enrollment, including trends and projections, the proximity of available space, the compatibility of grade levels involved, student transportation, insurance, and the potential impact of these factors on the educational program and other issues related to the use of facilities. The study must also include information on the availability and accessibility of space in adjacent and nearby school administrative units.

4. Submission Deadlines

- A. Major Capital Improvement Projects are evaluated on a biennial rating cycle. To be considered for a given rating cycle, completed application forms must be submitted to the Department by the date established by the Department.
- B. Emergency Projects - Projects necessitated by an emergency as defined in Section 2 (1) (B) of this Chapter will be dealt with on a case-by-case basis as deemed appropriate by the State Board.

SECTION 3. RATING SYSTEM

1. The rating system set forth in paragraphs 5 and 6 of this section shall be used to rate each school construction project.
2. The rating points assigned to a project application that relate directly to health and safety as outlined in Priority A of this section may not be reduced by health and safety improvements made to existing buildings. This hold harmless provision will only apply if the project received a rating on the most recent school facilities Priority List.
3. The Department's facility evaluators will score each project following completion of the application form by the school administrative unit and an on-site visit by the evaluators. Once all visits have been completed, a proposed priority list will be developed based upon the scores assigned to each school. The assigned scores will change only if required by a review committee's decision pursuant to Section 4 paragraph 3 of this Chapter.

The school administrative unit is responsible for notifying the facility evaluators of any changes in local conditions prior to the release of the Department's final recommended Priority List.

4. The rating system is based on a total of 200 points for State Board priorities as follows:

PRIORITY A: Buildings and Grounds - 75 points total

PRIORITY B: School Population - 60 points total

PRIORITY C: Program and Planning - 65 points total

5. The Rating System: Criteria and Point Assignment

PRIORITY A: BUILDINGS AND GROUNDS (Total 75 Points)

Criteria - Unsafe Conditions (Total of 45 Points)

Group 1: Building (maximum 35 points)

1. Multi-story, wooden, unsprinklered
2. Structure
3. Combustible
4. Access and egress
5. Boiler room
6. Electrical
7. Storage
8. Stairwells
9. Environmental hazards
10. Security
11. Other

Group 2: Site (maximum 10 points)

12. Traffic/Circulation
13. Sewerage system
14. Environmental conditions
15. Water quality and quantity
16. Physical education and play areas
17. Other

Criteria - Obsolete and/or Unsuitable (Total 30 Points)

Group 1: Program Related Facility Deficiencies (maximum 21 points)

18. Special areas - non-instructional
19. Special areas - instructional
20. Room size and arrangement
21. Effective program
22. Site size and location
23. Handicapped accessibility
24. Other

Group 2: Mechanical and Building Systems Deficiencies (maximum 9 points)

25. Heating
26. Ventilation
27. Plumbing
28. Electrical
29. Other

PRIORITY B: SCHOOL POPULATION (Total of 60 Points)

Criteria - Overcrowding (Total of 40 points)

Group 1: Instructional Areas (maximum 20 points)

30. General classroom areas
31. Special areas
32. Other

Group 2: Program Scheduling (maximum 20 points)

33. Double sessions
34. Extended school day
35. Student release: overcrowding
36. Classes scheduled in unsuitable areas
37. Scheduling in temporary facilities due to overcrowding
38. Other

Criteria - Enrollment Estimates and Population Shifts (Total of 20 points)

Group 1: Enrollment Estimates (maximum 12 points)

- 39. Estimates based on enrollment projections
- 40. Other

Group 2: Population Shifts and Other (maximum 8 points)

- 41. Unusual changes
- 42. Other

PRIORITY C: PROGRAM AND PLANNING (Total of 65 Points)

- 43. Career Preparation/Guidance
- 44. English/Language Arts
- 45. Health and Physical Education
- 46. Mathematics
- 47. Modern/Classical Languages
- 48. Science
- 49. Technology
- 50. Social Studies
- 51. Visual and Performing Arts
- 52. Library/Media
- 53. Special Ed/Gifted & Talented
- 54. Other

- 6. The following steps shall be used by the Department to break ties that occur during the rating process for the purpose of placing the projects on the Priority List:
 - A. The project with more points in Priority A: Buildings and Grounds shall be placed first.
 - B. If a tie still exists, the project benefiting the larger number of students shall be placed first.

