DOCUMENT RESUME

ED 458 783 EF 005 636

| | |
|---|---|
| TITLE | Rules for School Construction Projects. |
| INSTITUTION | Maine State Dept. of Education, Augusta. |
| PUB DATE | 2000-04-04 |
| NOTE | 21p.; Prepared by the School Support Systems Team of the Maine Department of Education. |
| PUB TYPE | Legal/Legislative/Regulatory Materials (090) |
| EDRS PRICE | MF01/PC01 Plus Postage. |
| DESCRIPTORS | Capital Outlay (for Fixed Assets); *Documentation; Elementary Secondary Education; *Guidelines; Public Schools; *School Construction; *State Aid; *State School District Relationship |
| IDENTIFIERS | Maine |

ABSTRACT

This document defines the conditions under which the State of Maine will subsidize school building construction projects. The document identifies several stages of approval that must be secured, including site approval, concept approval, local voter approval, and funding approval. A flow chart identifies how the project will proceed and the various organizations that will have primary importance during each stage. This is followed by descriptions of these organizations and their specific responsibilities. The report also specifies general submission guidelines and deadlines, and it details the rating system to be used in evaluating each school construction process under a major capital improvement program. The document also contains the educational specifications and space allocations information required from each local unit by the state's department of education. Other sections discuss site size regulations; the required school site approval documentation; financial record keeping requirements; regulations regarding school construction project bonding; surplus project fund handling and contingency usage approval; and definitions of moveable equipment. (GR)

Reproductions supplied by EDRS are the best that can be made
from the original document.

EF

ED 458 783

STATE OF MAINE

STATE BOARD OF EDUCATION

# RULES FOR SCHOOL CONSTRUCTION PROJECTS

**Prepared by:**

**School Support Systems Team**
**Maine Department of Education**
**Augusta, ME 04333**

**April 4, 2000**

EF 005 636

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☒ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY
E.M. Bither
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)



BEST COPY AVAILABLE

**STATE BOARD OF EDUCATION**
**RULES FOR SCHOOL CONSTRUCTION PROJECTS**

## TABLE OF CONTENTS


Section Page

1.School Construction Approval Process ..... 3
2.School Building Construction Flow Chart ..... 4
3. Agency Responsibilities ..... 6
4. Application ..... 7
5. School Building Construction-Major Capital Improvement Program ..... 7
6. Priority Lists ..... 10
7. Administrative Review ..... 10
8. Community Use of School Facilities ..... 11
9.Workbook-Educational Specifications and Space Allocations ..... 11
10. Site Size ..... 13
11. School Site Approval ..... 14
12. Financing School Construction ..... 15
13. Bonding of School Construction Projects ..... 18
14. Surplus Project Funds and Use of Budget Contingency ..... 19
15. Moveable Equipment ..... 19

05-DEPARTMENT OF EDUCATION

071 SCHOOL SUPPORT SYSTEMS TEAM

Chapter 061 STATE BOARD OF EDUCATION, RULES FOR SCHOOL CONSTRUCTION

**Summary:** **These rules define the conditions under which the State will subsidize school building construction projects.**

## 1.SCHOOL CONSTRUCTION APPROVAL PROCESSES

### A. Projects Eligible for State Funding

All school construction projects involving state funds in the construction of new facilities, additions to existing buildings, or major alterations of existing buildings will go through the following stages of approval in the order indicated:

(1) *Site Approval* - In cases where the project involves site approval, the Board will consider requests for site approval no later than two regularly scheduled meetings prior to concept approval consideration. Each local unit requesting site approval must, as a minimum, have secured an option on said site and at least two appraisals as outlined in section 12.

(2) *Concept Approval* - The State Board will consider concept approval at any of its regularly scheduled meetings based on the recommendations of the Department of Education.

(3) *Approval of Local Voters* - Each school construction project must gain a favorable local vote prior to requesting State Board funding approval.

(4) *Funding Approval* - Projects may be submitted to the State Board for final design and funding approval at any regular State Board monthly meeting. Final funding will occur after contract bidding and award.

(5) *Time Limitations* - The following time limitations shall control:

a) Within five months after the date of State Board concept approval, a project must secure a favorable local vote. Projects not receiving a favorable vote within five months will not be reconsidered by the State Board within a minimum of twelve months following the negative referendum except in an absolute emergency.

b) Within nine months of a favorable local vote, a project shall be presented to the State Board of Education for funding approval.

c) Within nine months after State Board funding approval, a construction contract shall be signed.

