

**Massachusetts School Building Report
December 8, 2020**

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About Us

The Massachusetts School Building Authority (the “MSBA” or the “Authority”) is a quasi-independent government authority created in 2004 by the Legislature to administer and fund a program for grants to cities, towns, and regional school districts for school construction and renovation projects, and to reform the process for funding capital improvement projects in the Commonwealth’s public schools. The Authority was created by Chapter 208 of the Acts of 2004 (“Chapter 208,” and together with Chapter 70B of the Massachusetts General Laws, Section 35BB of Chapter 10 of the Massachusetts General Laws, and Chapter 210 of the Acts of 2004, each as amended from time to time, the “Act”). In accordance with the Act, the Authority has promulgated regulations to govern the grant program, 963 C.M.R 2.00 *et seq.*

Since its’ inception in 2004, the MSBA has provided over \$14.8 billion in grants, and over 600,000 of the 957,000 students in the Commonwealth have benefited from an MSBA project. Additionally, the MSBA has audited 1,328 projects, which represents \$25.5 billion in audited costs.

Since 2007, the MSBA has supported 247 Core projects, 323 Accelerated Repair Program projects, 189 Green Repair Program projects and 8 Science Lab Initiative projects. Although the MSBA program continues to have a far reach, there is still a significant unmet and continuing need for school projects in the Commonwealth. For instance, based on the number of school facilities in the Commonwealth, the MSBA would have to continuously participate in 18 core projects annually in order to replace each school every 100 years; and the MSBA would have to participate in 36 core projects annually to replace each school every 50 years.

The MSBA continues to proudly carry out its mission to partner with Massachusetts communities to support the design and construction of educationally appropriate, flexible, sustainable, and cost-effective public-school facilities.

MSBA History & Purpose

History/Former Program/Auditor’s Report

The former school building assistance (“SBA”) program was created by the Legislature of the Commonwealth in 1948 in response to the post-World War II baby boom to provide financial assistance to municipalities to build and renovate schools. The program was extended eight times before it was codified in the General Laws in 2000. Initially focusing on regionalization to help cities and towns merge resources, the program expanded in scope and contribution from 20-55% of construction costs up to a high of 50-90% of total debt service for all project costs including architect and engineering fees, site development, original equipment expenses, financing costs, and other miscellaneous expenses. The program was subject to annual authorization and appropriation. These factors led to funding constraints that caused the program to attempt to limit

or eliminate applications twice in 2003 before the SBA program was disbanded and the MSBA was created.

The MSBA is a quasi-independent government authority created to administer and fund a program for grants to cities, towns, and regional school districts for school construction and renovation projects. The MSBA was charged with succeeding to the powers of the Department of Education, inheriting approximately \$11 Billion in outstanding payments for 1,156 projects authorized under the former SBA program. The MSBA would achieve the effective management, planning and financial sustainability of the school building assistance program and revise regulations for a new program of grants for school construction projects to reform the process of funding capital improvement projects in the Commonwealth's public schools.

The MSBA, which has a dedicated revenue stream of one penny of the state's 6.25-percent sales tax, collaborates with municipalities to equitably invest in finding the right-sized, most fiscally responsible and educationally appropriate solutions to create safe, sound, and sustainable learning environments.

The Authority was created by the Act as a body politic and corporate and a public instrumentality of the Commonwealth. The Authority is mandated with achieving the effective planning, management, and financial sustainability of a school building assistance program. The Authority is an independent public authority not subject to the supervision and control of any other executive office, department, commission, board, bureau, agency or political subdivision of the Commonwealth except as specifically provided in any general or special law. Under the Act, the Authority shall consist of the Treasurer and Receiver-General of the Commonwealth, the Secretary of Administration and Finance, and the Commissioner of Elementary and Secondary Education, each ex officio, or such persons' designees, and four other members appointed by the Treasurer and Receiver-General, each of whom shall serve two-year terms and shall be eligible for reappointment. Of the four members appointed by the Treasurer and Receiver-General, two are required to have practical experience in educational facilities planning, school building construction, or architecture and school design, and two are required to be persons in the field of education with demonstrated knowledge of the Commonwealth's curriculum frameworks and other relevant federal and state educational standards. The Treasurer and Receiver-General serves as the chairperson of the Authority. The Chairperson appointed the Chief Executive Officer of the Authority, and appoints the Executive Director of the Authority, who also serves as secretary of the Authority, ex officio, pursuant to the Act.

By the end of Fiscal Year 2004, according to data maintained under the former program and furnished to the Authority, the Commonwealth was reimbursing cities, towns, and regional school districts for 728 previously approved school projects ("Prior Grant Projects"), with the Commonwealth's estimated share of the borrowing and construction costs for the Prior Grant Projects totaling approximately \$5.1 billion ("Prior Grants"). In addition, according to data compiled under the former program and furnished to the Authority, approximately 428 school projects were maintained on a waiting list for funding ("Waiting List Projects"), with the Commonwealth's estimated share of the borrowing and construction costs for the Waiting List Projects totaling approximately \$5.5 billion. The Act provides the Authority with the power to issue its bonds and notes and to use the proceeds of such bonds and notes, together with other

available moneys provided by the Act, to make payments on (i) what, under the former program, would have been the Commonwealth's share of the Prior Grant Projects, (ii) the Waiting List Projects, and (iii) other school construction and renovation projects for which applications are accepted and approved by the Authority after July 1, 2007 ("New Projects").

