

Massachusetts School Building Authority

Steven Grossman, State Treasurer
Chairman

Jack McCarthy
Executive Director



FY15 MSBA Budget Presentation



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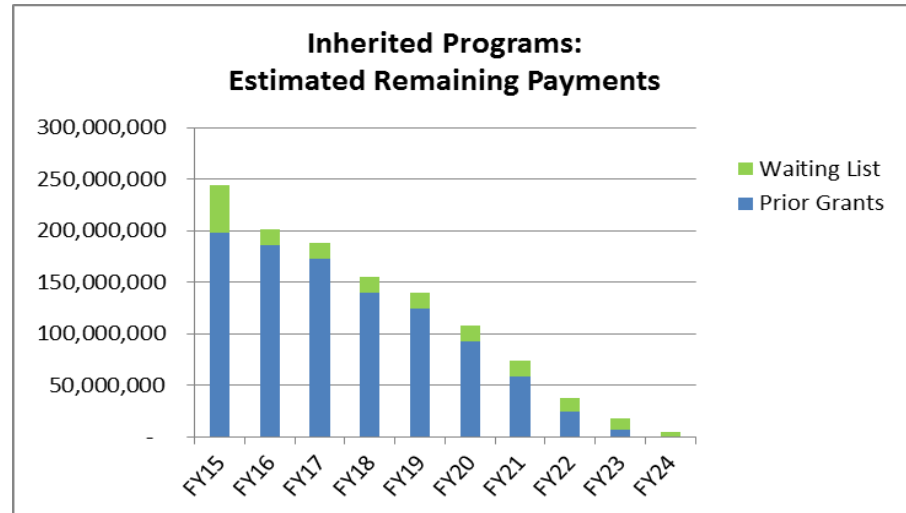
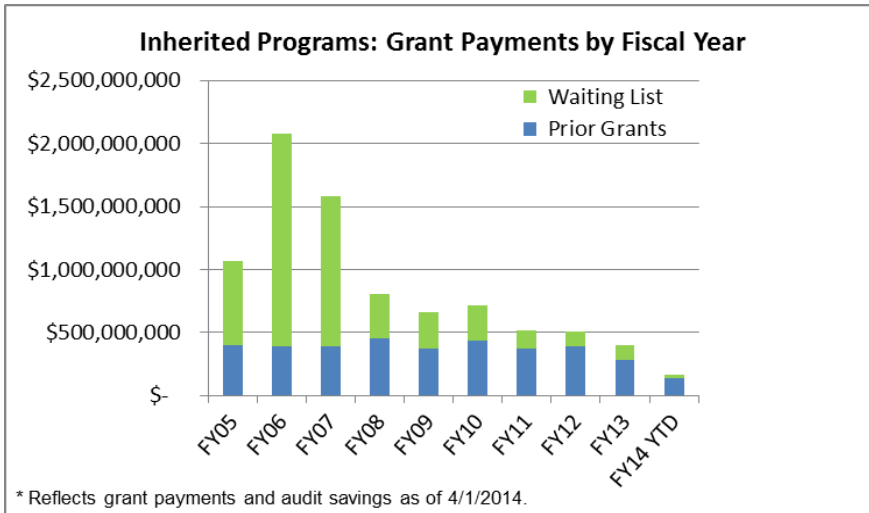
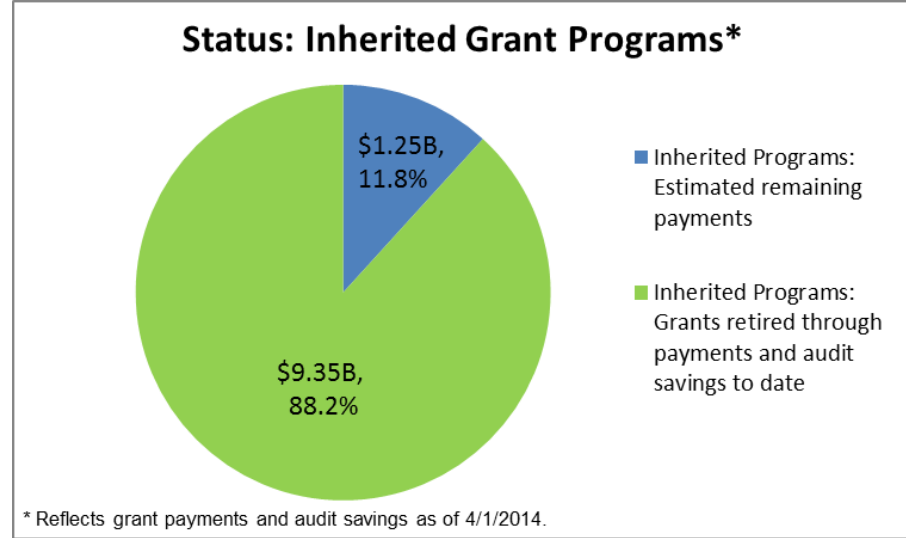
1. **MSBA Grant Programs Update**
2. SMART Collections Update
3. FY15 Administrative Operations and Grants
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Inherited Programs Status

▪ **Efforts and commitment to eliminating the audit and funding backlog from former program have:**

- Created greater certainty of remaining financial commitments towards these programs
- Resulted in identification of savings that will generate additional future liquidity for the MSBA that can be used to reduce debt service through pay-go financing and defeasance of outstanding debt
- Facilitated \$8.5 billion of grant payments since FY05 towards more than 1,100 inherited projects