Any exception to the foregoing shall require prior State Board approval.

B. **Locally Funded Projects**

The Commissioner of Education now has the authority to approve locally funded projects. (20-A, MRSA § 15905-A)

C. **Funding Limitations**

A final approval granted to a school construction project will indicate that the project must be completed within the specified amount and a statement to that effect will be added to construction certificates.

D. **Categories of School Construction Projects**

**(1) Major Capital Improvement Projects** -Major Capital Improvement Projects are new construction projects which meet the educational program needs of the school. Costs necessary to bring a building into conformance with current mechanical and handicapped codes may be included in the project budget.

**(2) 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 a State or federal government agency or individual (i.e., the Fire Marshal's Office). An emergency project may include space determined to be needed to support the educational program of the school.

## 2.SCHOOL BUILDING CONSTRUCTION FLOW CHART

**A.** Each unit developing a school construction project shall follow the procedures outlined on the chart on the following page.

**B.** First public hearing (step 8). Purpose is to determine the desirability of the project. Hearing is required and a straw vote shall be taken and recorded.

**C.** Prior to the concept conference (step 13) the unit shall provide the appropriate municipal officials (including planning boards) with a description of the proposed project.

**D.** Second public hearing (step 14) is required and a straw vote shall be taken and recorded. This hearing shall be widely advertised through all available media and all information that is to be made available to the State Board at the concept level shall be presented to the public at this hearing. (See page 4 for chart).

# *School Building Construction Process*

| ACTIVITY | AGENCIES |
|---|---|
| 1.Identification of Need | 1.SAU |
| ↓ | |
| 2.Application | 2.SAU |
| ↓ | |
| 3.Site Visit | 3.DOE |
| ↓ | |
| 4.Project Rating | 4.DOE |
| ↓ | |
| 5.Notify SAU of Recommendation | 5.DOE, BGS |
| ↓ | |
| 6.Designer Selection | 6.SAU, BGS |
| ↓ | |
| 7.Identify Possible Sites→→→→→ (if applicable) ↓ | 7.SAU, Arch, SPO, DOE |
| ↓ 7A. Site Review | 7A. DEP, DHS, ACE, DOT, Arch, SAU, SPO |
| 8.First Pubic Hearing ↓ | 8.SAU, Arch |
| ↓ 7B. Site Selection | 7B. SAU |
| 9.Ed. Specs. and Space Allocation Workbook ↓ | 9..SAU, Arch |
| 7C. Site Approval | 7C. SBE |
| 10.Program Conference ↓ | 10.DOE, BGS, SAU, Arch |
| ↓ | |
| 11.Begin Concept Design ↓ | 11.SAU, Arch |
| ↓ | |
| 12.Concept Review | 12.DEP, DHS, FMO, BGS, DOT, DOE, ACE |
| ↓ | |
| 13.Concept Conference←←←←← | 13.DOE, SAU, Arch, BGS |
| ↓ | |
| 14.Second Public Hearing | 14.SAU, Arch |
| ↓ | |
| 15.Concept Approval | 15.SBE |
| ↓ | |
| 16.Local Referendum | 16.SAU |
| ↓ | |
| 17.Design Development Review | 17.DOE, BGS, FMO, DHS, DOT, ACE, DEP |
| ↓ | |
| 18.Design Development Conference | 18.DOE, Arch, BGS, SAU |
| ↓ | |
| 19.Final Design and Funding Approval | 19.SBE |
| ↓ | |
| 20.Temporary Borrowing | 20.SAU |
| ↓ | |
| 21.Contract Bidding & Award | 21.SAU, BGS, Arch |
| ↓ | |
| 22. Final Funding Approval | 22.SBE, DOE |
| ↓ | |
| 23.Bonding | 23.SAU |
| ↓ | |
| 24.Construction | 24.SAU, Arch |
| ↓ | |
| 25.Occupancy | 25.SAU, Arch |
| ↓ | |
| 26. Project Audit | 26.SAU, DOE |