Our Leadership

Members of the Authority



Board of Directors - Membership



Deborah Goldberg

Chairperson of the MSBA, Treasurer and Receiver General of the Commonwealth



Anne Brockelman
Appointed Member, Senior Associate, Perry Dean Rogers Partners Architects (PDR)



Sean Cronin
Designee of the Secretary of Administration and Finance



Sheila Vanderhoef
Appointed Member, Former Town Administrator, Town of Eastham



Matt Deninger
Designee of the Commissioner of Education



Terry Kwan
Appointed Member, Former teacher/School Committee member



Greg Sullivan
Appointed Member, Former MA Inspector General

www.MassSchoolBuildings.org

The duties of the Board of Directors include:

- Oversee the general administration and operations of the MSBA
- Vote at Board Meetings
- Oversee progress of MSBA-funded school projects and other activities in Subcommittees of the Board
- Review and approve proposed projects and determine the amounts of any grants to be awarded
- Review and approve the MSBA's annual operating and capital budgets
- Review and approve debt financings
- Review and approve MSBA regulations and policies

The Work We Do

Since the MSBA began providing grant assistance to Massachusetts communities, it has approved approximately \$5 billion dollars of grants at more than 650 schools across the Commonwealth.

Since 2007, the MSBA has supported 247 core projects (\$4.4 billion), 323 Accelerated Repair Projects (\$510 million), 189 Green Repair Projects (\$220 million), and 8 Science Lab Initiative Projects (\$60 million). To address the varying needs of school districts, the MSBA has worked to provide a number of programs and opportunities including the Accelerated Repair Program, a commissioning program, the Green Schools Program, the IT Loan Program, the Model School Program, and the Science Lab Initiative.

Data from the MSBA 2016 School Survey, which was undertaken by the MSBA, indicates that 84.1% of Massachusetts schools received a building condition rating of 1 or 2, meaning that the site and building conditions are in generally good condition; and 95.6% of schools received a general environment rating of 1 or 2 meaning that the schools provide an adequate physical environment in which to teach and learn. The continued overall good condition is due in large part to the collaboration and the ongoing financial commitment of the municipalities and the Commonwealth.

The data from the 2016 School Survey also indicates that 270 of the 1,419 MSBA-eligible schools assessed received a building condition rating of 3 or 4, meaning that the site and building conditions require moderate to extensive renovation or are in poor conditions that will need to be addressed in the near future. The total number of schools currently in need is greater than the total number of core program projects that the MSBA has supported since its' inception.

In addition, without continued capital expenditures, normal facility degradation associated with the aging of facilities will impact the percentage of Massachusetts schools receiving ratings of 1 and 2 for building conditions and general environment.

While the Accelerated and Green Repair Programs have supported grants to date of approximately \$730 million, the 2016 School Survey indicates that there are a large number of buildings where the roofs, windows, doors and boilers were either in whole or in part over 20 years old (545 roofs, 787 windows, and 566 boilers). The MSBA continues to receive approximately 150 Statements of Interest each calendar year for Core and Accelerated Repair Program projects. Based on the annual cap, the MSBA has funding to invite approximately 30 accelerated repair projects of the approximate 70 accelerated repair Statements of Interest received annually. For the Core program, the MSBA has funding to invite 12-15 of the over 80 core Statement of Interests annually. In addition to the capital investment needed to maintain building conditions, there is a critical need to upgrade spaces required for contemporary education, technology and security to provide 21st century learning environments.

Pursuant to its' regulations, the MSBA only participates in projects that have an estimated total budget of \$250,000 or more.