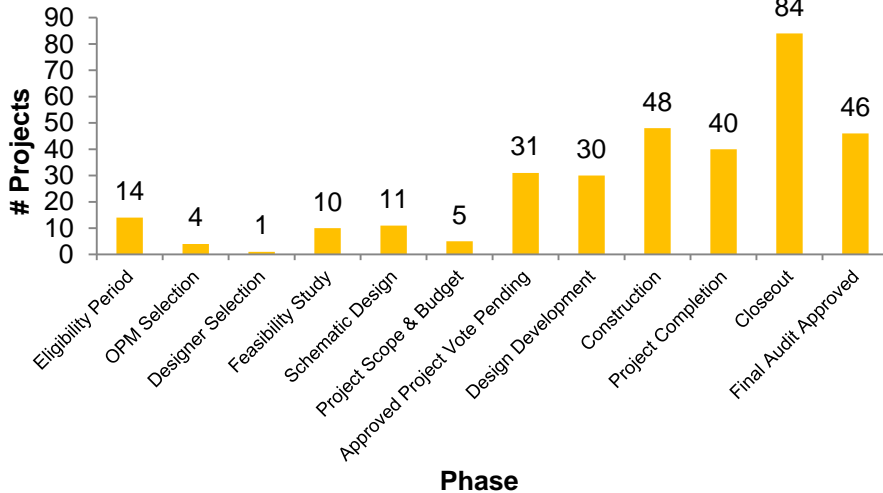


New Program – Capital Pipeline Snapshot

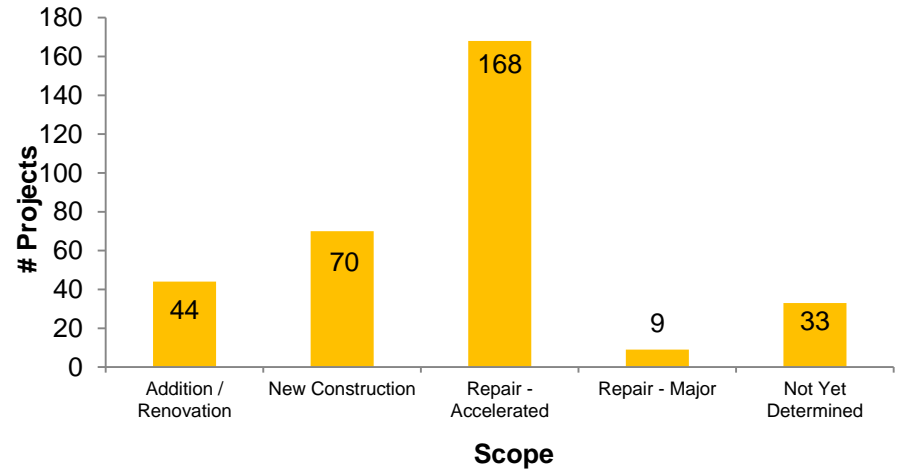
- Approximately \$1.04 billion funding commitments outstanding for New Program projects as of May 20, 2014.
- New Program Status
 - 12% are in Eligibility Period – Preferred Schematic
 - 35% are in PS&B – Construction
 - 53% are in Completion – Final Audit Approved

- New Program Project Scopes
 - 52% of active projects are accelerated repair
 - 21% are new construction
 - 14% are addition/renovation
 - 3% are major repair projects
 - 10% have not yet been determined

New Program Status*



New Program - Projects by Scope*



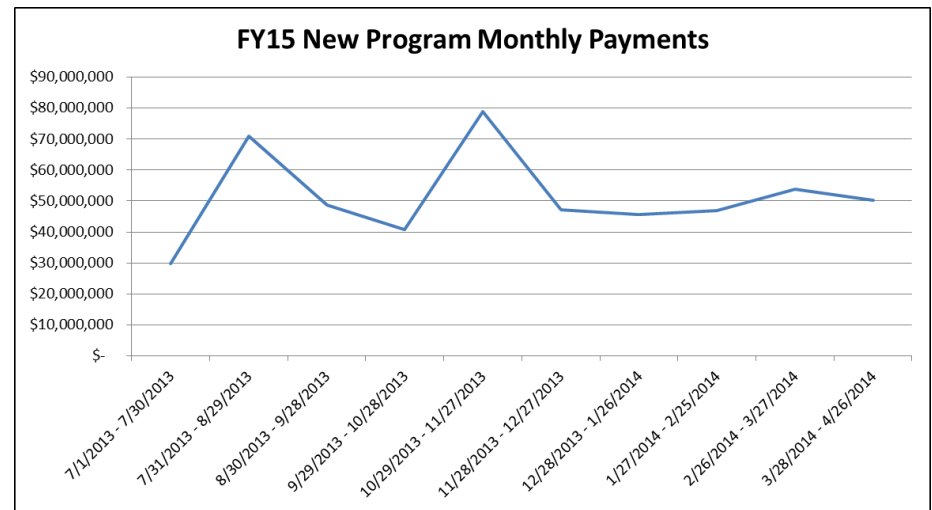
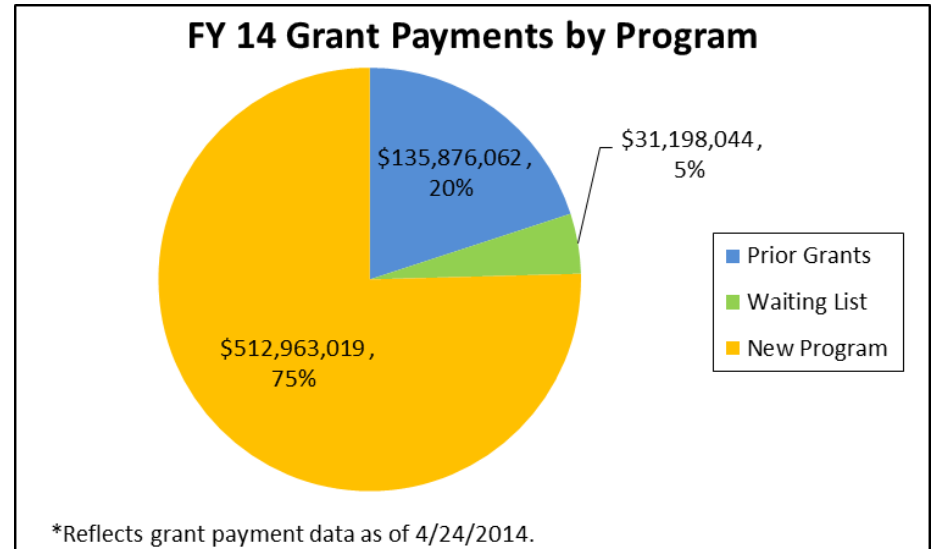
*Reflects New Program projects as of March 5, 2014 as presented in the MSBA's "Project Overview Report – Capital Pipeline", last updated for the March 26, 2014 meeting of the MSBA Board of Directors.



