

## MEMORANDUM

**TO:** Board of Directors, Massachusetts School Building Authority  
**FROM:** James A. MacDonald, First Deputy Treasurer, Interim Chief Executive Officer  
John K. McCarthy, Executive Director, Deputy Chief Executive Officer  
**DATE:** June 21, 2017  
**RE:** Reconciliation of Approved Projects to the Annual Program Funding Cap  
Fiscal Year 2017

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As presented at the May 10, 2017 Board of Directors (“Board”) meeting, this memorandum summarizes the staff reconciliation that compares the total grants for projects approved by the Board with the calculated annual program funding cap for fiscal year 2017 (“FY 17”) and provides the total remaining funds for which the total grants for approved projects is less than the FY 17 annual cap. This memorandum recommends that the Board pre-approve these remaining FY 17 funds that could be applied to either one or more projects that are anticipated for approval in fiscal year 2018 (“FY 18”).

### **Discussion**

The MSBA statute places a limit upon the estimated amount of grants that can be approved by the MSBA during a fiscal year. That limit is tied to the rate of growth, by percentage, of dedicated sales tax revenues or 4.5 per cent, whichever is less. As recommended at the May 10, 2017 Board Meeting, to provide for greater certainty in recommending authorizations each fiscal year the calculation to determine the annual program funding cap will be based upon SMART fund growth for the prior fiscal year. For additional information, refer to the attached Policy Recommendations for Administering Estimated Grants dated May 2, 2017, discussed with the Administration, Operations, and Finance subcommittee on March 29, 2017 and the Board during its May 10, 2017 Board Meeting.

As noted in May, staff recommended administrative procedures that allow for reconciliation of the approved estimated grants and the annual cap to minimize the impact of changing district schedules, that vary from project to project, and can be affected by decisions on enrollment, the educational plan and the square footage needed as well as local challenges of grade configuration, siting and local approvals. Changing district schedules, variations in proposed project scope and the timing of local approvals contribute to the challenge of predicting in which fiscal year the district will be ready for MSBA Board authorization. In addition to the variability of the timing for proposed projects, the estimated grant amount authorized by the Board can vary depending upon eligibility determinations, annual updates to a district’s reimbursement rate and the district’s ability to secure local authorization and funding.

At the beginning of FY 2017, staff were forecasting project grant approvals totaling approximately \$500 million for 12 core program projects and 49 Accelerated Repair Projects. However, as noted above, changing district schedules and project considerations changed the estimated grant and the districts ready for approval. Of the forecasted 12 core program projects, 8 districts submitted as scheduled. However, over the course of the year the schedules for 4 districts moved into FY 18 and 4 districts scheduled for FY 18 submitted earlier than anticipated.

To date, 8 districts have been able to secure MSBA and local approval for proposed project scope and budget submittals and 2 districts will seek local approval in the next 30 to 120 days. Two districts with Board authorized projects with grants totaling \$133,015,203 failed to secure local authorization and funding.

Based on this information, staff have prepared the reconciliation for projects approved in FY 17 with approved estimated grants as presented below:

**FY 2017 Board Approved Projects**

	Board Approved Project Obligations
Core Program Feasibility Study Invitations (Refer to Exhibit A for more information)	\$11,726,352
Accelerated Repair Program Project Scope and Budget Approvals (Refer to Exhibit B for more information)	\$84,688,774
Core Program Project Scope and Budget Approvals (Refer to Exhibit C for more information)	\$353,048,714
Total	\$449,463,840

Annual Funding Cap for FY 17:	\$562,557,258
Board Approved project obligations:	<u>-\$449,463,840</u>
Amount available for authorization at June Board meeting:	\$113,093,418 <sup>1</sup>

Staff recommend that this available funding could be allocated to core program projects anticipated in FY 18 that have already had a preferred schematic authorization by the Board and recently invited accelerated repair program projects invited into the program in May and June 2017. Based on current schedules provided, MSBA staff anticipate higher grant activity in FY 18 than provided for in the projected FY 18 annual cap. This pre-approval will be in addition to the annual FY 18 cap and will allow MSBA staff to move districts forward to maximize the number of projects approved within each fiscal year.

<b>FY 18 Projects available for FY 17 funding</b>	<b>Preferred Schematic Approval Date</b>	<b>Estimated Project Scope &amp; Budget Approval Date</b>
Accelerated Repair Program – Estimated 36 projects	N/A	November 2017 through June 2018
Blue Hills Regional Vocational Technical High School	February 2017	August 2017

<sup>1</sup> “Board Approved project obligations” are calculated using the Maximum Total Facilities Grants identified in the 2017 Project Scope and Budget Approvals. Since each Approval is conditioned upon completion of local funding and appropriation obligations set forth in each District’s Project Scope and Budget Agreement, in the event that a District fails to fulfill those obligations, the amount of “Board Approved project obligations” will concomitantly decrease. Staff also note that if the two districts noted above had secured local approval the total grants submitted would be in excess of the FY 17 annual cap by approximately \$20 million.

<b>FY 18 Projects available for FY 17 funding</b>	<b>Preferred Schematic Approval Date</b>	<b>Estimated Project Scope &amp; Budget Approval Date</b>
Cape Cod Regional Vocational Technical High School	February 2017	August 2017
Clarksburg Elementary School	May 2017	August 2017
Lexington Maria Hastings Elementary School	February 2017	August 2017

**Recommendation**

Based on the review and findings described above staff recommends that the Board pre-approve an amount that is equal to the \$113,093,418 difference between the \$562,557,258 Annual Funding Cap for FY 17 and the \$449,463,840 approved by the Board for FY 17 project obligations plus any portion of the \$449,463,840 that is never authorized because a District fails to fulfill the local funding and appropriation obligations set forth in the District’s Project Scope and Budget Agreement. These amounts can be applied to either one or more project(s) that have been approved for Preferred Schematic or have been invited into the ARP program, including, but not limited to, one or more of the projects listed above.