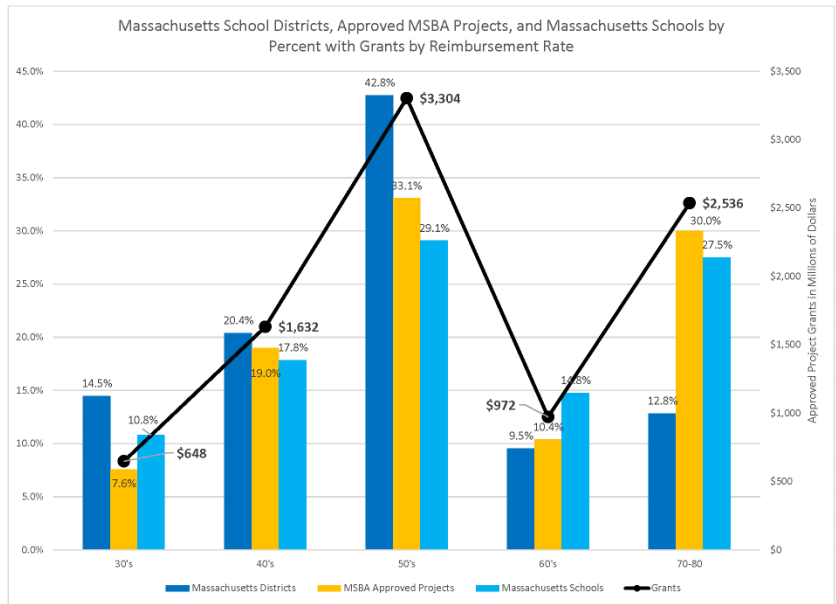
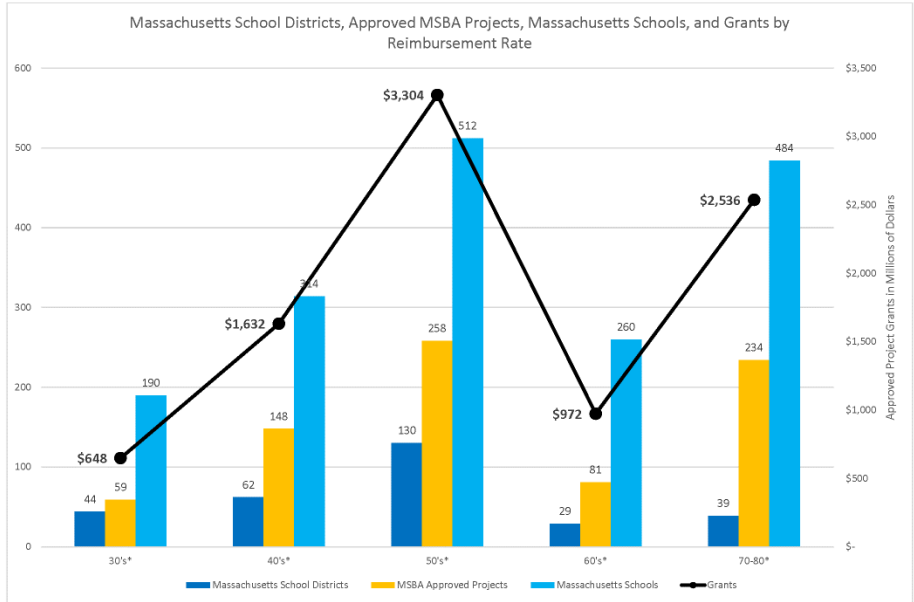
It is evident that there is a great demand for projects in the Commonwealth and the MSBA continues to be committed to seeking ways to maximize its' funding, up to its annual cap, to partner with Massachusetts communities to support the design and construction of educationally appropriate, flexible, sustainable, and cost-effective public-school facilities.

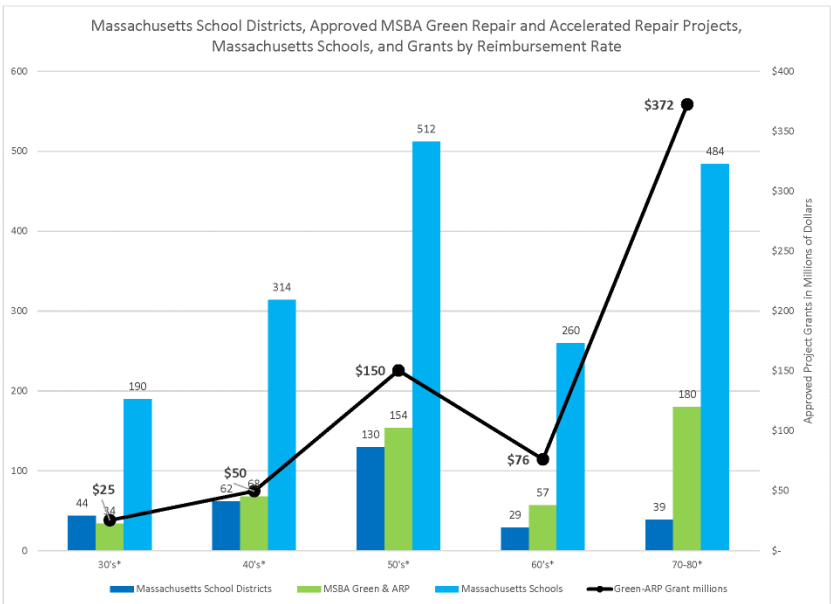
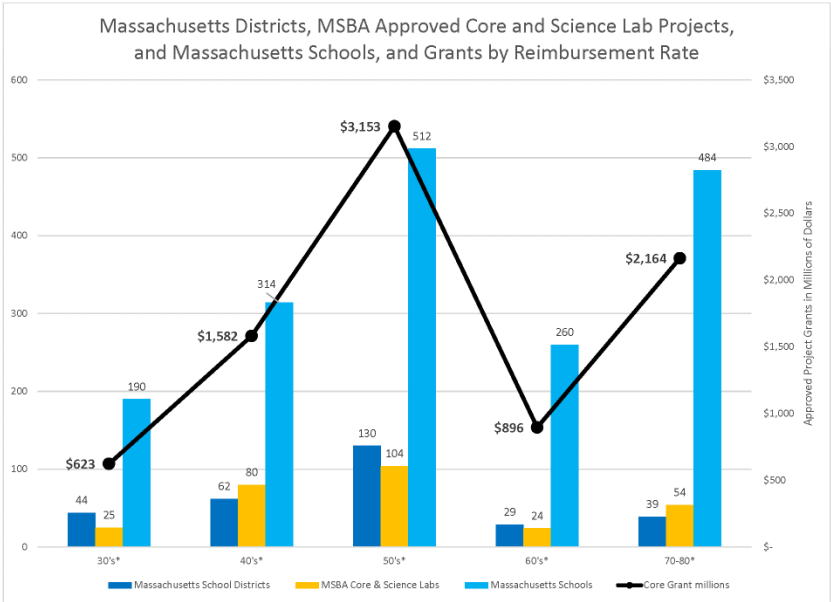
MSBA School Building Assistance Grant Program