## 3. AGENCY RESPONSIBILITIES

**School Administrative Unit (SAU):**

- Conducts assessment of building needs [1]
- Completes application form [2]
- Advertises for, screens and selects the designer [6]
- Identifies and selects site for building [7, 7A, 7B, 7C]
- Conducts two public hearings prior to concept approval [8, 14]
- Completes the Educational Specifications and Space Allocation Workbooks [9]
- Participates in the Program, Concept and Funding conferences [10, 13, 18]
- Arranges the local referendum after concept approval [16]
- Arranges for and manages short and long term borrowing/bonding [20, 24]

**Architect (Arch):**

- Assists in the identification, review and selection of the site [7, 7A, 7B]
- Creates the project plans and specifications [12]
- Coordinates other agency review of the plans [12, 17]
- Participates in two public hearings prior to concept approval [8, 14]
- Participates in the Program, Concept and Funding conferences [10, 13, 18]
- Coordinates the construction process with the general contractor and owner [22]

**Fire Marshal's Office (FMO):**

- Reviews concept plans and specifications (safety and handicapped accessibility) [12]
- Reviews and approves final plans and specifications [17]

**Bureau of General Services (BGS):**

- Advises SAU in designer selection process [6]
- Reviews concept plans and specifications [12]
- Reviews and approves final plans and specifications [17]
- Approves payment requisitions and change orders [22]

**Army Corps of Engineer (ACE):**

- Reviews concept plans and specifications (site location and topography) [12]
- Reviews and approves final plans and specifications [17]

**Department of Human Services (DHS):**

- Reviews concept plans and specifications (drinking water and waste disposal) [12]
- Reviews and approves final plans and specifications [17]

**State Board of Education (SBE):**

- Grants Site, Concept and Funding Approval [7C, 15, 19]

**Department of Environmental Protection (DEP):**

- Reviews concept plans and specifications (site, water and waste disposal) [12]
- Reviews and approves final plans and specifications [17]

**Department of Transportation (DOT):**

- Reviews site plan for traffic entrance and exit conditions [12]
- Approves site plan for traffic entrance and exit conditions [17]

**Department of Education (DOE):**

- Reviews and rates project applications [3, 4, 5]
- Reviews concept plans and specifications (educational program and space) [12]
- Reviews and approves final plans and specifications [17]
- Conducts Program, Concept and Funding conferences [10, 13, 18]
- Conducts interim and final project audits [24]

**State Planning Office(SPO)**

- Provides Site Selection assistance to SAU

## 4.APPLICATION

A. **General**

Each administrative unit seeking State Board concept approval for a proposed school construction project shall submit a completed application form to the School Support Systems Team, Department of Education. Application forms are available at the School Support Systems Team office.

The application will include the results of a study of the availability and accessibility of space in adjacent school units and of other facilities within the applicant's school unit. The study must address issues such as the proximity of available space (if any), the compatibility of grade levels involved, and the potential impact on the educational program, student transportation, insurance, enrollments and other issues related to the use of facilities in adjacent school units.

B. **Submission Deadlines**

**(1)Major Capital Improvement Project-**Completed application forms must be submitted to the Department of Education no later than August 1 to be considered within a given rating cycle.

**(2) Emergency Projects-** Projects necessitated by an emergency as defined in Section 1.D (2) will be dealt with on a case by case basis, as deemed appropriate by the State Board.

## 5.SCHOOL BUILDING CONSTRUCTION - MAJOR CAPITAL IMPROVEMENT PROGRAM

A. The rating system set forth in paragraph D shall be used to rate each school construction project.

B. The DOE staff will assign a point rating to each project following completion of the application form by the local unit and an on-site visit by the staff. The point rating will change only if:

(1) Local conditions change, or

(2) Required by a review committee's decision pursuant to §8.

The unit is responsible for notifying DOE of any changes in local conditions which might warrant a change in a project's point rating. The unit must file a request for an administrative review with the Commissioner within 30 days following receipt of a project's point rating if the local unit wishes to appeal the point rating.

C. The following steps shall be used by the School Support Systems Team to break ties that occur during the rating process for the purpose of placing the project on the Priority List (step 12 of the Flow Chart).

(1) The project with more points in priority #1 shall be placed first.

(2) If a tie still exists, the project with more points in State Board priority #2 shall be placed first.

(3) If a tie still exists, the project benefiting the larger number of students shall be placed first.

Tie-breaking points shall be added in increments of 0.1 point as required to reflect the results of the preceding procedures.