SECTION 4. PRIORITY LIST, EVALUATION REPORT AND ADMINISTRATIVE REVIEW

1. Priority List

The Department shall develop a needs-based Priority List of those applicants for a given rating cycle based on the Rating System outlined in Section 3 of this Chapter. The Commissioner shall recommend a proposed Priority List to the State Board. The Board will establish a Priority List.

2. Evaluation Report

After establishment of the Priority List by the Board, the Department will provide an individualized Evaluation Report to the superintendent of schools of each evaluated facility. This report shall include the scores for each category and sub-category used by the Department to rate that facility.

3. Administrative Review

- A. If a school administrative unit wishes to appeal its point rating, a written request for administrative review shall be made to the Commissioner within 30 days of receipt of the school administrative unit's individualized Evaluation Report described in paragraph 2 of this section. Forms to request administrative review may be obtained from the Department. A Review Committee consisting of the Commissioner or the Commissioner's designee and two members of the Department staff other than members of the Team will review issues raised by the school administrative unit and presented by the school administrative unit at an informal hearing. The Review Committee may call upon others to provide relevant information.
- B. Notification of the Review Committee's findings of fact and decision shall be made in writing within sixty (60) days of receipt of the request for administrative review.
- C. The Review Committee's findings of fact and decision will constitute final agency action.

SECTION 5. SPECIAL PRIORITY LIST

After the Priority List is established, the Board may designate projects from that list to be placed on the Special Priority List of projects that the State Board intends to fund for a given rating cycle. Placement on the Special Priority List is an acknowledgement that the pupils in the rated facility have a significant need to be housed under improved circumstances. It does not assure replacement of the facility(ies) which received the rating.

Note – For example, excess capacity may be available in an existing school within the school administrative unit or within an adjacent and nearby school administrative unit.

The number of designated projects on the Special Priority List will be determined by available funding. Should resources permit additional projects to be funded during the same rating cycle, the State Board may designate more projects from the Priority List in priority order. If resources do not allow all projects on the Special Priority List to be funded, unfunded projects will be placed at the top of the Priority List of the next rating cycle.

SECTION 6. SCHOOL CONSTRUCTION ELIGIBILITY AND APPROVAL PROCESS**1. Eligibility for State Funding**

An analysis of the availability and accessibility of solutions utilizing space at existing or new facilities in the region shall be conducted prior to any decision on eligibility for state funding.

- A. **Site Approval** – All projects must receive Site Approval by the State Board. In order to be considered for Site Approval, each school administrative unit must, at a minimum, have successfully completed a site application and met with the Team. In considering new sites, schools should first refer to the requirements of Chapter 60, which deals specifically with school siting. In instances where additional property is to be acquired, each school administrative unit must have secured an option on said site and have obtained at least two appraisals as outlined in Section 7 paragraph 4 of this Chapter. Prior to Site Approval the school administrative unit shall hold the first of two required public hearings to present the site to the public and to take and record a straw vote. If the State Board approves the recommendation for Site Approval, the Department will issue a Certificate of Approval to the school administrative unit. In considering applications for Site Approval the State Board is guided by Chapter 60 of its rules. Consideration should be given to new facilities in service centers and in-town locations that offer such advantages as fewer students requiring bussing and the easy availability of utilities.
- B. **Concept Approval** – The State Board will consider Concept Approvals at any of its regularly scheduled meetings based on the recommendations of the Department. Concept Approval may be considered no sooner than the second regular meeting of the State Board following Site Approval. Prior to consideration by the State Board for Concept Approval, the school administrative unit shall provide to the Department a conceptual presentation of a proposed facility on an approved site. The proposal shall include a projected preliminary budget that shall be the maximum allowable budget for the concept. Any project that exceeds the budget presented at Concept Approval must obtain revised Concept Approval from the State Board. The revised Concept Approval must gain a favorable vote at Local Referendum. If the State Board approves the recommendation for Concept Approval, the Department will issue a Certificate of Approval to the school administrative unit. Any departure from the timelines in this paragraph shall require written request for a waiver from the school administrative unit and shall be approved by the Board.
- C. **Approval of Local Voters** - Prior to requesting State Board Design and Funding Approval, each school construction project must gain a favorable vote in a Local Referendum pursuant to 20-A M.R.S.A. §15904.
- D. **Design and Funding Approval** – The State Board will consider Design and Funding Approval at any of its regularly scheduled meetings based on the recommendation of the Department. If the State Board approves the recommendation for Design and Funding Approval, the Department will issue a Certificate of Approval to the school administrative unit.
- E. **Final Funding Approval** – Final Funding Approval by the Commissioner will occur after contract bidding and award. All school administrative units shall comply with Section 11 of this Chapter. If the State Board approves the project