The Authority has promulgated regulations that set forth the requirements and procedures for the Program. Pursuant to the Authority's regulations, the application process for the Program is a collaborative process, during which the Authority works with cities, towns, and regional school districts (each an "applicant") to determine whether there is a need for a school building repair, renovation or construction project and, if so, to develop an appropriate, cost-effective solution. The Authority receives Statements of Interest from applicants that identify perceived deficiencies in their school facilities. To help evaluate these Statements of Interest, the Authority conducts site visits, as may be needed, at the facilities for which a Statement of Interest has been received to evaluate and validate the applicants' perceived school building deficiencies. The site visits involve licensed professionals and other experts who critically assess and evaluate the condition of such facilities to determine whether a particular deficiency identified in a Statement of Interest warrants further attention and meets one or more of the criteria to qualify for a grant from the Authority. The site visits allow the Authority to further understand the anticipated financial needs for school construction and renovation projects that may qualify for grants from the Authority. The site visits build on school surveys that the Authority has undertaken in 2005, 2010 and 2016 which provided the Authority with data about the general condition of the Commonwealth's public-school facilities. In 2016, the Authority assessed more than 1,400 schools; 276 schools that were either in the Authority's capital pipeline and/or had been constructed since 2000 were not included in the survey. Of the schools surveyed, approximately 84% received a rating in the top two of four rating categories, indicating that the site and building conditions were generally good. The Authority is in the early planning phases for the next state-wide school survey.

As of October 2020, the Authority had entered into feasibility study agreements and project funding agreements with applicants for 793 Projects, representing approximately \$6.3 billion of grants. As of October 2020, the Board had approved project closeout audits for 556 of these 793 Projects, representing approximately \$3.16 billion in Project Grants, and the Authority had paid approximately \$2.03billion in Project Grants for the remaining 237 on-going Projects. The Authority has and expects to continue to fund a portion of such grants from excess amounts remaining in the Fund after payment of debt service on the Authority's Bonds; approximately \$984million of grants was funded from such amounts in the period from Fiscal Year 2016 through Fiscal Year 2020.

Below are four tables that provide the number and percentage of approved projects and the grant dollars as distributed by reimbursement rate. The first two tables represent the combined Core and ARP projects. Table 3 provides Core projects only and Table 4 provides ARP projects only.





As evidenced in the four tables above, the table below summarizes the ranking of the various levels of reimbursement rate for the criteria shown.

RR Category/Rank	Number of districts	Number of schools	Number of total approved projects	Number of Core approved projects**	Number of ARP approved projects	Total dollar value of total grants	Total dollar value of Core	Total dollar value of ARP
30 - 39	Third	Fifth	Fifth	Fourth	Fifth	Fifth	Fifth	Fifth
40 – 49*	Second	Third	Third	Second	Third	Third	Third	Fourth
50 - 59	Highest	Highest	Highest	Highest	Second	Highest	Highest	Second
60 - 69	Fifth	Fourth	Fourth	Fifth	Fourth	Fourth	Fourth	Third
70 - 80	Fourth	Second	Second	Third	Highest	Second	Second	Highest

*Note that in the beginning of the program, there was a minimum floor of 40% that impacts the number of projects showing in this category.

**Note that the difference in number of projects between the fourth and fifth ranked is only 1 project.

Given the large volume of applications received by the MSBA, the MSBA began in 2007 to request each district to submit its priority school for consideration and continues to use this as one of the criteria to distribute grant monies equitably throughout the state. As the MSBA is aware of the financial pressures that districts face, we note that this policy promoting one school project at a time correlates with the financial capacity of the majority of districts. That said, the MSBA has invited a district for two or more schools when the situation warrants such as growing enrollment or need and urgency. Districts with reimbursement rates of 50% to 59% rank highest in all criteria except for the 2 criteria associated with ARP in which they are second. As they have the highest number of districts and the highest number of schools, this would correlate with having the highest number of projects and grant dollars. Districts with reimbursement rates of 70% to 80% rank highest in the number of ARP projects and ARP dollars. These districts are third in the number of projects but second highest in the total dollar value of the grants.

Under the Act, no city, town, regional school district, or independent agricultural and technical school has any entitlement to any funds from the Authority, except at the discretion of the Authority. MSBA project grants may range from 31% to 80% of approved and eligible project costs, based on a formula set forth in the Act and regulations promulgated by the Authority, and subject to the availability of funds. The statutory formula includes a base rate, community income factor, community property wealth factor, community poverty factor, and incentive points. If a community is eligible for an 80% reimbursement rate, then they are not eligible to incentive points due to the statutory limit on reimbursement rates. The aggregate amount of MSBA project grants that may be approved in any Fiscal Year is limited to not more than \$800 million beginning in Fiscal Year 2020, which limit increases or decreases annually thereafter by the lesser of (i) 4.50% of the limit for the prior Fiscal Year, or (ii) the percentage increase or decrease of the Dedicated Sales Tax Revenue Amount over the prior Fiscal Year. The limit on MSBA project grants does not include payments with respect to Prior Grant Projects or Waiting List Projects, the liabilities which were inherited by the MSBA from the predecessor SBA program.