**D.** The system is based on a total of 180 points for the State Board priorities as follows:

**PRIORITY A: Buildings and Grounds - 65 points total**

**PRIORITY B: School Population - 60 points total**

**PRIORITY C: Program and Planning- 55 points total**

**E. The Rating System: Criteria and Point Assignment**

**PRIORITY A:- Building and Grounds (Total of 65 Points)**

a)Unsafe Conditions (Total of 35 Points)

Group 1: Building (maximum 30 points)

1. Multi-story, wooden, unsprinkled
2. Structure
3. Combustible
4. Access and egress
5. Boiler room
6. Electrical
7. Storage
8. Stairwells
9. Other

Group 2: Site (maximum 5 points)

10. Traffic
11. Sewage
12. Physical education and play
13. Other

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

Group 1: Program Related Facility Deficiencies (maximum 22 points)

14. Special areas - non-instructional
15. Special areas - instructional
16. Room sizes and arrangements unsuitable
17. Effective program
18. Site factors
19. Handicapped accessibility
20. Other

Group 2 Mechanical and Building Systems Deficiencies (maximum 8 points)

21. Heating
22. Ventilation
23. Plumbing
24. Electrical
25. Other

**PRIORITY B - School Population (Total of 60 Points)**

a) Criteria - Overcrowding (Total of 40 Points)

Group 1: Instructional Areas (maximum 20 points)

26. General classroom areas
27. Special areas - limited or lacking
28. Other

Group 2: Program Scheduling (maximum 20 points)

29. Double sessions
30. Extended school day
31. Student release: Overcrowding
32. Classes scheduled in unsuitable area
33. Scheduling in temporary facilities due to overcrowding
34. Other

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

Group 1: Enrollment Estimates (maximum 12 points)

35. Estimates based on enrollment projections
36. Other

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

37. Unusual changes
38. Other

**PRIORITY C: Program and Planning (Total of 55 Points)**

39. Career Preparation
40. English Language Arts
41. Health and Physical Education
42. Mathematics
43. Modern Classical Languages
44. Science and Technology
45. Social Studies
46. Visual and Performing Arts
47. Other

## 6. PRIORITY LIST

The State Board may establish a priority list based on need of those applications received during a given evaluation cycle. The State Board will designate funding for those projects on the priority list which they intend to fund during a given evaluation cycle. The number of designated projects will be determined by available funding. Should a change in the allowable resources allow additional projects to be funded during the same rating cycle, the State Board may designate more projects from the priority list in priority order.

## 7. ADMINISTRATIVE REVIEW

Procedures for resolving disputes involving school construction shall be as follows:

**A.** A review committee consisting of the Commissioner or the Commissioner's designee and two members of staff outside School Support Systems Team will review issues raised by the unit and presented by the unit at an informal hearing. A request for an administrative review shall be made within 30 days of receipt of an unfavorable decision by the School Support Systems Team.

**B.** Notification of the review committee's findings of fact and decisions shall be made within sixty (60) days of receipt of the request for an administrative review.

**C.** The review committee's findings of fact and decision will constitute final agency action.

## 8.COMMUNITY USE OF SCHOOL FACILITIES AND PERCENT FOR ART

A. Schools have always been community-meeting places of local interest. The State of Maine has a very substantial investment in school buildings. In order to ensure the widest possible use of the school facilities, it is the policy of the State Board to strongly 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 of Education encourages local 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 MRSA, chapter 609. The State Board, however, cannot approve the use of state school construction funds for these purposes.

**C.** This rule is not intended to reduce or remove the local school committee's or board of directors' control over the use of buildings nor that reasonable fees should not be charged nor that adequate provision not be made for supervision and control; rather the intent is to encourage local responsibility and responsiveness in managing this important community resource.

**D.** The State Board of Education encourages the inclusion of works of art as provided in the Percent For Art Statute. Up to one percent of the construction cost or $40,000, whichever is smaller, may be included in the project budget.

## 9. WORKBOOK - EDUCATIONAL SPECIFICATIONS AND SPACE ALLOCATIONS - THEIR PREPARATION AND APPLICATION

Each local unit developing a school building construction project shall provide the following information to DOE:

A. **Educational Specifications**

(1) Definition - They are the means by which a school system describes the educational goals, activities, their interrelationships, and associated spaces which need to be provided in a proposed new or renovated school facility.