FY14 New Program Grant Payments

- More than \$512 million New Program grants paid to date in FY14
 - Payments made towards 190 projects in 131 districts
 - New Program payments represent 75% of all grant payments made in FY14

- Year-to-date monthly New Program payments average of \$51.3 million in FY14





MSBA Five Year Capital Programs Outlook

Grants	FY14	FY15	FY16	FY17	FY18
Statements of Interest Submitted by Districts ¹	200				
New Program ²					
Core Program Projects (# project invitations) ³	\$449M (16)	\$505M (12-25)	\$520M (12-25)	\$525M (12-25)	\$531M (12-25)
Accelerated Repair (# project invitations) ⁴	\$58M (46)	\$35M (10-25)	\$25M (10-25)	\$25M (10-25)	\$25M (10-25)
Science Lab Initiative (# project invitations)	\$0	\$0	\$0	\$0	\$0
Estimated New Program Grant Authorizations	\$507M	\$540M	\$545M	\$550M	\$556M
Estimated New Program Ceiling ⁵	\$516M	\$540M	\$545M	\$550M	\$556M
Inherited Programs ⁶					
Prior Grants (# projects)	\$210M (290)	\$198M (264)	\$185M (228)	\$172M (198)	\$140M (169)
Wait List (# projects) ⁷	<u>\$49M (31)</u>	<u>\$28M (28)</u>	<u>\$17M (27)</u>	<u>\$17M (27)</u>	<u>\$16M (26)</u>
Estimated Inherited Program Grant Payments	\$259M	\$226M	\$202M	\$189M	\$156M

¹ FY14 reflects calendar year 2013 Statements of Interest filed for FY14 invitation period.

² FY14 reflects actual Maximum Total Facilities Grants authorized for Project Scope and Budget Agreements through March 26, 2014 meeting of MSBA's Board of Directors. FY15 and beyond reflect estimated invitations for project approvals, and assume districts have the ability to complete work through schematic design within an average timeframe, and are able to obtain local funding approvals for a proposed project.

³ Assumes average grants for major elementary, middle and high school projects of \$19M-\$41M. Invitation assumption is not project-specific, and is based upon average grants only.

⁴ Assumes average grant for roof, window and boiler projects of \$500,000 - \$2.5M. Invitation assumption is not project-specific, and is based upon average grants only.

⁵ Assumes Commonwealth's estimated growth in SMART collections through FY15 based on January 14, 2014 Consensus Revenue Estimate, and assumes 1% annual growth beyond FY15.

⁶ Reflects estimated grant payments based upon payment schedule of final project audit, revised payment schedule as a result of district refunding, or estimated remaining progress payment reimbursements.

⁷ FY14 includes estimated remaining payments through 6/30/14. FY15 and beyond reflects estimated payments following project closeout audits, and remaining wait list annual payments schedule as of 4/1/14.



MSBA “New Program” Financing - A Look Ahead

- MSBA debt issuance and grant payments are projected to decline in FY15 as project cash flows associated with New Program commitments approach steady state, and annual obligations for inherited grants continue to decline
- MSBA anticipates funding more than 20% of estimated FY15 New Program payments as “pay-go” from cash
- Responsible financial planning practices position the MSBA to reduce future borrowing through “pay-go” flexibility

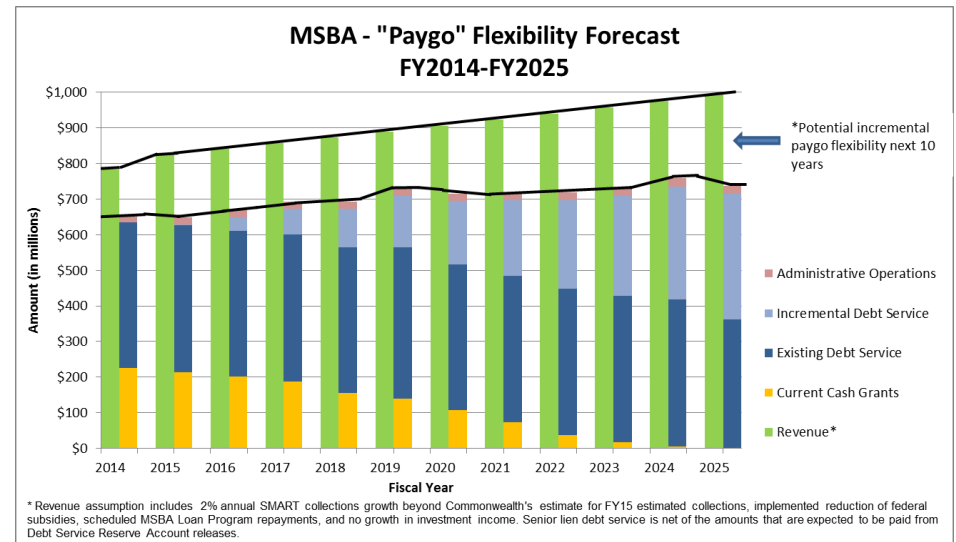
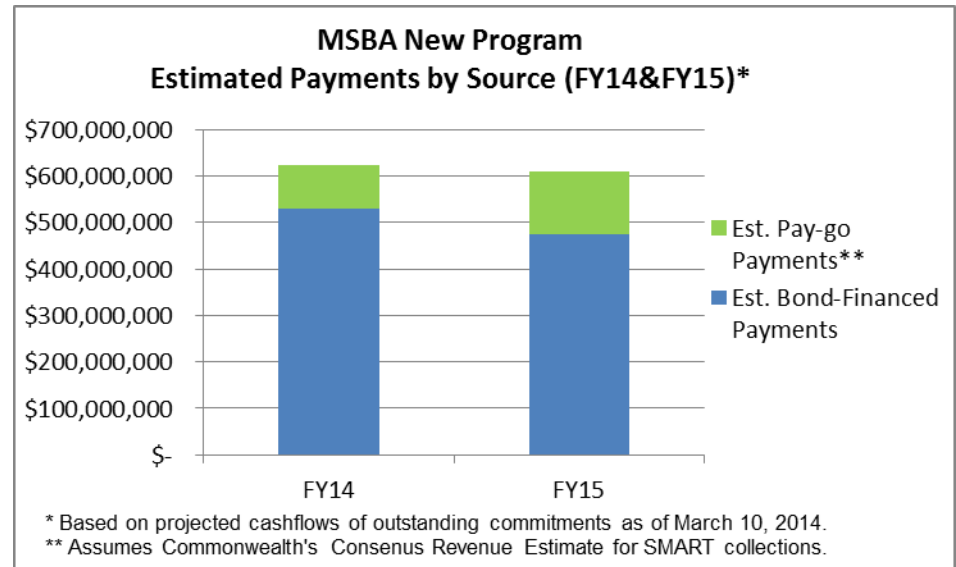




