



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 Craven, Executive Director
Date: March 31, 2010
Subject: Qualified School Construction Bonds (QSCBs) – New Green School Initiative for a QSCB Repair Program for Roofs, Windows and Boilers

As discussed at previous meetings of the Board of Directors, the American Recovery and Reinvestment Act of 2009 (ARRA) established a new type of debt known as Qualified School Construction Bonds (QSCBs). Section 137 of Chapter 27 of the Acts of 2009 (the FY2010 General Appropriations Act) designated the Massachusetts School Building Authority (the “MSBA”) to receive the Commonwealth’s allocation of the Qualified School Construction Bond authorization. The MSBA is proposing a Qualified School Construction Bonds Repair Program (“QSCB Repair Program”) in order to maximize the opportunity presented by the low cost of borrowing associated with this federal stimulus program.

As you know, many school districts have petitioned the MSBA for projects that would allow for multiple repairs in various school buildings throughout a district. Typically, the MSBA limits a district to one project at a time, including repairs, because the MSBA has limited funding to complete our primary mission, which is the replacement and renovation of overcrowded or obsolete school buildings, while also potentially funding the limitless deferred maintenance needs in each school district. The MSBA believes that each school district should be responsibly performing capital improvements on an annual basis to maintain the taxpayer’s investment in their school buildings and to ensure a sound educational environment for children and teachers. The MSBA does not want to encourage districts to stop performing annual capital maintenance upgrades nor reward those districts that neglect their capital maintenance planning at the expense of those districts that diligently fund an annual capital maintenance program.

However, the MSBA is proposing to open up the repair program for multiple repairs in a single district this year only due to the availability of this limited-time opportunity that the ARRA bill has afforded the MSBA to borrow QSCB bonds. Borrowing under the QSCB rules will require MSBA to spend those bonded proceeds on eligible projects in a short window of time. Thus, the MSBA proposes to use the QSCB bond proceeds to fund repair projects on a competitive basis in districts in a limited-time only **QSCB Repair Program**.

Eligible Project Scope: The MSBA proposes to fund limited multiple repairs in a district based upon a district competition. Eligible scope for the QSCB Repair Program will be limited to ***roofs, windows and boilers in school buildings which the MSBA determines to have a continued useful life***. Confining the eligible scope of work to these limited categories of repairs will enable the MSBA to:

- Spread limited resources to more districts across the Commonwealth;
- Have an immediate impact on the great demand for necessary educational facility repairs;
- Extend the useful life of sound educational facilities;



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- Match the shorter maturities of the QSCBs with the useful life of roof, window and boiler projects; and
- Meet the relatively quick spend-down requirements of the QSCBs.

By focusing the QSCB repair program on scopes of work which can be performed efficiently in time frames that are much shorter than more complicated, costly and timely addition, renovation or new facility projects, the MSBA can better meet the federal government spending requirements associated with QSCBs. For that reason, MSBA believes it is most practical to limit the scope of the QSCB Repair Program to those repairs which require less complicated study, design and design timelines (roofs, windows, and boilers) as compared to more complex repairs that would require longer design lead times (HVAC and electrical upgrades, for instance) and could disrupt the educational delivery in a building while the repair is ongoing.

Also, by limiting the scope of work to roofs, windows and boilers, the MSBA may be able to participate in multiple projects in one district simultaneously, thereby achieving economies of scale and further maximizing the benefits of this opportunity. Following the completion of the QSCB Repair Program, the MSBA's standard policy of limiting participation to one project per district at any given time would be reinstated.

The MSBA's QSCB allocation will be divided as follows:

- The MSBA intends to first allocate the QSCB proceeds for districts who have filed a Statement of Interest for roof, window and boiler projects and are in the MSBA Capital Pipeline for a repair project.
- A separate memo will detail a proposal for allocating a limited portion of the QSCBs for charter schools.
- The QSCB allocation remaining after financing the MSBA's share of existing Capital Pipeline repair projects and making the charter school allocation would then be allocated to finance a competitive program for which districts will be given the opportunity to apply.

Tier 1 Projects: Many districts already have submitted multiple buildings for potential repairs through the Statement of Interest process. These projects will be given priority. MSBA staff is currently reviewing all requested repairs that already have been submitted by districts through a Statement of Interest to see which requested repairs may qualify for the accelerated timeframe for spend-down and eligibility rules. We will contact these districts to discuss the potential project's scope of work, schedule and budget.

Tier 2 Projects: After MSBA staff determines how much of the available QSCB allocation is to be obligated by the Tier 1 projects, the MSBA will open up the process to districts that have not already filed a Statement of Interest. There will be a cap on the dollar amount provided to any one district. The MSBA is waiting to set the cap based on the level of demand.

Additionally, the MSBA will not award incentive reimbursement points to any district under this Repair program; all districts will receive their base reimbursement rate.



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The proposed QSCB Repair Program would provide immediate benefits to districts by enabling the MSBA to both expedite and broaden the MSBA's participation in repair projects, thereby maximizing the impact of this limited federal stimulus.