(2) Necessity - They provide a document of the results of the planning phase for a given project which will serve as a guide from which a designer can plan an educational facility which will accommodate the needs of the proposed education program.

(3) Preparation - The school system should draw upon the talents of many including administrators, the school staff, citizens, educational consultants (both state and local), etc., to assist in the preparation of education specifications.

(4) Contents - The educational specifications should reflect the results of the planning phase included in the application process and should include the following items:

a) The manner in which the project supports the implementation of national and state educational goals;
b) The instructional and non-instructional activities which will be housed in the proposed facility;
c) The number, grouping and nature of the people involved, including staff and support personnel;
d) The spatial relationship between the facility and the site;
e) The interrelationship of instructional programs with each other and with non-instructional facilities;
f) The major items of furniture and equipment which need special consideration;
g) Any special environmental and/or technological provisions which would improve the learning environment and promote staff efficiency;
h) Future needs and flexibility requirements;
i) Plans for community, etc. use of facilities.

(5) Educational Specifications Format - A format for the educational specifications is available from the Division of School Business Services.

**B. Space Allocation Workbook**

(1) Purpose - The purpose of the space allocation workbook is to:

a) Provide guidance in early planning for school facilities to local educators, school committees and building committees;
b) Attempt to avoid "overbuilding" on school building projects;
c) Provide early basic data to designers, the Bureau of General Services, and DOE;
d) Provide an early mechanism to arrive at tentative total space requirements; and
e) Arrive at a rough first cost estimate for planning purposes.

(2) Space Allocation Workbook - The Space Allocation Workbook is periodically reviewed by the Division of School Business Services and adopted by the State Board of Education. Copies of the Space Allocation Workbook are available from the Division of Business Services.

## C. Facility Maintenance Plan

Each local unit developing a school construction project shall provide the Department of Education with a facility maintenance plan before funding approval by the State Board of Education. The facility maintenance plan shall contain life cycle costing 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;
4. Telecommunication systems, including telephone, intercom and computers;
5. Envelope of the building, including rood, exterior walls, doors and windows;
6. Interior floor surfaces and wall finishes; and
7. Buildings and grounds, including paving, play areas and athletic fields.

## 10.SITE SIZE

### A. Maximum Size

(1) Maximum site size for elementary schools is defined as 20 acres plus one (1) acre for each 100 students.

(2) Maximum site size for secondary schools is defined as 30 acres plus one (1) acre for each 100 students.

(3) Maximum site size for middle schools (any combination of two (2) or more grades (4-9) is 25 acres plus one (1) acre for each 100 students.

### B. Minimum Size

(1) Minimum site size for elementary schools is defined as five (5) usable acres plus one (1) acre usable acre for each 100 students.

(2) Minimum site size for secondary schools is defined as fifteen (15) usable acres plus one (1) usable acre for each 100 students.

(3) Minimum site size for middle schools is ten (10) usable acres plus one (1) usable acre for each 100 students.

## C. Exceptions

School building sites which exceed the allowable maximum size, if approved, shall carry the following stipulation: "No portion of this site may be sold or leased 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 certificates of approval and the deed.

School building sites which are below the minimum size will be considered by the State Board only in cases where the local unit can demonstrate that all programs can be accommodated 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.

## D. Fiscal Responsibility

The cost of land acquired for a school building construction project in excess of the maximum site sizes recorded above shall be entirely at local school administrative unit expense and shall not be eligible for State subsidy. Subsidy may be claimed on the maximum site size at a pro rated per acre price at the time of purchase when a future construction project is approved.

## E. Compliance with Title 30-A M.R.S.A., Chapter 187, subchapter II

The selection of sites for new school facilities shall be in compliance with the provision of Title 30-A M.R.S.A., Chapter 187, subchapter II, and any local ordinances governing the location of school buildings. Title 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 where they exist.

# 11.SCHOOL SITE APPROVAL

## A. Appraised Value

Applications for approval of school building sites must be accompanied by an option to purchase the land and two certified appraisals. The average of these 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, a third appraisal must be secured and the average of the three appraisals will become appraised value.

**B. Cost Limitation**

The appraised value of school building sites shall be the maximum amount eligible to be included in the state funding of school construction projects.

**C. Exception**

If in the judgment of the State Board, extenuating circumstances exist, then the limitation in paragraph B may be waived by the State Board.