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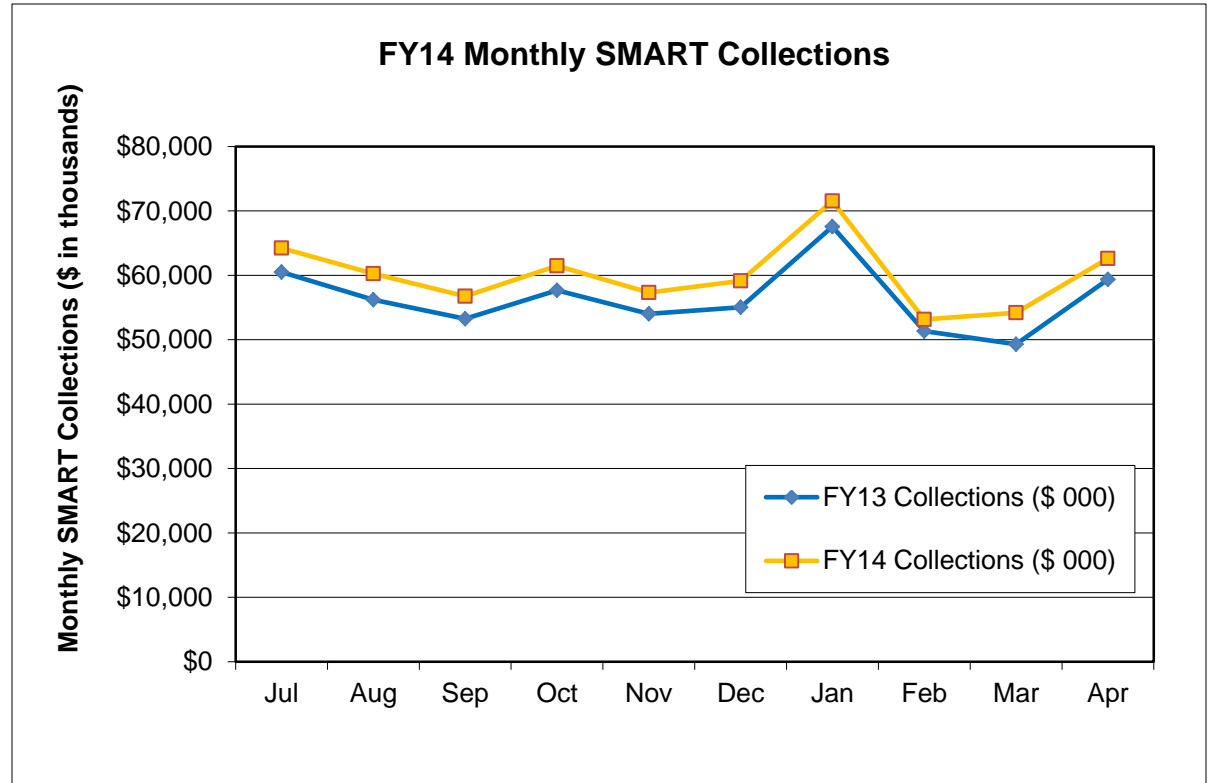
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FY14 YTD Monthly SMART Collections

Month	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	YTD
FY13 Collections (\$ 000)	60,514	56,214	53,253	57,667	54,031	55,053	67,562	51,348	49,312	59,362	564,315
FY14 Collections (\$ 000)	64,231	60,261	56,759	61,476	57,320	59,134	71,526	53,144	54,186	62,609	600,646
Change (\$ 000)	3,717	4,047	3,505	3,809	3,289	4,081	3,964	1,796	4,875	3,247	36,331
%Change	6.1%	7.2%	6.6%	6.6%	6.1%	7.4%	5.9%	3.5%	9.9%	5.5%	6.4%

- SMART collections through April were \$36.3M (6.4%) greater than collections through same period in FY13
- SMART collections in FY14 have exhibited growth each month over the same month in the previous year

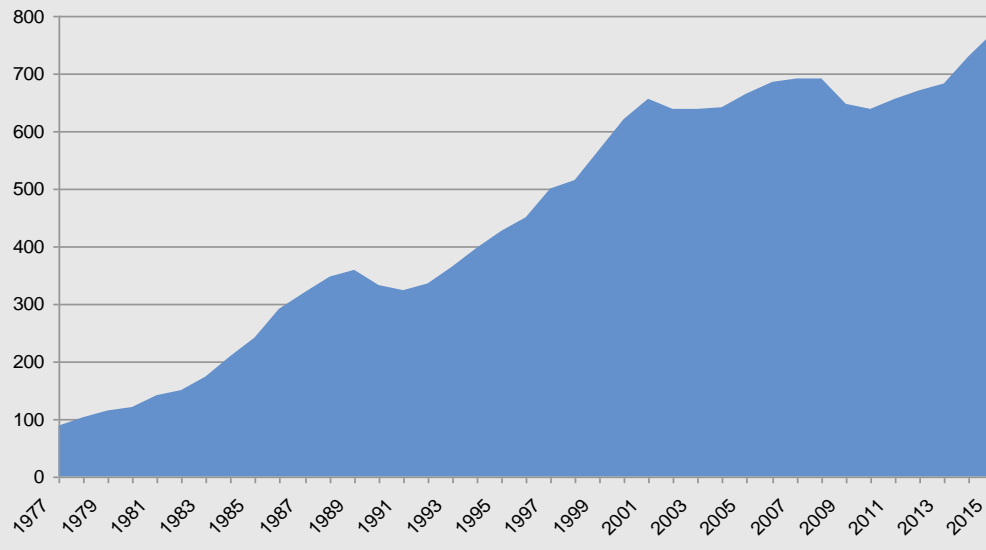




Dedicated Sales Tax Long Term Performance

- Growth in all but 6 of the last 37 years
- Strong performance across economic cycles

Dedicated 1 Cent Statewide Sales Tax (\$'s in Millions)



FY	Sales Tax Receipts ¹	Applicable % of Sales Tax Receipts ²	% Increase/Decrease
1977	\$441.8	\$88.4	27.2%
1978	520.7	104.1	17.8%
1979	577.8	115.6	11.0%
1980	608.4	121.7	5.3%
1981	704.2	140.8	15.7%
1982	753.1	150.6	7.0%
1983	865.3	173.1	14.9%
1984	1,041.8	208.4	20.4%
1985	1,209.5	241.9	16.1%
1986	1,452.1	290.4	20.1%
1987	1,600.0	320.0	10.2%
1988	1,733.3	346.7	8.3%
1989	1,787.1	357.4	3.1%
1990	1,660.5	332.1	(7.1%)
1991	1,617.7	323.5	(2.6%)
1992	1,682.3	336.5	4.0%
1993	1,821.0	364.2	8.2%
1994	1,978.8	395.8	8.7%
1995	2,137.0	427.4	8.0%
1996	2,252.1	450.4	5.4%
1997	2,494.7	498.9	10.8%
1998 ⁽³⁾	2,572.4	514.5	3.1%
1999	2,833.0	566.6	10.1%
2000	3,107.2	621.4	9.7%
2001	3,273.0	654.6	5.3%
2002	3,193.9	638.8	(2.4%)
2003 ⁽⁴⁾	3,196.0	639.2	0.1%
2004	3,211.1	642.2	0.5%
2005	3,330.8	666.2	3.7%
2006	3,420.2	684.0	2.7%
2007	3,458.9	691.8	1.1%
2008	3,453.8	690.8	(0.1%)
2009	3,239.0	647.8	(6.2%)
2010 ⁽⁵⁾	3,852.1	637.1	(1.7%)
2011 ⁽⁵⁾	4,091.5	654.7	2.8%
2012	4,190.6	670.5	2.4%
2013	4,262.7	682.0	1.7%
2014 Est. ⁽⁶⁾	4,552.0	728.3	6.8%
2015 Est. ⁽⁷⁾	4,821.9	771.5	5.9%

¹ Total sales tax receipts after reimbursements and abatements, less the Statutorily Exempted Revenue.

