



*New MSBA Rules: How will the new
state school building grant program
work?*

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**The Independent Massachusetts School Building
Authority Runs the Commonwealth's
School Building Grant Program**

The MSBA was created to replace the former unsustainable school building assistance program:

- 428 projects built up on a Waiting List
- 10-15 year wait for state funding
- Committed over \$11 Billion in state funding without a dedicated funding source
- Audit backlog of over 800 projects
- Little control or oversight

Chapter 208 of the Acts of 2004 ended the former school building assistance program and created the MSBA, charged with:

- Succeeding to the powers of the Department of Education, inheriting over \$11 billion in outstanding payments for 1,156 projects authorized under the former program;
- Achieving the effective management, planning and financial sustainability of a new program for school building construction grants;
- Revising regulations for a new program of grants for school construction
- Maintaining new Grant Program within a statutory cap and availability of funds.
- Ending moratorium and accepting applications for new Grant Program starting July, 2007

Massachusetts' Version of the Marshall Plan for School Construction

Massachusetts has expended over \$20B - \$15B in state tax dollars - on local schoolhouse capital facilities over the past 20 years

- Of the 1,817 schools in the Commonwealth, 1,156, or 63%, are currently or recently reimbursed for construction or renovation projects undertaken between 1986 and 2005 with an approximate MSBA cost of \$11 billion

The condition of the 1,817 Massachusetts schools is generally good

- Over 76% rated in generally good condition
- Only 3%, or 62 schools, rated in need of substantial work
- There was little correlation between the relative wealth of a school district and the general condition of the school buildings within that district

Almost one-half of the current school facility square footage is new or recently renovated—are these projects being maintained?

Massachusetts schools have been built 32% to 39% larger, on average, than the maximum gross square footage space requirements per student in the Department of Education regulations

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Problems Inherited – Efficient Solutions Implemented

Inherited Problem	Implemented Solution
428 Waiting List projects with no certain funding date for reimbursement	250 projects fully paid; most projects have received payments
\$5.5 billion Waiting List projects with no funding solution	\$3.5 billion already paid for Waiting List projects; funding solution in place for balance
10-15 year wait for first payment of state funding led to local uncertainty	MSBA provides funds promptly under Progress Payment system
Over \$11 billion in state funding for 1,156 locally owned school projects without a dedicated funding source	One Cent of statewide sales tax dedicated to the MSBA. MSBA cannot expend funds in excess of statutory spending cap.
Audit backlog of over 800 projects; Commonwealth did not know what it actually owed to communities	Over half of the auditable projects have been audited, and nearly all remaining audits in progress. Audits have identified \$359 million in savings to MSBA

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Old Process Unsustainable – New Process Measured

Programmatic Problem	MSBA Solution
Local Communities developed project scope; little room for State input in local decisions	MSBA reviews designs, scope and cost decisions at designated benchmarks during process
State did not live within an annual budget for grant distribution	MSBA must adhere to \$500M annual project cost cap
State did not have any way to benchmark projects submitted by locals	MSBA has already completed first Needs Survey, more thorough Facilities Assessments to follow.
Locally derived enrollment estimates were significantly overstated in many cases	MSBA will have process in place for districts to double check enrollment figures
Many districts have problems maintaining, operating, even opening new buildings due to local funding constraints	MSBA asks for your district's facility problem, then may assist in finding an affordable, equitable, and educationally sound solution

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Significant Progress Made in Short Time Frame

FINANCE & MUNICIPAL AID INITIATIVES:

- Developed an accelerated payment system to distribute over \$5B since 2004
- Bond rating upgrade for Authority to AA+ (S&P, 9/06)
- Issued \$4B in bonds in 2 years to fund Waiting List projects
 - Largest bond deal in MA history, 2005
 - Initiated a \$500M Commercial Paper program, 2007
- Developed and implemented a Progress Payment System for projects under construction: Pay as you Build
- Cities and towns have saved millions of dollars in interest costs related to school construction
- More efficient financing through the Authority has freed up over \$1B in municipal resources which otherwise would have been issued for school construction

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Sales Tax Performance

- FY2007 sales tax dedicated to MSBA experienced little growth.
- For FY2008, the MSBA anticipates receiving the sales tax guaranteed minimum amount of \$634.7M
- Legislature and Governor have committed an increase of 14% to cover losses in sales tax—only until guarantee runs out in FY2009
- Sales tax revenues received each month in accordance with the MOU

Fiscal Year	Percentage of DSTRA	Guaranteed Minimum
2006	70%	\$488.7
2007	78	557.4
2008	85	634.7
2009	90	702.3
2010	95	NA
2011 and thereafter	100	NA

• Note: tax on meals and sales in convention center areas are not included in the MSBA Dedicated Sales Tax Revenue

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NEW PROGRAM APPROVAL PROCESS

The New Process Overview

1. Identify the Problem

- Local community identifies deficiencies in school facilities through the Statement of Interest process

2. Validate the Problem

- MSBA and local community work together to validate deficiencies identified

3. Evaluation of potential solutions

- MSBA and local community work in collaboration to identify potential solutions

4. Confirm the solution

- MSBA and local community agree on solution and appropriate course of action

5. Implement the agreed upon solution

- MSBA and local community continue collaboration through design and construction