## 12. FINANCING SCHOOL CONSTRUCTION

Accurate record keeping will be maintained of all accounting activities, such as, cash receipts, expenditures, short-term borrowing and investments of bond proceeds, particularly the dates and rate of interest, etc.

**A. State Funds**

DOE shall include the appropriate amount of debt service principal and interest in a school administrative unit's debt service allocation only when a long term bond redemption schedule requires payment.

**B. Filing of the EF-B-55 Form**

An EF-B-55 form to be supplied by DOE shall be filed within six (6) months of initial occupancy of a completed building. Additional time may be granted by the Commissioner if it is judged that extenuating circumstances exist.

**C. Temporary Borrowing**

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

(1) On a written, competitive basis, or a method approved in writing by the Commissioner.

(2) An administrative unit may borrow up to the estimated amount necessary to finance the project until bonds are sold with the understanding that unused note proceeds must be kept invested in accordance with ¶13-D.

**D. Investment of Project Funds**

(1) Unused portions of note proceeds, bond proceeds, initial state share, and any interest earned thereon, shall be kept invested at all times in:

a. Bonds or other obligations of the United States or the bonds or obligations of or participation certificates issued by any agency, association, authority or instrumentality created by the United States Congress or any executive order;

b.Bonds or other obligations issued or guaranteed by the State of Maine or by any instrumentality or agency of the State or any political subdivision of the State which is not in default on any of its outstanding funded obligations;

c.Accounts or deposits with financial institutions, the deposits of which are insured by the FDIC, the BIF, the National Credit Union Share Insurance Fund or any successor agencies and which otherwise comply with 30-A M.R.S.A. §5706(1);

d.Repurchase agreements secured by obligations of the United States Government, provided that the market value of the underlying obligations are equal to or greater than the amount of the school administrative unit's investment and the school administrative unit has a properly perfected security interest in the underlying governmental obligations and such other investments, consistent with 30-A M.R.S.A. §§5707-5716, as the Commissioner may approve from time to time.

(2) The difference between the interest income from investment of project funds and interest cost of temporary borrowing shall be determined at the time of the final audit of the EF-B-55 by DOE.

School administrative units are required to calculate the amount of arbitrage rebate, or penalty in lieu thereof, that is currently due, or estimated to be due, to the Internal Revenue Service, attributable to the investment of project funds, on or before the time of the final audit of the EF-B-55 by DOE. 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.

a) School administrative units are required to return the interest income earned from investment of project funds (i.e., bond proceeds, note proceeds, loans received for start-up costs, etc.), in excess of the interest costs of temporary borrowing, to the Department of Education, in accordance with Paragraph G, *Project Audits*, except when the two-year expenditure exception to rebate option has been selected (see (2) above). Interest earned on project funds held in a school administrative unit's bank account(s) shall be returned to the Department of Education. When State and local funds are commingled in one bank account, a cash flow analysis will be done to determine the state's share of the interest. The state's share of interest shall be returned to the state in accordance with Paragraph G, *Project Audits*. It is recommended, however, that project funds not be commingled.

b) In the event the interest cost of temporary borrowing exceeds the interest income, a detailed accounting of investments and costs shall be submitted to DOE. The net interest cost of temporary borrowing may be included int he administrative unit's state/local allocation as a debt service cost upon approval of the Commissioner.

(3) Interest earned, if any, as a result of the investment of insurance proceeds and gifts or federal funds available to the project, may be retained by the local unit and used for school purposes only. Interest earned between the time of audit and payment of the final settlement to the Department of Education may be retained by the school administrative unit and used for school purposes only. Interest will be charged in cases where delayed or staggered payments are made beyond the time specified in the final audit report.

## E. Overbonding

In the event the bond sale amount exceeds the actual final costs of a project, the difference will be handled in the manner set forth in paragraph D(2)(a).

## F. Budget Overruns

Costs in excess of the total amount approved by the State Board shall not be included in the school construction project costs.

**G. Project Audits**

(1) The Department of Education may conduct interim audits of uncompleted school construction projects in order to determine the interest earned on the investment of bond and note proceeds, in excess of the interest costs of temporary borrowing, due the State as of the date of the audit. The amount determined, as partial settlement, shall be submitted to the Division of Finance, Department of Education, made payable to the Treasurer of the State of Maine, and indicated the payment is in partial settlement of the uncompleted school construction project.