² These data are presented as an estimate of historical Dedicated Sales Tax Revenue Amount based on historical sales tax receipts, and represent a 1% sales tax.

³ In January 1998, the payment schedule for businesses with tax liabilities greater than \$25,000 per year was changed to simplify the time period on which such payments are based. While the timing change did not affect the amount of tax owed by the affected businesses, the new payment schedule caused a one-time delay in receipt of tax revenues realized in FY 1998. According to DOR, approximately \$105 million less in sales tax revenue was collected in FY 1998 as a result of this change.

⁴ A tax amnesty program was in effect for a portion of FY 2003 which, according to DOR, generated approximately \$42 million of sales and use tax revenues.

⁵ Reflects additional revenue due to sales tax rate increase from 5.0% to 6.25% (estimated by DOR to be approximately \$739 million in Fiscal Year 2010, \$918 million in Fiscal Year 2011, \$963 million in Fiscal Year 2012, and \$980 million in Fiscal Year 2013) and elimination of sales tax exemption for alcoholic beverages for the period between August 1, 2009 and January 1, 2011 (estimated by DOR to be \$96.6 million in Fiscal Year 2010 and \$81.0 million in Fiscal Year 2011, of which amounts \$15.5 million and \$13.0 million, respectively, are included in the Dedicated Sales Tax Revenue Amount for each respective year.)

⁶ Amounts for Fiscal Year 2014 are based on the tax revenue estimate of \$23.200 billion. The \$23.200 billion estimate reflected the January 14, 2013 consensus tax revenue estimate of \$22.334 billion, as adjusted for the impact of revenue initiatives included in the Commonwealth's Fiscal Year 2014 budget, including the impact of a subsequently enacted two-day sales tax holiday in August, 2013, and the impact of the transportation finance legislation, which was enacted on July 24, 2013. One of the provisions enacted as a part of the transportation finance legislation (sales tax on computer/software services) was repealed on September 27, 2013. Preliminary Fiscal Year-to-date collections for Sales & Use taxes through March 31, 2014 are approximately \$4.068 billion (unaudited), as compared to approximately \$3.828 billion (unaudited) for the same period in Fiscal Year 2013.

⁷ Amounts for Fiscal Year 2015 are based on the Commonwealth's consensus tax revenue estimate for Fiscal Year 2015, as released on January 14, 2014.



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FY2014 Budget Update and FY2015 MSBA Administrative Operations and Grant Programs Budget Recommendation

Expense Category	FY14			FY 15				
	FY14 Authorized Budget	FY14 Projected Expenditures	% FY14 Budget Expended	FY15 Budget Recommendation	Variance (FY14 Budget)	% Variance (FY14 Budget)	Variance (FY14 Projected Expenditures)	% Variance (FY14 Projected Expenditures)
Administrative Expense Budget								
Salaries & Benefits ^[1]	\$ 6,443,148	\$ 5,629,657	87.4%	\$ 6,820,548	\$ 377,401	5.9%	\$ 1,190,892	21.2%
General & Administrative Office Expenses ^[2]	\$ 216,857	\$ 212,970	98.2%	\$ 356,729	\$ 139,872	64.5%	\$ 143,759	67.5%
Occupancy & Utilities ^[3]	\$ 1,207,998	\$ 1,220,069	101.0%	\$ 1,295,038	\$ 87,040	7.2%	\$ 74,969	6.1%
Consulting & Professional Support Services ^[4]	\$ 210,000	\$ 149,958	71.4%	\$ 287,061	\$ 77,061	36.7%	\$ 137,103	91.4%
Information Technology ^[5]	\$ 382,258	\$ 148,314	38.8%	\$ 157,246	\$ (225,012)	-58.9%	\$ 8,932	6.0%
Total Administrative Expense Budget^[6]	\$ 8,460,261	\$ 7,360,968	87.0%	\$ 8,916,623	\$ 456,362	5.4%	\$ 1,555,656	21.1%
Other Post Employment Benefits (OPEB)^[7]	\$ -	\$ -	N/A	\$ 100,000	\$ 100,000	N/A	\$ 100,000	N/A
Capital Pipeline Professional Support Services & Issuance Related Costs								
Project Related Legal, Audit & Professional Support Services ^[8]	\$ 10,473,493	\$ 7,059,883	67.4%	\$ 7,710,000	\$ (2,763,493)	-26.4%	\$ 650,117	9.2%
Cost of Issuance ^[9]	\$ 450,000	\$ 426,000	94.7%	\$ 1,000,000	\$ 550,000	122.2%	\$ 574,000	134.7%
Total Capital Program Professional Support Services	\$ 10,923,493	\$ 7,485,883	68.5%	\$ 8,710,000	\$ (2,213,493)	-20.3%	\$ 1,224,117	16.4%
Arbitrage Rebate^[10]	\$ -	\$ -	N/A	\$ 1,500,000	\$ 1,500,000	N/A	\$ 1,500,000	N/A
Grant Program								
Prior Grants ^[11]	\$ 215,069,346	\$ 209,736,469	97.5%	\$ 197,511,285	\$ (17,558,061)	-8.2%	\$ (12,225,184)	-5.8%
Waiting List ^[12]	\$ 80,000,000	\$ 34,249,932	42.8%	\$ 42,131,684	\$ (37,868,316)	-47.3%	\$ 7,881,752	23.0%
New Program Grants ^[13]	\$ 675,000,000	\$ 623,376,172	92.4%	\$ 610,598,153	\$ (64,401,847)	-9.5%	\$ (12,778,019)	-2.0%
Total Grant Program	\$ 970,069,346	\$ 867,362,573	89.4%	\$ 850,241,122	\$ (119,828,224)	-12.4%	\$ (17,121,451)	-2.0%
Grand Total - Operating Budget	\$ 989,453,099	\$ 882,209,424	89.2%	\$ 869,467,745	\$ (119,985,354)	-12.1%	\$ (12,741,679)	-1.4%

[1] FY14 Budget included funding for the phased hiring of 7 additional FTEs remaining from staffing plan, and included total budgeted headcount of 71 employees at June 30, 2014. Total headcount as of April 15, 2014 is 61, and forecasted headcount at June 30, 2014 is 65 based on planned hires during FY14 Q4. FY15 Budget Recommendation reflects full annualization of FY14 hires, and 4 planned hires that are projected to remain from FY14 staffing plan at fiscal year end, and includes the transition of 2 information technology and 2 capital planning staff extensions to MSBA payroll beginning January 2015. Total forecasted headcount at June 30, 2015 is 73.