for Final Funding Approval, the Department will issue a Certificate of Approval to the school administrative unit.

- F. Time Limitations - The following time limitations apply to all Major Capital Improvement school construction projects.
- (1) Every project placed on the Special Priority List will be assigned a calendar year within which Concept Approval shall be obtained. Failure to obtain Concept Approval within the designated year shall result in removal from the Special Priority List unless a waiver is obtained from the State Board prior to the expiration of the school administrative unit's assigned year. To be considered for a waiver, the school administrative unit must present to the State Board a proposed timetable and plan for obtaining Concept Approval. Approval by the State Board of the proposed timetable shall constitute a waiver.
 - (2) Within six months after the date of State Board Concept Approval, a project must secure a favorable Local Referendum vote. Projects not receiving a favorable Local Referendum vote within six months of Concept Approval will be removed from the Special Priority List. The school administrative unit may apply in the next rating cycle.
 - (3) Within nine months of a favorable Local Referendum vote, a project shall be presented to the State Board for Design and Funding Approval.
 - (4) Within nine months after State Board Design and Funding Approval, a construction contract shall be signed.
 - (5) In cases when the school administrative unit's referendum includes the provision for Interest-Only Local Interim Financing and the referendum fails, the school administrative unit shall return to the State Board for Concept Approval on the date originally assigned to it, and the provisions of paragraph F(1)-(4) of this section shall apply.
- G. All school construction projects involving state funds in the construction of new facilities, additions to existing buildings, or major alterations of existing buildings shall be designed and constructed with materials that provide long-term durability, meet energy efficiency standards as defined in 5 M.R.S.A. §§1762-1769, and go through the stages of State Board approval outlined in this section. Prior approval of the Department is required before changes, including changes which reduce the durability of materials may be made. Approval or disapproval by the Department shall be in response to a recommendation from the Bureau of General Services.

2. Funding Limitations

Final Funding Approval granted to a school construction project requires that the project be completed within the specified dollar amount. A statement to that effect will be added to construction certificates.

SECTION 7. SITE SELECTION

To receive Site Approval by the State Board a site must be selected that meets the following requirements:

1. Maximum Site Size
 - A. Maximum site size for elementary schools is defined as 20 acres plus one (1) acre for each 100 students.
 - B. Maximum site size for middle schools (any combination of two (2) or more grades (5 through 8)) is 25 acres plus one (1) acre for each 100 students.
 - C. Maximum site size for secondary schools is defined as 30 acres plus one (1) acre for each 100 students.
 - D. School building sites that exceed the allowable maximum size, if approved, shall carry the following stipulation: "No portion of this site may be sold, leased or transferred for other than school purposes without approval of the conditions of such sale or lease by the State Board." This stipulation shall be a part of the Certificate of Approval and the deed.
2. Minimum Site Size
 - A. Minimum site size for elementary schools is defined as five (5) usable acres plus one (1) usable acre for each 100 students.
 - B. Minimum site size for middle schools is ten (10) usable acres plus one (1) usable acre for each 100 students.
 - C. Minimum site size for secondary schools is defined as fifteen (15) usable acres plus one (1) usable acre for each 100 students.
 - D. School building sites that are below the minimum size will be considered by the State Board only when the school administrative unit can demonstrate that all programs can be accommodated, all health and safety issues can be resolved, the unit can achieve compliance with appropriate codes, and no viable alternative exists. Minimum site size requirements may be met by adding together the acreage of non-contiguous parcels of land when those parcels support the educational programs of the school.