(2) All school construction projects final financial reports (Form EF-B-55) will be subject to audit by DOE before a final settlement is established. The amount of the final settlement, if any, will be submitted to the Division of Finance, DOE. The check should be made payable to the Treasurer of the State of Maine and indicate the payment is in final settlement of the school construction project.

**13. BONDING OF SCHOOL CONSTRUCTION PROJECTS**

A. The Commissioner shall be guided by the following table in determining the length of school construction bonding issues:

(1) Bond issues of $750,000 and under - 5 years
(2) Bond issues of $750,001 to $1,500,000 - 10 years
(3) Bond issues of $1,500,001 to $2,500,000 - 15 years
(4) Bond issues in excess of $2,500,000 - 20 years

**B. Sale of Bonds**

(1) The sale of bonds shall be accomplished consistent with §14 as soon as practicable.

(2) Proceeds of the bond sale shall be used immediately to pay short-term principal and interest costs.

(3) If the amount of the bonds sold is less than the amount to be bonded as established in 20-A MRSA §15909 sub-§2, ¶A, the difference of up to $5,000 may be taken from earned interest.

C. Each certificate of funding approval shall specify the length of the bonding period.

**D.** Each unit shall obtain prior written approval of the Commissioner or designee, as to when bonds may be sold. All notices of bond sale must contain the following stipulation: Interest Rates. Bidders must state in a multiple of one-eighth (1/8) or one twentieth (1/20) of one per centum (1%) the rate or rates of interest per annum which the several maturities of the bonds are to bear. No interest rate named for any given maturity of a bond may be lower than any interest rate named for any prior maturity of a bond. 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 which include split or supplemental interest rates will not be considered.

It is further stipulated that the principal pay down of the respective loan be structured in a manner that the principal repayments are level to the extent that such structure complies with industry standards (e.g., many issues may require maturities to be structured in annual amounts divisible in increments of $5,000).

**E.** It is stipulated that for bonds sold during the first half of the fiscal period (i.e., last six calendar months) have respective first interest payments in the second half of the fiscal period (i.e., first six calendar months of the next calendar year) with principal and interest repayments to commence in the following fiscal year's first half (i.e., the last six calendar months of the next year), with subsequent interest and principal repayments to follow each six months and twelve months respectively, until bonds mature; that bonds sold during the second half of the fiscal period (i.e., first six calendar months) have respective first interest payments in the first half of the following fiscal period (i.e., second six calendar months of that calendar year), with following interest payment to be made in the subsequent second half of the fiscal period (i.e., the first six calendar months of the following calendar year), with principal and interest payments to commence in the next following fiscal year's first half (i.e., the last six calendar months of the following calendar year), with subsequent interest and principal repayments to follow each six months and twelve months respectively, until bonds mature.

## 14.SURPLUS PROJECT FUNDS AND USE OF BUDGET CONTINGENCY

### A. Budget Reductions

When it is determined by the Commissioner, following the opening of school construction bids, that there are surplus funds contained in a project budget, the State Board directs DOE, with the advice of the Bureau of General Services, to initiate a process to lower the approved budget to the appropriate funding level, thus, providing additional funds for other projects awaiting concept approval.

The Commissioner may restore part or all of these surplus funds if exigent circumstances establishes the need for additional funds.

**B. Board Approval of Contingency Usage**

The State Board also wishes to state that the contingency item of each construction budget is a State Board contingency and may be committed only with the approval of DOE.

## 15. MOVABLE EQUIPMENT

**A. Definition**

Movable equipment is defined as equipment for the school construction project which supports the educational program described in the *Educational Specifications,* which is purchased separate from the general construction contract. In general, equipment is identified by its expected life of use (at least five years) and extraordinary cost (usually more than $500). Movable equipment costs will generally constitute 6-8% of the construction costs in a project budget.

**B. Submission of Movable Equipment List**

A movable equipment list shall be submitted to the School Support Systems Team prior to the signing of a construction contract.

**C. Approval of Movable Equipment Lists**

No movable equipment may be purchased with project funds which are not included in the list submitted to and approved by the School Support Systems Team. Any use of contingency funds to purchase movable equipment must be approved by the School Support Systems Team.

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement (OERI)
Educational Resources Information Center (ERIC)

ERIC®

# NOTICE

## REPRODUCTION BASIS

☒ This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.

☐ This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").

(9/92)