[2] FY15 Budget Recommendation reflects anticipated one-time \$65K cost associated with transition to new phone system, and includes approximately \$60K for training and professional development.

[3] FY15 Budget Recommendation reflects projection associated with procurement for leased office space to be completed before Q3 of FY15.

[4] FY15 Budget Recommendation reflects additional procurements anticipated in FY15 to assist the MSBA with document management and organizational planning.

[5] FY14 Projected Expenditures variance from FY14 Authorized Budget reflects fewer actual costs than anticipated in this category for programming. FY15 Budget Recommendation includes \$30K for purchase of business continuity software as part of MSBA's contingency planning efforts, and reflects projected transition of 2 information technology staff extensions to MSBA payroll as of January 2015.

[6] FY15 variance reflects procurement for leased office space, and also reflects annualization of FY14 staffing plan hires and phased hiring of remaining staffing plan hires in FY15.

[7] The MSBA's OPEB Trust was fully funded as of June 30, 2013, and is projected to remain fully funded as of June 30, 2014 without any additional transfer of funds. The FY15 Budget Recommendation reflects the intention of the MSBA to transfer an additional \$100K to the OPEB Trust in order to limit future budgetary impacts that may be associated with the investment performance of the OPEB Trust.

[8] FY14 procurements for vocational technical programming analysis and economic analysis of MSBA pipeline have been conducted, and planned expenditures were processed during Q3 as work against these contracts progresses. FY14 Projected Expenditures reflect \$1.1M fewer projected costs for commissioning than anticipated, \$750K fewer projected costs for project management services than originally forecasted for FY14, \$569K fewer costs than anticipated for architectural services, and \$86K more than projected for Capital Pipeline applications development. For FY15 Budget Recommendation detail in this category please see Capital Pipeline Professional Support Services Summary slide.

[9] FY14 Projected Expenditures reflect expenditures related to the 2013 Series A in July 2013. FY15 Budget Recommendation reflects anticipated debt issuance of approximately \$425M-\$475M in FY15 to support Capital Pipeline.

[10] Reflects anticipated arbitrage rebate to be made in FY15 related to earnings on the 2009 Series A bonds.

[11] FY14 Expenditures thru 4/15/14 reflect expenditures for Q1-Q3. FY14 Projected Expenditures also reflect annual payments for Q4 Prior Grant projects. FY15 Budget Recommendation reflects annual estimate of audited payments scheduled through June 30, 2015.

[12] FY14 Projected Expenditures reflect fewer than anticipated progress and closeout audit payments towards six projects still in active construction or closeout audit. FY15 Budget Recommendation assumes \$16.3M in annual payments and approximately \$25.8M in progress and closeout audit payments.

[13] FY15 Budget Recommendation reflects monthly reimbursement request projection from projects in the Capital Pipeline, as well as final payments to projects that may receive a final approved audit during FY15. FY15 anticipated variance from FY14 Projected Expenditures reflects fewer projects in design development and active construction as Capital Pipeline progresses towards steady state.



Capital Pipeline Professional Support Services Summary

	FY14 Budget Authorization	FY14 Projected Expenditures	% FY14 Budget Expended	FY15 Budget Recommendation	Variance (FY14 Budget)	% Variance (FY14 Budget)	Variance (FY14 Proj. Expenditures)	% Variance (FY14 Proj. Expenditures)
Commissioning Consultants ^[1]	\$ 5,000,000	\$ 3,816,203	76.3%	\$ 4,000,000	\$ (1,000,000)	-20.0%	\$ 183,797	4.8%
Project Management Services ^[2]	\$ 3,060,000	\$ 2,310,156	75.5%	\$ 2,300,000	\$ (760,000)	-24.8%	\$ (10,156)	-0.4%
Architectural Services ^[3]	\$ 1,520,000	\$ 569,352	37.5%	\$ 650,000	\$ (870,000)	-57.2%	\$ 80,648	14.2%
Cost Estimating Services ^[4]	\$ 250,000	\$ 62,900	25.2%	\$ 200,000	\$ (50,000)	-20.0%	\$ 137,100	218.0%
Audit & Other Compliance ^[5]	\$ 50,000	\$ -	0.0%	\$ 50,000	\$ -	0.0%	\$ 50,000	N/A
Capital Program Information Systems ^[6]	\$ 165,493	\$ 251,272	151.8%	\$ 135,000	\$ (30,493)	-18.4%	\$ (116,272)	-46.3%
Cost of Issuance ^[7]	\$ 450,000	\$ 426,000	94.7%	\$ 1,000,000	\$ 550,000	122.2%	\$ 574,000	134.7%
Other ^[8]	\$ 303,000	\$ 50,000	16.5%	\$ 250,000	\$ (53,000)	-17.5%	\$ 200,000	400.0%
Legal ^[9]	\$ 125,000	\$ -	0.0%	\$ 125,000	\$ -	0.0%	\$ 125,000	N/A
Capital Program Support Services	\$ 10,923,493	\$ 7,485,883	68.5%	\$ 8,710,000	\$ (2,213,493)	-20.3%	\$ 1,224,117	16.4%

[1] FY14 Projected Expenditures reflects variance observed from FY12 and FY13 expenditure trends experience. FY15 Budget Recommendation reflects anticipated costs associated with active projects and additional contracts anticipated to be executed prior to June 30, 2015.

[2] Project Management Services are estimated based on anticipated schedules of active projects in the Capital Pipeline. FY14 Projected Expenditures reflect \$242K less than anticipated on internal project management services, and approximately \$503K less than anticipated on OPM services associated with the Essex North Shore Agricultural & Technical School project.