3. Location

The selection of sites for new school facilities shall be in compliance with the provision of 30-A M.R.S.A. Chapter 187, subchapter II, and any local ordinances governing the location of school buildings. 30-A M.R.S.A. Chapter 187, subchapter II, also known as the Municipal Growth Management Law, includes provisions for municipal development and administration of local comprehensive plans. Applications for school construction projects shall include reference to and assurance of compliance with local comprehensive plans, when they exist.

4. School Site Appraisal

- A. Appraised Value - Applications for approval of school building sites must be accompanied by an option to purchase the land and two certified appraisals based on similar recent purchases. The average of the two appraisals is defined by the State Board as the "appraised value." If the lower of the two appraisals varies from the higher by more than 25 percent of the lower appraisal, a third appraisal must be secured and the average of the three appraisals will become the appraised value.
- B. Cost Limitation – The maximum amount eligible to be included in the state funding of school construction projects shall be the appraised value of each school site.

5. Funding Restrictions

- A. The cost of land acquired for a major capital school construction project to the extent that it exceeds the maximum site size shall be entirely at the school administrative unit's expense and shall not be eligible for state subsidy. State subsidy will only apply to purchased properties.
- B. Sites acquired prior to receiving State Board Site Approval will not be eligible for state subsidy except under all the following circumstances:
- (1) the school administrative unit is placed on the Special Priority List; and
 - (2) the site receives State Board Site Approval; and
 - (3) the cost that is eligible for subsidy shall be either the purchase price of the site, or the current appraised value as determined by the procedure detailed in paragraph 4-A of this section, whichever is less.

6. Approval by State Board

The final decision on school Site Approval rests solely with the State Board of Education, which shall be guided by the requirements of State Board Rules Chapter 60, New School Siting Approval.

SECTION 8. CONCEPT DEVELOPMENT

Each school administrative unit developing a construction or renovation project shall provide the following information to the Department.

1. Educational Specifications:
 - A. The school administrative unit shall submit its educational goals in writing and describe how the proposed facility will help meet those goals.
 - B. The school administrative unit shall provide in writing the results of its planning study to the Department and to the designer.
 - C. The school administrative unit shall draw upon the talents, experience, and knowledge of a wide range of resources (administrators, staff, students, citizens, and consultants).
 - D. The school administrative unit will list the non-instructional activities that will be housed in the facility, including any plans for community use.
 - E. The school administrative unit will detail the interrelationship of instructional programs with each other and with non-instructional programs, with special emphasis on Maine's system of *Learning Results*, as outlined in rules Chapter 125 or Chapter 127.
 - F. The school administrative unit will provide a technology and equipment plan to be implemented in the new or renovated facility.
 - G. The school administrative unit will prepare a list of environmental issues to be investigated during the design of the new or renovated facility.

These educational specifications are to be used by the school administrative unit, the designer, and the Department in developing the plans and specifications for the school.

2. Space Allocation Workbook

Each school administrative unit shall submit a Space Allocation Workbook in a format acceptable to the Department. This workbook shall be based on the guidelines provided by the Department and periodically reviewed by the State Board. The Space Allocation Workbook shall guide the school administrative unit, the designer, and the Department in determining the appropriate size of the new or renovated facility. For purposes of determining square footage of a facility, tuition students shall be considered as resident students, provided a long-term tuition contract exists (defined as 10-year or the maximum permitted by law).

3. Community Use of School Facilities and Percent for Art

- A. It is the policy of the State Board to encourage the public use of school facilities insofar as that use complies with the law and is compatible with regular school use.
- B. The State Board encourages school administrative units to consider the inclusion of desirable community facilities such as libraries, community health care, child-

care services, swimming pools and other facilities under the provisions of 20-A M.R.S.A. §15911. The State Board, however, cannot approve the use of state school construction funds for these purposes.

- C. The State Board encourages the inclusion of works of art as provided in the Percent For Art statute. Up to one percent of the construction cost or the maximum as defined in 27 M.R.S.A., §451-459, whichever is less, may be included in the project budget.

4. Concept Budget

The Concept Budget is developed during the schematic design phase of a building project and is presented to the State Board at the time of Concept Approval. The Concept Budget, once approved, is the maximum amount that may be expended on the project. Any change to the Concept Budget is subject to State Board approval.