The MSBA's Annual Cap

MSBA funding for school projects is governed by Chapter 70B, section 7 which states: There shall be a limit on the estimated amount of grants approved by the Authority during a fiscal year. For fiscal year 2020, the limit shall be \$800,000,000. For each fiscal year thereafter, the limit shall be the limit for the previous fiscal year plus the lower of the rate of growth in the dedicated sales tax revenue amount, as defined in subsection (a) of section 35BB of chapter 10, or 4.5 percent. Chapter 70B, section 7 was amended in 2019 to increase the annual cap from \$500,000,000 to \$800,000,000. While this change provides the MSBA with additional cap space, it does not provide additional monies for the MSBA. The MSBA has a due diligence process, which considers many factors in determining to which programs to dedicate funds, and further, deciding which districts shall be accepted into the grant program within the cap limitation for a given year. Each dollar allocated to the Accelerated Repair Program means one less dollar may be allocated to the Core Program and the same is true among districts. Historically, staff have monitored the grants approved by the Board each fiscal year and set the construction cost funding limit based upon an estimated growth forecast for that same fiscal year. Using this approach, the annual cap has been estimated since the final sales tax amount is not received until after the fiscal year closes. To increase the certainty of the annual cap calculation and maximize funds available to support the estimated grants of district proposed and Board approved projects, staff approved approach is to calculate the annual program funding cap based upon SMART fund growth for the prior fiscal year and to use that calculation to reconcile the grants approved by the Board and set the construction cost funding limit.

In addition, district schedules vary from project to project with each district responsible to work with its community to complete the steps needed to sufficiently define the scope of the proposed project that defines the basis of the MSBA grant, address any local challenges, and obtain local approvals. This process and the project approval, including the authorization of an estimated grant, can take from 24 to 36 months after the original invitation to participate in the MSBA's Grant Program. In addition to the low predictability of which fiscal year the district will be ready for project approval, the scope of work can vary during these early stages as the MSBA works with the district to agree upon enrollment, grade configuration, the educational plan and the amount of square footage needed to meet that educational plan. Changing district schedules, variations in proposed project scope and the timing of local approvals contribute to the challenge of predicting in which fiscal year a district will be ready for MSBA Board authorization. Staff have proposed administrative procedures that would allow the MSBA to maximize the number of projects that can be approved in a given year while remaining within the annual cap for the fiscal year and allow for a Board approved reconciliation process between fiscal years in the event that the number of grants either exceeds the annual cap or is less than the annual cap. These administrative procedures provide staff with the tools needed to maximize the amount of funding that can be provided to school districts through the MSBA's grant program.

Massachusetts School Modernization and Reconstruction Trust Fund (the "SMART Fund")

Chapter 208 of the Acts of 2004 (“Chapter 208,” and together with Chapter 70B of the Massachusetts General Laws, Section 35BB of Chapter 10 of the Massachusetts General Laws, and Chapter 210 of the Acts of 2004, each as amended from time to time, the “Act”) created the Authority to administer and fund a program for grants to cities, towns, and regional school districts for school construction and renovation projects (the “Program”). Pursuant to the Act, all moneys received by The Commonwealth of Massachusetts raised by a 1.00% statewide sales tax (drawn from the existing statewide 6.25% sales tax), excluding sales tax revenues on meals and from certain additional statutorily exempted revenues from sales, as further described herein (the “Dedicated Sales Tax Revenue Amount”), are to be credited to the Massachusetts School Modernization and Reconstruction Trust Fund (the “SMART Fund”), without appropriation, allotment or other action.

All such moneys to be credited to the SMART Fund are impressed with a trust for the benefit of the owners of the Bonds that the Authority may issue. The Treasurer is the trustee of the SMART Fund and holds the funds in the SMART Fund exclusively for the purposes of the Authority. Pursuant to the Act, funds in the SMART Fund shall be disbursed to the Authority or its designee, without appropriation, allotment or other action, upon the request of the Authority’s Executive Director. The Trust Agreement contains the Executive Director’s irrevocable request to the Treasurer to disburse the Dedicated Sales Tax Revenue Amount in the SMART Fund to the Trustee for deposit in the Revenue Fund established pursuant to the Trust Agreement and further provides for the Treasurer’s agreement to disburse the Dedicated Sales Tax Revenue amount as soon as practicable after identifying amounts as such, but in no event later than two business days after such identification.

Certain moneys that are not derived from the Dedicated Sales Tax Revenue amount may from time to time be credited to the SMART Fund on a non-recurring basis and disbursed to the Authority. Such moneys are to be used for the purposes of the Authority and are not held for the benefit of the owners of the bonds. Such moneys credited to the SMART Fund to date have been transferred to and expended by the Authority. Under the Act, the Comptroller was obligated to credit (i) \$150 million from the Commonwealth’s General Fund to the SMART Fund from Fiscal Year 2004 revenues, which credit was made in 2004, and subsequently repaid by the Authority in Fiscal Year 2010, pursuant to subsequent amendments to the Act, and (ii) \$395.7 million to the SMART Fund from Fiscal Year 2005 revenues of the Commonwealth, which credit was made in monthly installments with the final installment credited in July 2005. In addition, Chapter 201 of the Acts of 2004 authorized the Commonwealth to issue up to \$1 billion of general obligation bonds to fund additional deposits into the SMART Fund, and such amount has been credited to the SMART Fund. Any further credit of funds not constituting Dedicated Sales Tax Revenue Amount to the SMART Fund will not be held as security for the Bonds.

SMART Fund – Through the MSBA's enabling statute, the Commonwealth made an unconditional dedication of a 1% statewide sales tax drawn from Commonwealth's 6.25% sales tax (M.G.L. c.64H and 64I exclusive of meals and certain convention center taxes)

- Revenues shall not be diverted from the Trust for as long as bonds and notes are outstanding and principal and interest on bonds remains unpaid

With the issuance of the 2005 Series A Bonds, the MSBA made a gross pledge of the SMART sales tax collections.