[3] Architectural Services are allocated on a project specific basis as necessary for projects progressing through the Capital Pipeline. FY14 Projected Expenditures reflect less utilization than anticipated in original FY14 Budget. \$350K of the FY14 Project Expenditures variance from Budget reflects fewer expenditures than anticipated on Statement of Interest senior study due diligence and schematic design and construction document reviews. FY15 Budget Recommendation reflects anticipated utilization of specialized support services for schematic design, construction document and architectural reviews. FY15 Budget Recommendation also includes expenditures for senior studies related to the review process for the 2014 SOI submittals.

[4] FY14 Projected Expenditures reflects fewer than anticipated expenditures associated with updating the construction cost benchmark data analysis that was initiated in FY13.

FY15 Budget Recommendation provides funds for any project specific cost estimates which may be necessary during the fiscal year, or for additional review of benchmark data.

[5] This category provides funding which may be allocated on a project specific basis to external audit firms, or temporary auditors, to assist on project audits conducted under current MSBA audit policy.

[6] FY14 Projected Expenditures reflect adjusted forecast for allocation of expenditures for development of Capital Pipeline support applications, including MSBA's Progress Payment System, Project Management application, and OPM Report system. FY15 Budget anticipates expenditures for continued development of Progress Payment, Project Management other applications that are critical tools for the MSBA's oversight of the Capital Pipeline.

[7] FY14 Projected Expenditures reflect expenditures related to the 2013 Series A in July 2013. FY15 Budget Recommendation reflects anticipated debt issuance of approximately \$425M-\$475M in FY15 to support Capital Pipeline.

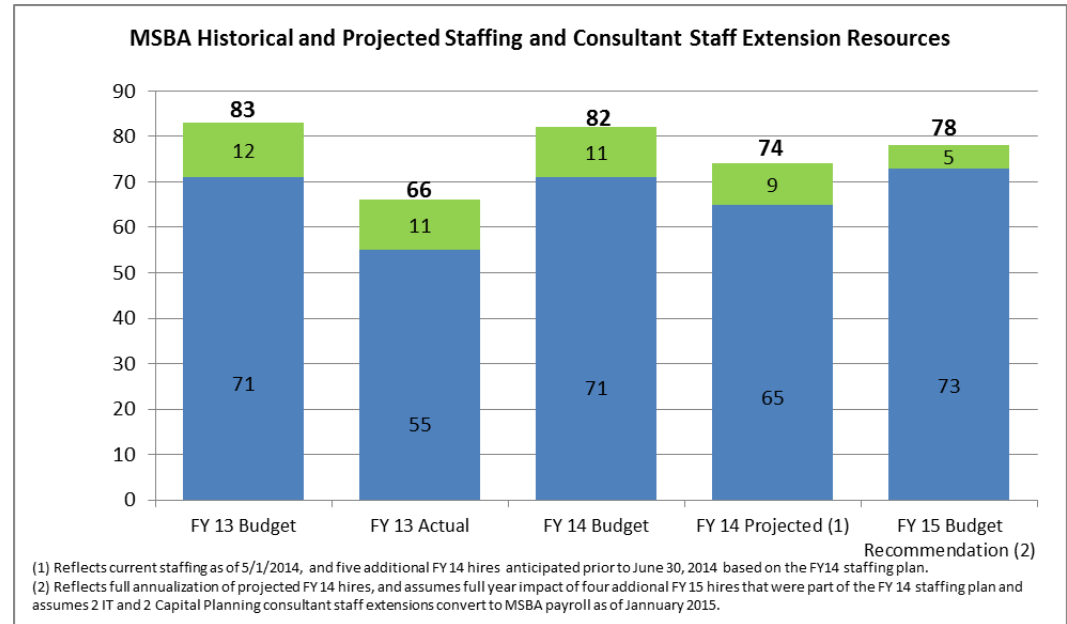
[8] For Capital Pipeline professional support services which may not be specifically allocated through other cost categories. FY14 Projected Expenditures reflects anticipated costs resulting from procurements associated with the analysis of vocational technical projects in the MSBA Capital Pipeline, and an analysis of the impact of the MSBA's Capital Pipeline on the labor market. FY15 Budget Recommendation includes funding for business intelligence software to further develop analytical capabilities on Capital Pipeline data.

[9] This expenditure category includes funding for the costs, if any, that the MSBA may incur associated with litigation regarding projects in the Capital Pipeline. There is no litigation currently pending against the Authority. FY14 Budget also includes funding for regulations review.



FY15 Resource Plan

- FY15 Budget Recommendation assumes employee headcount of 73 as of June 30, 2015
- MSBA employee headcount would be two greater than FY14 Budget
 - Reflects attrition related to two positions, and transition of 4 consultant staff extensions to permanent positions
 - Anticipate FY16 plan would request two additional Capital Planning consultant staff extensions transition to permanent positions during FY16, and would reduce consultant staff extensions to 0 by June 30, 2016





MSBA Sources and Uses

		FY14 Est.	FY15 Est.
Beginning Fund Balance *			
Restricted Debt Service Funds Beginning Balance**	\$	186,834,948	180,404,055
Restricted Bond Proceeds Beginning Balance[1]		5,000,000	-
Unrestricted Beginning Fund Balance[2]		125,828,905	162,811,368
Total Begin Fund Balance		317,663,853	343,215,423
General Revenues/Financing Sources:			
Dedicated sales tax[3]	\$	728,316,638	771,500,000
Bond Issuance Proceeds[4]		540,527,990	475,000,000
Interest income[5]		25,120,990	25,193,864
Arbitrage Rebate Set-Aside[6]		(2,411,176)	(2,500,000)
Grant income[7]		22,402,219	22,469,727
Loan Program[8]		8,688,062	8,590,864
Total revenues		1,322,644,723	1,300,254,455
Expenditures/Expenses:			
Grant payments [9]	\$	867,362,573	850,241,122
Debt service[10]		408,633,729	412,197,603
Operations		7,360,968	8,916,623
Commissioning		3,816,203	4,000,000
Capital Pipeline Support Services		3,669,680	4,710,000
Arbitrage Rebate Payment[11]		-	1,500,000
Loan Program[12]		6,250,000	-
Other Postemployment Benefits		-	100,000
Total expenditures/expenses		1,297,093,153	1,281,665,348
Year End Fund Balance*			
Year End Restricted Debt Service Funds Balance**	\$	180,404,055	195,345,515
Year End Restricted Bond Proceeds Balance		-	-
Year End Unrestricted Fund Balance		162,811,368	166,459,015
Total Year End Balance		343,215,423	361,804,530

*Beginning and Year End fund balances do not include debt service reserve funds held by the trustee.