SECTION 9. DESIGN DEVELOPMENT

Each school administrative unit developing a construction or renovation project shall provide the following information to the Department.

1. Technology Plan

A school administrative unit shall provide a written Technology Plan to the Department prior to Design and Funding Approval.

2. Technology Budget (Part of the Construction Budget)

A. The Technology Budget shall total no more than 6% of the new construction and renovation lines of the budget.

B. Budgeting for technology infrastructure systems shall total at least 50% of the Technology Budget.

C. Budgeting for technology equipment shall not exceed 50% of the Technology Budget. All technology equipment must be outlined in an equipment list and submitted to the Department for approval.

D. The percentage indicated in A, B, and C above may be modified by the State Board upon recommendation of the Department.

3. Facility Maintenance Plan

The State Board requires a school administrative unit applying for state funds for a school construction project to establish a facility maintenance plan for the projected life cycle of the proposed school building. Facility Maintenance Plans shall comply with:

20-A M.R.S.A. Chapter 201, §4001, sub-§1 and sub-§7;

20-A M.R.S.A. Chapter 609, §15901, sub-§2;

20-A M.R.S.A. Chapter 609, §15905, sub-§6; and

20-A M.R.S.A. Chapter 609, §15918.

4. Life Cycle Analysis

The Life Cycle Analysis is an analysis of alternatives with the objective of selecting the most cost-effective building systems for the project. The Life Cycle Analysis as established in 5 M.R.S.A. §1762 shall include life cycle costs for at least the following:

1. Mechanical systems, including heating and ventilation;

2. Plumbing systems, including fixtures and water/sewage;

3. Electrical systems, including lighting, fixtures, alarms, electrical control and distribution;

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4. Telecommunication systems, including telephone, intercom and computers;
 5. Envelope of the building, including roof, exterior walls, doors and windows;
 6. Interior floor surfaces and wall finishes; and
 7. Buildings and grounds, including paving, play areas and athletic fields.
5. Design and Funding Budget

The Design and Funding Budget is developed during the Design and Funding phase of a building project and is presented to the State Board at the time of Design and Funding Approval. The state/local share of the project budget may not exceed the amount approved by the State Board at the time of Concept Approval.

6. All planning for the construction of a new school or for a substantially renovated school that is built, in whole or in part, with State funds including schools funded through State bonds or the Maine Municipal Bond Bank must demonstrate consideration of the most energy efficient and environmentally efficient design suitable for the project by:
- A. Considering architectural designs and energy systems that show the greatest net benefit over the life of the building by minimizing long-term energy and operating costs;
 - B. Including an energy use target that exceeds by at least 20% the energy efficiency standards contained in Title 10, §1415-D; and
 - C. Including a life-cycle cost analysis that explicitly considers costs and benefits over a minimum of 30 years and that explicitly includes the public health and environmental benefits associated with energy-efficient building design and construction to the extent these benefits can be reasonably quantified.

The life-cycle cost analysis should be combined with the Life Cycle Analysis required by Section 9, subsection 4 of these rules.

SECTION 10. FINAL FUNDING

Each school administrative unit developing a construction or renovation project shall provide the following information to the Department:

1. Final Funding Budget

The Commissioner establishes the Final Funding Budget after construction bids have been received. At that time the Commissioner may reduce the budget to finance the project, thus providing additional funds for other projects awaiting Concept Approval. Expenditures from each line item shall not exceed the amount of that line item except as approved by the Department and the Bureau of General Services.

2. Approval of Contingency Usage

The contingency funds of each construction budget may not be committed except with the approval of the Department following receipt of a recommendation from the Bureau of General Services.

3. Line Item Surplus

When a line item of the Final Funding Budget has surplus funds after all obligations have been met, the school administrative unit may not expend the surplus on other obligations without the approval of the Department.

4. Moveable Equipment

A. Budget Requirements: Movable equipment costs will generally constitute 6% of the building construction costs in a project budget and may be adjusted at the time of Final Funding Approval. This percentage may be modified by the State Board upon recommendation of the Department.

