



Massachusetts School Building Authority

Timothy P. Cahill
Chairman, State Treasurer

Katherine P. Craven
Executive Director

MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: Katherine P. Craven, Executive Director
DATE: September 30, 2009
RE: Declaration of Official Intent

Under IRS regulations, the Authority may reimburse certain past Authority expenditures from bond proceeds. For this to be permitted, the issuer (MSBA) must declare its intent to do so prior to the debt issuance. Expenditures made after a declaration and up to 60 days preceding such a declaration are eligible to be reimbursed from bond proceeds.

The Board has made similar votes in the past (May 2005 prior to the issuance of the Series 2005 A Sales Tax bonds; June 2006 prior to the issuance of the 2007 Series A Dedicated Sales Tax bonds; and most recently at the April 2, 2008 Board meeting, the Board adopted a Declaration of Intent to allow the MSBA to have the flexibility to issue bonds and be able to reimburse for prior expenditures).

With the federal legislation authorizing new debt instruments (Build America Bonds and Qualified School Construction Bonds) it is necessary to expand the type of debt covered by the Declaration of Intent. It is desirable for the MSBA to preserve or recoup certain past expenditures by reimbursing itself from bond proceeds, to ensure that it always has sufficient cash to pay ongoing grants and operating expenditures and to meet the IRS spend-down requirements. With the new declaration the MSBA will be able to reimburse itself from proceeds of the new type of debt instruments, subject to certain limitations, as well as the traditional debt issuance.