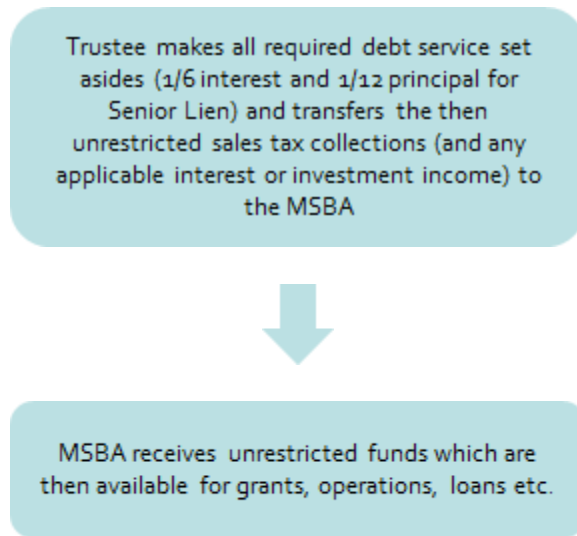
Accordingly, all SMART dedicated sales tax revenue flows directly to the Trustee to meet debt service requirements, prior to any of these revenues becoming available for further expenditure by the MSBA.

Dept. of Revenue identifies monthly SMART Collections by the 15th business day of the month and Comptroller credits to SMART Fund



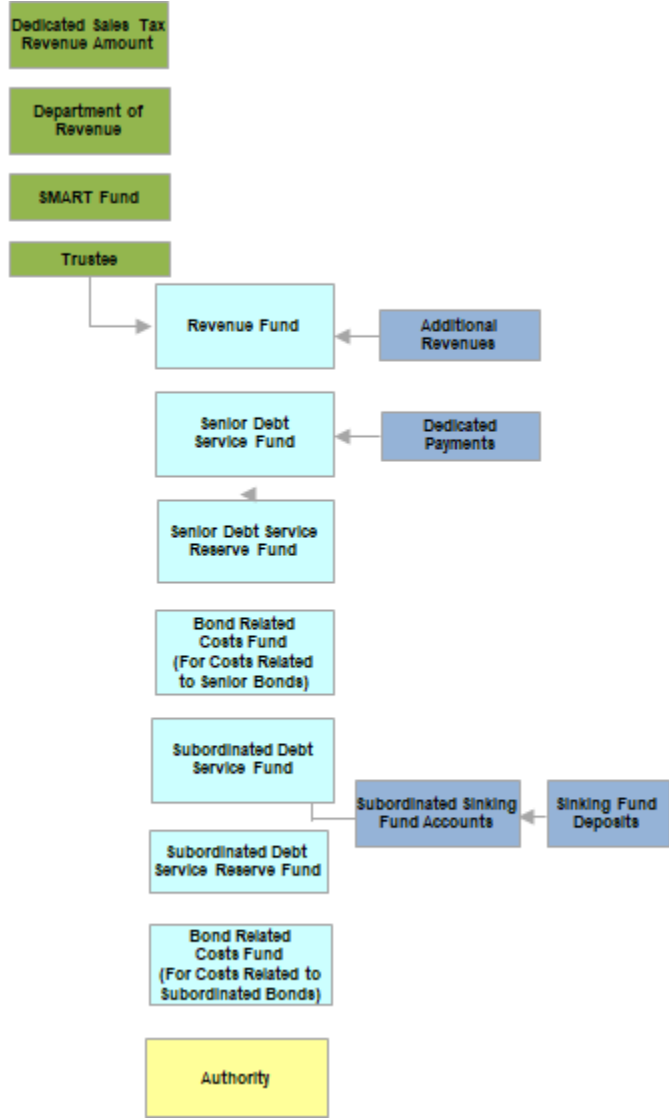
Within 2 business days of credit to SMART Fund, Office of the Treasurer disburses the entire amount credited to the SMART fund to the Trustee under the Trust Agreement securing MSBA's Dedicated Sales Tax Bonds





The Act expressly designates owners of the Authority’s bonds and notes (collectively, “Obligations”) as beneficiaries of the SMART Fund and, together with the Trust Agreement (defined below), provides that the Authority’s obligations to make payment of principal of, and premium, if any, and interest on Obligations are senior to all other claims on the Dedicated Sales Tax Revenue Amount. The Trust Agreement further provides that the Authority’s obligations to make payment of principal of, and premium, if any, and interest on Senior Bonds are senior to claims on the Dedicated Sales Tax Revenue Amount with respect to owners of Subordinated Bonds. The Act and the Trust Agreement prohibit the diversion of the Dedicated Sales Tax Revenue Amount from the Authority’s control and further prohibit the reduction of the rate of the taxes from which the Dedicated Sales Tax Revenue amount is derived as set forth in the Act for as long as any Obligations of the Authority remain outstanding. This prohibition is also reaffirmed in bond documents in the form of a statutory non-impairment covenant.