B. Submission of Movable Equipment List: A Moveable Equipment list for the project shall be developed by the school administrative unit and submitted to the Department within six (6) months of the signing of the construction contract. Items on the school administrative unit's Moveable Equipment List must be approved by the Department, and a copy of the approved list must be maintained by the Department.

Should the school administrative unit wish to purchase an item or items not on its approved Moveable Equipment list maintained by the Department, the school administrative unit shall submit a written request for permission to purchase the item or items. The Department shall approve or deny the request in a timely manner and notify the school administrative unit of its decision.

The cost of moveable equipment purchased that neither appears on the school administrative unit's approved Moveable Equipment List nor has received special permission to be purchased shall be a local expense.

SECTION 11. FINANCING SCHOOL CONSTRUCTION

1. All school construction project funds (both State and Local) shall be deposited in a newly established school construction interest-bearing account with unused proceeds remaining invested at all times. School construction project funds maintained in bank and investment accounts shall not be commingled with non-project funds of the school administrative unit.
2. Accurate records shall be maintained of all fiscal transactions and activities relative to the construction project involving but not limited to cash receipts, expenditures, short-term borrowing and investments of bond proceeds (particularly the dates and rate of interest), and other related project documents. All parties must maintain all fiscal records for which they are responsible. Parties that may be directly involved with maintaining fiscal records are municipal officials, the municipal finance director or town treasurer, the superintendent of schools, or the school department business manager or bookkeeper. All project-related financial records shall remain in a secure and accessible location until the final audit is conducted.
3. **State Funds**

The Department shall include the appropriate amount of debt service principal and interest in a school administrative unit's debt service allocation.
4. **Filing of the EF-B-55 Report**

An EF-B-55 report, *Final Financial Report – School Construction* to be supplied by the Department shall be filed within six (6) months of initial occupancy of a completed building. Additional time may be granted at the discretion of the Commissioner if unforeseen circumstances exist. Additional time shall be requested in writing and the request shall include an estimated completion date of the report. Project funds may not be used for routine maintenance or capital renewal of a school construction project.
5. **Temporary Borrowing or Bond Anticipation Notes (BAN)**

Temporary borrowing prior to the issuance of bonds shall be accomplished as follows:

 - A. On a written, competitive basis at the lowest interest rate available, or by a method approved in writing by the Commissioner.
 - B. A school administrative unit may borrow up to the estimated amount necessary to finance start-up costs until bonds are sold in accordance with the bond sale date provided in the Final Funding Approval letter issued by the Commissioner, with the understanding that unused note proceeds shall be kept invested in accordance with paragraph 6A of this Section.
6. **Investment of Project Funds**
 - A. Unused portions of note proceeds, bond proceeds, and any interest earned thereon, shall be kept invested at all times. If the audit reveals that project funds were not deposited in an interest-bearing account(s) and unused proceeds did not remain invested, the Department will prepare a cash flow analysis at the time of final audit to determine the estimated amount of interest that would have been

earned had funds been invested. The school administrative unit will be required to pay the Department the amount of estimated interest that would have been earned had project funds been invested. Project funds shall be invested at all times in accordance with 30-A M.R.S.A. §5706 and §5711.

- B. Interest income from investment of project funds and interest costs of temporary borrowing shall be determined at the time of the final audit of the project by the Department.

School administrative units are required to calculate the amount of arbitrage rebate that is currently due or estimated to be due to the Internal Revenue Service attributable to the investment of project funds prior to the final audit of the project by the Department. When a school administrative unit selects the "two-year expenditure exception to rebate option," the amount of interest reinvested in the construction project will be deducted from the amount of project costs to be subsidized.

- (1) School administrative units are required to return the interest income earned from investment of project funds to the Department in accordance with Section 13, *Project Audits*, except when the two-year expenditure exception to rebate option has been selected pursuant to paragraph B above. Interest earned on project funds held in a school administrative unit's investment account(s) shall be returned to the Department upon completion of the audit by the Department.

Interest (determined by the Department) will be charged in cases where delayed or staggered payments of final settlement due the State are made beyond the time specified in the final audit summary.

