

MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: James A. MacDonald, First Deputy Treasurer, and Chief Executive Officer
Mary L. Pichetti, Executive Director and Deputy Chief Executive Officer
DATE: August 23 2023
RE: Legislative Update August 2023

On Monday, July 31, 2023, the Massachusetts House of Representatives and the Senate passed a \$56.2 billion-dollar FY24 Conference Committee Report and sent it to Governor Healey. The Governor signed a \$55.9 billion-dollar budget on August 9, 2023, which includes the following highlights for the Massachusetts School Building Authority (the “MSBA”):

- Increasing the MSBA’s Annual Cap to \$1,200,000,000 effective as of July 1, 2022, provided that the grant amounts related to the Accelerated Repair Program shall not count against this limit;
- Increasing the allowable rate of growth in the Annual Cap to increase from 4.5 percent up to 6.5 percent based on the increase in the dedicated sales tax revenue.
- Providing \$100,000,000 in one-time funding for COVID-impacted construction projects, to be used as supplemental grants for Core Program school facility projects previously approved by the MSBA’s Board of Directors, presently in our capital pipeline that have been impacted by unanticipated cost escalations; and
- Consulting with DESE in their implementation of a competitive grant program, known as Green School Works, to provide financial support to eligible K – 12 public schools or districts, for projects to install or maintain clean energy infrastructure.

In anticipation of these legislative changes to the MSBA’s Annual Cap, staff have been developing various options for the Board’s review, including increases to project funding limits in conjunction with a return to a number of annual invitations comparable to pre-2022 Core Program invitations. In addition, staff have been considering some potential changes to the Accelerated Repair Program based, in part, on the proposed change to have Accelerated Repair Program grant amounts not count against the Annual Cap.

Discussion

The MSBA’s enabling statute places a limit upon the estimated amount of grants, the Annual Cap, 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. A limit of \$500 million was set in 2008 and, for each fiscal year thereafter, that limit is revised by an amount that is proportional to the actual rate of growth in the dedicated sales tax up to a maximum increase of 4.5 per cent. For fiscal year 2020, the Student Opportunity Act increased the limit on the estimated amount of grants approved by the MSBA from to \$800 million, resulting in an increase of approximately \$175 million in the statutory limit for fiscal year 2020.

At the October 26, 2022, Board of Directors meeting, staff recommended a temporary pause in the Accelerated Repair Program resulting in no new Statements of Interest in 2023. This pause was used to offset a larger increase in project funding limits for the Core Program due to unanticipated construction cost escalation while minimizing the reduction in invitations to the MSBA's grant program.

Based on the increase in the Annual Cap to \$1.2 billion in the FY24 Budget signed by the Governor, the MSBA has been provided resources and flexibility to increase the budget for the Accelerated Repair Program, initiate a one-time higher than anticipated increase to the project funding limits, return invitations to the grant program to the number of invitations seen in previous years, and provide one-time supplemental grants to COVID impacted projects that received project scope and funding agreement approval by the MSBA's Board of Directors prior to October 1, 2022, and have accepted or will accept bids on or after January 1, 2022.

An initial presentation on considerations for changes to the Accelerated Repair Program was provided at the August 2, 2023, Facilities Assessment Subcommittee Meeting. This memo is intended to provide an overview of the legislative changes and preview the upcoming presentations at the Facilities Assessment Subcommittees Meeting in September for discussion and final recommendations for consideration at the October 25, 2023, Board of Directors meeting.

A summary of the considerations under discussion is shown in the table on the next page.

Summary of Considerations

Core Program	Accelerated Repair Program	Legislative Supplemental Grant
Within the Annual Cap	Outside the Annual Cap	One-Time Disbursement outside the Annual Cap
<ul style="list-style-type: none"> • The Annual Cap has increased from approximately \$897 Million to \$1.2 Billion, for Core Program Projects, effective for FY23 and starting 7/1/22. • The Annual Cap may be increased by an amount that is proportional to the actual rate of growth in the dedicated sales tax up to a maximum increase of 6.5 percent. • Consideration for a one-time higher than typical increase to the building construction funding limit which will correspondingly increase the funding limit for site work, set at 10% of the building construction funding limit while maintaining the highest level of invitations possible. • Staff propose to continue to study the MSBA’s financial capacity to further maximize the availability of MSBA grants to school districts including a review of capacity in the construction market. 	<ul style="list-style-type: none"> • The grants provided through the Accelerated Repair Program will not count toward the Annual Cap, effective for FY23, starting 7/1/22. • Staff propose to open the Statements of Interest process for the Accelerated Repair Program continuing with windows/doors and roofs, including options for roof restoration as well as roof replacement. • In lieu of fossil-fuel boilers, staff propose commencing with a study to understand what would be needed for a change to electric and consider opportunities for boiler replacement using heat pump conversions. • Staff propose to open the Statement of Interest process for the Accelerated Repair Program in January 2024 as an annual opening then move toward a biennial opening commencing in January 2025, with the equivalent of two years of invitations providing greater predictability for districts and greater efficiency for MSBA staff. 	<ul style="list-style-type: none"> • Implement the legislation to provide a supplemental grant for projects that received project scope and funding agreement approval prior to October 1, 2022, and have accepted or will accept bids on or after January 1, 2022. • Provide a recommendation for the implementation of the legislation, utilizing the project funding limits, that provide an increase in the grant, approved at the Board of Directors meeting on December 21, 2022. • Work with each district to finalize the documentation needed to process and amend the existing funding agreements. • Work with the State to obtain the \$100 Million dollars set aside in the legislation and provide the additional MSBA dollars needed to fund the balance. Track and issue the required report on May 31, 2024, to the Legislature, detailing grant award recipients and the amount received for each project.

Staff are preparing recommendations for the information summarized above for the October 25, 2023, Board of Directors meeting.