Flow of Funds



Statutory Non-Impairment Covenant

Under the Act, the Commonwealth has covenanted with the purchasers and all subsequent holders and transferees of any of the Authority's bonds or notes that while such bonds or notes shall remain outstanding, and so long as the principal of or interest on such bonds or notes shall remain unpaid, the sums to be credited to the SMART Fund shall not be diverted from the control of the Authority and, so long as the sums are necessary, which determination shall be made by the Authority in accordance with any applicable bond resolution, trust or security agreement or credit enhancement agreement, surety bond or insurance policy related to indebtedness incurred by the Authority, for purposes for which the Dedicated Sales Tax Revenue Amount has been pledged, the rate of the taxes set forth in Chapters 64H and 64I from which the Dedicated Sales Tax Revenue Amount is derived will not be reduced below the rates prescribed by the Act. Pursuant to the Trust Agreement, the Authority has covenanted that, so long as any bonds remain outstanding, it will not make any determination that the Dedicated Sales Tax Revenue amount is unnecessary for the purposes for which it has been pledged, which determination, if made, would permit a reduction in the rates of the excises imposed by the Act.

The covenant described herein relates only to the rate of the sales tax comprising the Dedicated Sales Tax Revenue amount and not to the types of property and services that are taxed.

MSBA Impact

Highlights

The MSBA has had a far-reaching impact across the Commonwealth, as highlighted below.

- Since 2004, the MSBA has made over \$14.8 billion in payments to cities, towns, and regional school districts. A total of 279 projects that have received invitations from the Board of Directors to collaborate with the MSBA are currently in the MSBA's Eligibility Period and Capital Pipeline.
- Currently, there are 141 projects active in the Accelerated Repair Program. To date, 182 Accelerated Repair Program projects have been completed and received Final Audit approval. The combined 323 current and completed projects are located in 127 districts, many of which have been invited to participate in the Accelerated Repair Program multiple times for multiple projects.
- The MSBA has completed final audits of 1328 projects, totaling over \$25.5 billion in submitted costs.
- The MSBA has executed 530 Commissioning Consultant work orders, totaling \$39.5 million in commissioning fees for 623 schools for 724 commissioning projects.
- In Fiscal Year 2020, a total of 8 schools were completed including five elementary schools, one high school, and two career and technical education schools.

Payments to Cities and Towns

Massachusetts School Building Authority							
Summary of Spending Report							
Through October 9, 2020				Updated on:		10/9/2020	
Prior Grants Payments	FY2005 to FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	Program to Date Totals
Qrt 1	914,830,423	42,066,348	40,186,395	33,809,510	23,168,327	14,435,046	1,068,496,049
Qrt 2	758,758,742	35,010,489	21,553,119	20,485,930	17,228,066		853,036,346
Qrt 3	705,292,573	28,227,925	23,308,630	18,969,454	13,188,639		788,987,221
Qrt 4	1,152,761,206	65,469,769	46,106,654	40,422,667	28,561,944		1,333,322,240
*Other :	557,462,629	31,414,440					588,877,069
Total Prior Grants	4,089,105,572	202,188,971	131,154,798	113,687,561	82,146,976	14,435,046	4,632,718,924
PG FY Budgeted Amount						51,283,428	
Remaining FY Budget Capacity						36,848,382	
Waiting List Payments	FY2005 to FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	Program to Date Totals
Annual Payments	327,780,307	16,292,157	15,220,435	15,220,435	16,561,813	14,535,071	405,610,218
75% Lump Sum	1,618,712,465						1,618,712,465
25% Lump Sum (final audit)	639,853,899						639,853,899
100% Lump Sum (final audit)	423,601,754						423,601,754
Pro-Pay (audit as you build)	1,911,044,922	5,143,835	1,913,620	887,396			1,918,989,773
Total Waiting List	4,920,993,349	21,435,992	17,134,055	16,107,831	16,561,813	14,535,071	5,006,768,111
WL FY Budgeted Amount						29,535,071	
Remaining FY Budget Capacity						15,000,000	
Capital Pipeline Program Payments	FY2005 to FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	Program to Date Totals
Total Capital Pipeline	3,095,414,820	388,740,197	409,022,154	424,484,835	613,489,987	180,021,659	5,111,173,652
Total by Fiscal Year	12,105,513,741	612,365,160	557,311,007	554,280,227	712,198,776	208,991,776	14,750,660,687

Partnering with Districts, case study: Holyoke

A core tenet of the MSBA’s grant program is to partner with school districts to best meet a district’s specific needs. Where there are unique circumstances, such as with the City of Holyoke being placed into receivership by the Commonwealth, the MSBA was creative and adapted its process, to the extent possible, to assist Holyoke.

On November 20, 2013 the MSBA’s Board voted to invite the City of Holyoke to collaborate with the MSBA in conducting a Feasibility Study for the Lt. Elmer J. McMahon Elementary School. In April 2015, the Massachusetts Board of Elementary and Secondary Education voted to designate the Holyoke Public Schools as chronically underperforming (Level 5), placing the District in state receivership. In response to the critical need of the District and its students that arises out of the Receivership and the urgent need of the Receiver to survey the District’s educational facilities to best implement the Level 5 District Turnaround Plan, the MSBA Board of Directors voted on March 30, 2016 to allow the District to complete a survey of the conditions at all of the District’s facilities in support of the District’s Level 5 Turnaround Plan and for the MSBA to provide a grant for the survey, at the District’s 80.00% reimbursement rate, as part of the District’s Feasibility Study.

At the time the District conducted the facilities survey, the MSBA paid for the entire cost of the survey, including the District's share, with the understanding that the District’s share of the facilities survey would be deducted from the grant of an approved project. The MSBA and their consultant performed surveys of the physical conditions at each of Holyoke’s twelve public schools, interviewed school personnel, and prepared written reports, which included a description of each school and general condition, current and former uses, current enrollment and

utilization, program strengths/weaknesses, educational/environmental adequacy, and recommendations for future use/re-use.