- (2) The school facilities team will establish a construction initiation date based upon the date established for the bond sale. The initiation date established will be selected with the intention that the interest on temporary borrowing will be offset by the interest earned on bond investments. Units that decide to initiate their construction earlier than the State's selected date will be responsible for temporary borrowing interest that exceeds the interest earned on bond investment proceeds.
- (3) In the event the interest cost of temporary borrowing exceeds the interest income, a detailed accounting of investments and costs shall be prepared by Department audit staff at the time of the final audit. Upon approval of the Commissioner, the net interest cost of temporary borrowing may be included in the administrative unit's
- a. state/local allocation as a debt service cost, or
 - b. as an adjustment to the monthly subsidy payment(s).
- (4) If a school administrative unit initiates its project prior to the initiation date established by the Department, then, for the period of time between the start of construction and the Department's established initiation date, the school administrative unit shall be responsible for temporary

borrowing costs to the extent that they exceed the interest earned on investment of project funds. This item shall be shown in the "local only" column of the project budget.

- C. Interest earned as a result of the investment of insurance proceeds and gifts or federal funds available to the project may be retained by the school administrative unit and used for school purposes only. Interest earned on the local-only share determined at the time of the final audit may be retained by the school administrative unit and used for school purposes only. Interest earned between the time of audit and payment of the final settlement to the Department may be retained by the school administrative unit and used for school purposes only. Estimated interest lost because of the use of non-project local funds for incidental start-up costs, following placement of the project on the Special Priority List and prior to receipt of temporary borrowing proceeds, will be determined by the Department at the time of the final audit of the project. The amount of interest lost will be deducted from interest earned on the investment of project funds and may be retained by the school administrative unit and used for school purposes only. This does not apply to projects during the period of interest-only interim local financing as defined in 20-A M.R.S.A. §15905(7).

7. Disposition of Unused Bond Proceeds

- A. Within thirty (30) days, and upon agreement to the final audit, excess, unexpended, and unneeded bond proceeds identified after final close out of the school administrative unit's project shall be deposited in a segregated, interest-bearing escrow account.
- B. A school administrative unit shall use all excess bond proceeds after final audit, and any accrued interest earned that is not subject to arbitrage rebate under the Internal Revenue Code, to pay down the debt service costs on subsidized school construction bonds.
- C. Within thirty (30) days, and upon agreement to the final audit and deposit of all unused bond proceeds (State and Local) in a segregated, interest-bearing escrow account, a school administrative unit shall inform the Department's Management Information Systems Team of the amount deposited in the account, the date that net proceeds from the account can first be used to pay down debt service costs, and an estimate of the amount of funds (principal and interest) in the account that is expected on that date.
- D. Unused bond proceeds of \$5,000 (five thousand dollars) or less are considered *de minimis* amounts and will not result in a reduction of the debt service subsidy. School administrative units shall consult with their bond counsel to determine how *de minimis* unused bond proceeds may be invested and when the funds may be expended for debt service under Federal tax laws and bondholder agreements.

8. Budget Overruns

School construction budget overruns shall be the financial responsibility of the school administrative unit and will be reported at the time of final audit.

9. Interest-Only Interim Local Financing

- A. The State Board may accelerate the dates on which it grants Concept Approval and funding approval for a school construction project that has been placed on the Special Priority List of the State Board, on the condition that the school administrative unit provides interest-only interim local financing for the project. The period of interest-only interim local financing must be determined by the State Board at the time Concept Approval is granted for a project and must be based on the time difference between the date that final funding approval is expected to be granted on an accelerated basis and the date that final funding approval would have been expected to be granted in the normal course. Interest-only interim local financing shall be in accordance with 20-A M.R.S.A. §15905(7).
- B. Estimated interest lost because of the use of the state-qualified portion of project proceeds for temporary borrowing costs during the period of interim local financing will be determined by the Department at the time of the final audit of the project. The amount of interest lost will be added to the amount of net interest due at the time of final audit.

SECTION 12. BONDING OF MAJOR CAPITAL IMPROVEMENT SCHOOL CONSTRUCTION PROJECTS

Bonds for Major Capital school construction projects shall be sold after favorable local referendum vote on a schedule approved by the Department that accommodates the approved debt service limit as established by the Legislature.