**Reflects restricted Debt Service Funds held by the trustee, and available only for debt service payments made by the trustee to bondholders.

[1] Reflects pre-closing initial deposit for 2013 Series A bonds.

[2] Reflects balances in non-trusteed funds.

[3] FY14 Est. reflects Commonwealth's revised consensus tax revenue estimate for FY14.

[4] FY14 Est. reflects receipt of proceeds for from 2013 Series A issuance net of debt service reserve proceeds and underwriters' discount. FY15 Est. reflects anticipated receipt of BAN proceeds, and anticipated midyear authorization for re-establishing a Commercial Paper program.

[5] Includes estimated earnings on all debt service funds held by the Trustee as well as unrestricted funds.

[6] Reflects set-aside of estimated excess interest earnings above arbitrage yields per most recent rebate calculations.

[7] Reflects impact of sequestration on annual interest subsidies estimated to be received from the federal government related to the 2009 Series A (Build America Bonds), and 2010 Series A and 2011 Series A (Qualified School Construction Bonds).

[8] Includes principal and interest received in November 2013 for executed loans, as well as one grant recapture payment.

[9] Includes grant payments made from bond proceeds as well as unrestricted sales tax revenues.

[10] Reflects gross debt service on outstanding debt including sinking fund deposits. FY14 estimate does not assume any savings that may result from advance refunding of outstanding debt.

[11] Reflects anticipated arbitrage rebate to be made in FY15 related to earnings on the 2009 Series A bonds.

[12] FY14 reflects loan disbursement for East Somerville Community School.



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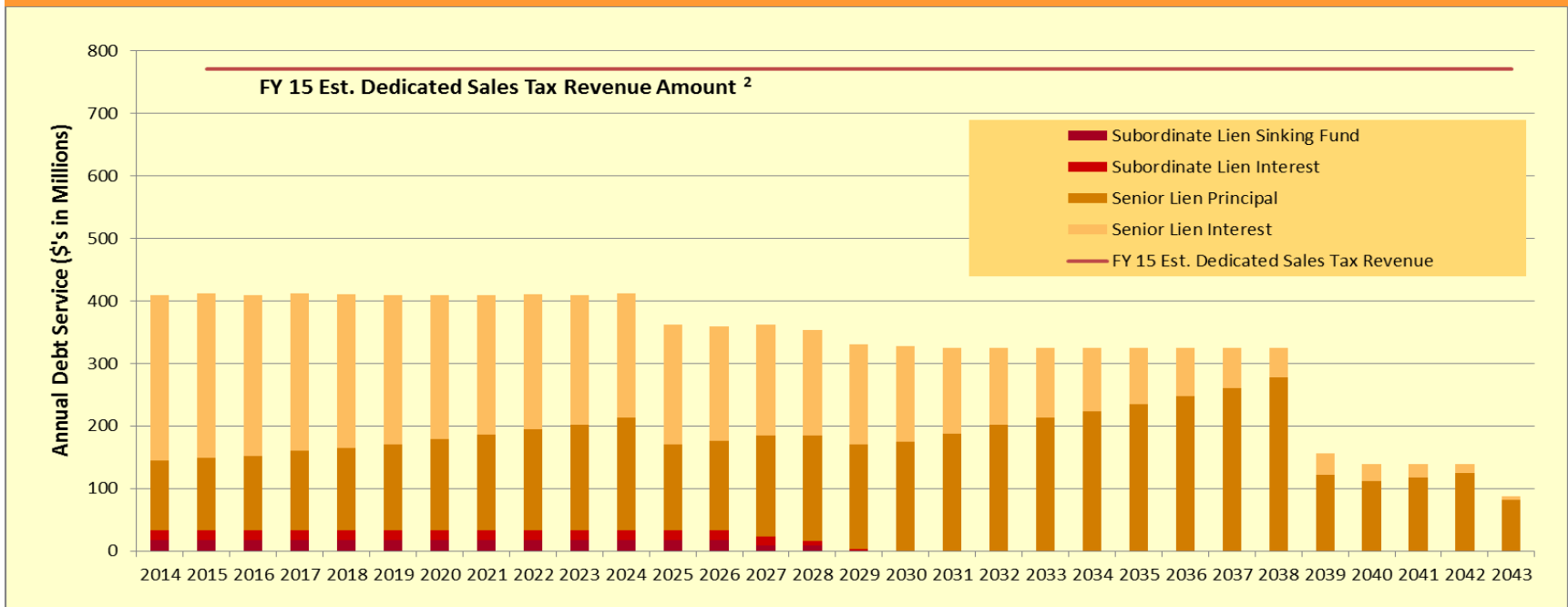
1. MSBA Grant Programs Update
2. SMART Collections Update
3. FY15 Administrative Operations and Grants Budget Recommendation
4. **Debt Service Update**



MSBA – Outstanding Debt

- \$5.4 billion of Senior Lien debt outstanding as of May 1, 2014
- \$293.4 million of Subordinate Lien debt outstanding as of May 1, 2014
 - 100% of Subordinate Lien debt is from Qualified School Construction Bond (“QSCB”) issuance
- Prior to next debt issuance, FY15 gross debt service is \$412.2 million
 - 0.9% (\$3.6 million) increase over FY14

MSBA Debt Service¹ vs. Dedicated Sales Tax Revenues²



¹ Reflects debt service outstanding after the 2013 Series A and as of May 1, 2014. Debt service does not account for expected Debt Service Reserve Account or Sinking Fund earnings, or the Build America Bond and QSCB federal subsidies; however, senior principal is net of the amounts that are expected to be paid from Debt Service Reserve Account releases.

² Amount for Fiscal Year 2015 is based on the Commonwealth’s consensus tax revenue estimate for Fiscal Year 2015, as released on January 14, 2014.



Summary

- Payments and audit savings have retired more than 88% of the liability from inherited programs

- Over \$1 billion in commitments for New Program grants
 - FY15 New Program grant payments forecast = \$611 million
 - New Program grants represent approx. 72% of all grant payments estimated to be made during FY15

- SMART sales tax collections have exhibited growth in excess of 6% in FY14 year-to-date
 - Commonwealth's consensus tax revenue estimate forecasts continued growth in FY15

- FY15 Administrative Operations and Grant Programs Budget Recommendation reflects a decline of 1.4% from FY14 projected expenditures
 - Grants for inherited programs continue to decline
 - New Program grant cash flows projected to decline as Capital Pipeline approaches steady state

- Prior to next debt issuance, FY15 gross debt service is 0.9% more than FY14 gross debt service