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New MSBA Approval Process

- \$500M/year annual MSBA grant cap
- State match leverages \$800M+ total school facilities spending annually
- Projects will be selected on the basis of need and urgency as compared to other communities—not every community may get a project
- Approved Projects will be reimbursed as communities build them

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Timeline for New Program

November, 2007 Board Meeting: Preliminary Rolling Prioritizations

- Background work for Feasibility Studies
- Pace will vary by community depending upon unique community factors once the MSBA Board votes to move a project towards funding

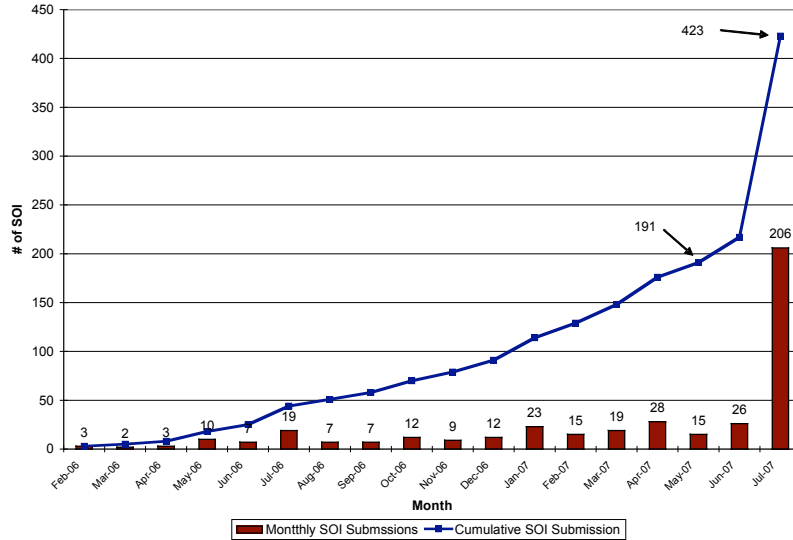
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Statements of Interest Received

- 423 statements submitted
- 162 different districts represented
- 91 of the SOI's are related to buildings that were rated 1 or 2 in MSBA Needs Survey (pretty good shape to brand new schools)
- Over half the requests relate to Elementary Schools
- Many requests are for roofs, boiler renovations, and other moderate repairs
- Include everything from overcrowding to obsolescence

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Statement of Interest Submissions by Month



NEXT STEP: STATUS REVIEW MEETINGS

- Consist of Superintendents, Town Finance, School Committee Officials with MSBA staff
 - Review of SOI and Senior Study or other MSBA assessments
 - Discussion of Local Educational Budgets
 - Enrollment Trends
 - District Maintenance Practices
 - General Educational Goals
 - Discussion of Local Master Plans, if any

Senior Study Visits

- Study includes:
 - General summary of Building Condition
 - Site and Building Enclosure analysis
 - MEP
 - Programs and Operation
 - Capacity and Utilization
 - Maintenance/Capital Repair
- 125 districts since June, findings so far:
 - A few structural deficiencies (bad design)
 - Many, many schools functional but “tired”
 - A few real overcrowding situations out there
 - Sped in closets
 - Math class on auditorium stage
 - Modulars used for 10+ years to capacity
 - 5-6 seatings for lunch
 - Gym in corridors
 - Disparity in level of locally supported capital improvements (roof, window)

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Reimbursement Rates, per C.70B

- Base rate of 31%
- Ability to Pay Factors:
 - EQV Property Wealth 0-28% (Source:DOR)
 - Median Income Comparison 0-12% (Source:DOR)
 - % of Students in Federal Free/Reduced Lunch 0-17% (Source: DOE)

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Reimbursement Rates (continued)

- INCENTIVE POINTS:
 - 3% Innovative Community Use
 - 2% Energy Efficiency
 - 0-8% Maintenance of Other Buildings
 - .5% match for every 1% privately raised....
 - 4% “Alternatives to Construction”: CM at Risk?
 - 0-5% for Renovations:
 - 5% Reno
 - 4% Major Reconstruction
 - 0% New

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Reimbursement Rate leads to Final Grant Amount

- MSBA will be giving districts a Final Grant Amount for approved projects, based upon reimbursement % of estimated project costs
- Approved projects will be funded and audited as they go
- Misperception that state pays a certain % of any cost submitted by district: never true from DOE or MSBA

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Owner's Project Manager Selection for Approved Projects

- OPM approval required at MSBA under C70B
- Model: municipality selects, MSBA approves
- MSBA interview panel process when necessary
- Qualifications, standard scope of work
- Not just the clerk of the works: oversee design in early stages
- Communicate project progress with MSBA and manage MSBA invoice submission
- MSBA will not reimburse costs of unapproved OPM

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Designer Selection Panel

- Designer selection board exemption for school projects funded by MSBA allowed in recent legislation (section 6 of c. 122, 2006)
- GOAL: Standardize the A/E selection process, ensure "highest quality" under c.7, MGL
- Include local and educator participation on the DSP
- Include architects, planners and engineers on the DSP

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DSP Local Members

- Three (3) members who are representative of the respective city, town or regional school district for the specific project under consideration:
 - ❖ one (1) of whom shall be designated by the school committee,
 - ❖ one (1) of whom shall be the superintendent of schools, ex officio, or his/her designee and
 - ❖ one (1) of whom shall be the chief executive officer of the city or town, ex officio, or his/her designee.

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Questions?

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