1. The Commissioner shall be guided by the following table in determining the length of school construction bonding issues:
 - A. Bond issues of \$750,000 and under - 5 years
 - B. Bond issues of \$750,001 to \$1,500,000 - 10 years
 - C. Bond issues of \$1,500,001 to \$2,500,000 - 15 years
 - D. Bond issues in excess of \$2,500,000 - 20 years
2. Sale of Bonds
 - A. The sale of bonds shall be consistent with Section 12 of this Chapter and shall be sold by the bond sale date specified in the Final Funding Approval letter issued by the Commissioner.
 - B. Proceeds of the bond sale shall be used immediately to pay principal and interest costs due to temporary borrowing or BAN.
3. The Final Funding Approval Letter issued by the Commissioner shall specify the length of the bonding period.
4. Bonds may be sold only in accordance with the dates specified in the Final Funding Approval letter issued by the Commissioner. All notices of bond sale must contain the following stipulations:
 - A. Bidders must state the rate or rates of interest per annum that the several maturities of the bonds are to bear. The interest on any one bond shall be at one rate only and no rate of interest for single maturity of the bonds may exceed the rate of interest for any other maturity of the bonds by more than 4% per annum. All bonds maturing in any one year must carry the same interest rate and each interest period shall be represented by one interest rate. Bids that include split or supplemental interest rates will not be considered.
 - B. The principal pay down of the respective loan shall be structured in a manner that the principal repayments are level to the extent that such structure complies with industry standards.
 - C. Bonds sold during the fall (Fall Sale) of the first half of the fiscal year beginning July through December (i.e., last six calendar months) have respective first interest payments in the second half of the fiscal period from January through June (i.e., first six calendar months of the next calendar year), with principal and interest payments to commence in the following fiscal year's first half (i.e., the

last six calendar months of the next year), and with subsequent interest and principal payments to follow each six months and twelve months respectively, until bonds mature.

Note - Example of Fall Sale: bonds are sold in November 2002 – first State debt service payment will be interest only occurring in May 2003 (six months after the sale of bonds), second State debt service payment will be interest plus principal occurring in November 2003 (twelve months after the sale of bonds), with payments of interest occurring each May and principal and interest occurring each November thereafter until bonds mature;

- D. Bonds sold during the spring (Spring Sale) of the second half of the fiscal year beginning January through June (i.e., first six calendar months), have respective first interest payments in the first half of the following fiscal period from July through December (i.e., second six calendar months of that calendar year), with the following interest payment to be made in the subsequent second half of the fiscal year from January through June (i.e., the first six calendar months of the following calendar year), with principal and interest payments to commence in the following fiscal year's first half from July through December (i.e., the last six calendar months of the following calendar year), and with subsequent interest and principal payments to follow each six months and twelve months respectively, until bonds mature.

Note - Example of Spring Sale: bonds are sold in May 2002 – first State debt service payment will be interest only occurring in November 2002 (six months after the sale of bonds), second State debt service payment will be interest only occurring in May 2003 (twelve months after the sale of bonds), and third State debt service payment will be interest plus principal occurring November 2003 (eighteen months after the sale of bonds) with payments of interest occurring each May and principal and interest occurring each November thereafter until bonds mature.

SECTION 13. PROJECT AUDITS

1. The Department may conduct interim audits of uncompleted school construction projects in order to determine the interest earned on the investment of project funds due the State as of the date of the audit. The amount determined as partial settlement shall be submitted to the Department, made payable to the Treasurer of the State of Maine, and indicate that the payment is in partial settlement of the uncompleted school construction project.
2. All school construction projects will be subject to audit by the Department before a final settlement is established. The amount of the final settlement, if any, will be submitted to the Department made payable to the Treasurer of the State of Maine, and indicate the payment is in final settlement of the school construction project. No further purchases from the construction account will be allowed once the final audit has been conducted, except upon written approval by the Commissioner.

SECTION 14. NON-STATE FUNDED PROJECTS

Pursuant to 20-A M.R.S.A. §15905-A, school administrative units must obtain the approval of the Commissioner for non-state funded projects.

STATUTORY AUTHORITY: 20-A M.R.S.A. §3
20-A M.R.S.A. §405(3)(J)
20-A M.R.S.A. §15905, sub-§4, and §§15901 to 15917
P.L. 2001, c. 439, Part 0000, §0000-3

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