In response to the observed conditions of the schools, the survey considered three strategies for prioritizing and updating Holyoke's aging school facilities: 1) preserving the existing PK-8 grade structure, 2) creating distinct middle schools, and 3) establishing middle school spaces tied to the two existing high schools. For each strategy, a series of options was developed to study the potential use and replacement of the existing school assets.

Based on this analysis, public hearings, and local discussions, the District determined that the existing PK-8 configuration was a significant barrier to improving educational outcomes and that the implementation of distinct, suitably-sized middle schools, with age appropriate scale and features would best serve the well-being of the District's middle school aged learners. Given these challenges, the MSBA agreed to work with the District to study potential solutions to serve all of its' middle school student population. This resulted in the District determining that two smaller middle schools each serving 550 students in grades 6 through 8 would better serve the District and its educational goals.

As a result, the Holyoke City Council voted to remove the Statement of Interest ("SOI") for the proposed Lt. Elmer J. McMahon Elementary School project and voted to replace the Lt. Elmer J. McMahon Elementary School SOI with the submission of the H.B. Lawrence School SOI, as its newly elected priority SOI. At the May 12, 2017 Board meeting, the Board voted to allow the City of Holyoke to replace the Lt. Elmer J. McMahon Elementary School SOI with the H.B. Lawrence School SOI, as its newly elected priority SOI, and to proceed with a Feasibility Study for the H.B. Lawrence School for the duration of 30 months.

At the August 29, 2018 MSBA Board of Directors meeting, the Board authorized the District to proceed into Schematic Design for the construction of a new facility serving grades 6 through 8 on the Chestnut Street site and a new facility serving grades 6 through 8 to replace the William R. Peck School on the existing Peck School site. This would result in a district-wide K-5/6-8 grade configuration in support of the District's Level 5 Turnaround Plan.

At the August 28, 2019 Board meeting, the Executive Director was authorized to enter into a Project Scope and Budget Agreement and a Project Funding Agreement with the City of Holyoke for the construction of a new facility serving grades 6-8 on the Chestnut Street site and a new facility serving grades 6-8 to replace the William R. Peck School on the existing site, contingent upon the District gaining full ownership, control, and exclusive use of the Chestnut Street site.

For the two proposed middle school projects, the MSBA would have reimbursed the City for 80% of the approved, eligible costs. For the Chestnut Street Middle School, the District submitted a total project budget of \$62,459,045. The Estimated Maximum Total Facilities Grant from the MSBA was \$34,833,974 with the District's 80.00% reimbursement rate. For the William R. Peck Middle School, the District submitted a total project budget of \$70,441,654. The Estimated Maximum Total Facilities Grant from the MSBA was \$38,439,884 with the District's 80.00% reimbursement rate. The combined estimated grant for the City was over \$73 million.

Ultimately, the City of Holyoke was removed from the MSBA's pipeline at the December 11, 2019 Board of Directors meeting due to a failed debt exclusion vote in November 2019. The removal of the SOI allows the City to resubmit a new SOI for a potential new project in the future. The City is currently organizing under the newly appointed Receiver and is undergoing a study of its financial viability to support a school project(s). The MSBA continues to work with the City to determine the best solution for the City.

Our Finances

Debt Overview

Below is an overview of MSBA's debt issuance/debt management policies and use of pay-go to fund prior grant and waiting list projects (legacy projects) and expenditures supporting the capital pipeline program grants and debt service coverage.

As of November 1, 2020, the MSBA has debt outstanding of \$6.3 billion.

The MSBA began issuing Dedicated Sales Tax Bonds in 2005, secured with a dedicated one percent of the Commonwealth's state-wide sales tax to the MSBA.

The MSBA issues debt under both senior and subordinate liens. Currently, the MSBA has 19 series of bonds outstanding with a final maturity in May 2051.

The MSBA issues new money bonds once annually and anticipates the issuance of approximately \$300 million in July 2021 to fund costs associated with capital pipeline program grants.

MSBA Outstanding Debt

As detailed below, the MSBA has \$6.3 billion bonds outstanding as of November 1, 2020.

MSBA Debt Issuance	Par Amount (in millions)	Bonds/Notes Outstanding (in millions)	Final Maturity	Purpose	Type	Lien
2009 Series B	\$ 450.0	\$ 450.0	8/15/2039	New Money	Fixed	Senior
2010 Series A	\$ 151.0	\$ 151.0	6/15/2027	New Money	Fixed	Subordinate
2011 Series A	\$ 142.4	\$ 142.4	7/15/2028	New Money	Fixed	Subordinate
2011 Series B	\$ 1,000.0	\$ 36.9	10/15/2021	New Money	Fixed	Senior
2012 Series A	\$ 766.1	\$ 368.2	8/15/2030	Refunding	Fixed	Senior
2012 Series B	\$ 916.4	\$ 4.0	8/15/2030	Refunding	Fixed	Senior
2015 Series B	\$ 300.2	\$ 206.6	1/15/2045	New Money	Fixed	Senior
2015 Series C	\$ 738.4	\$ 616.2	8/15/2037	Refunding	Fixed	Senior
2015 Series D	\$ 291.0	\$ 247.8	8/15/2037	Refunding	Fixed	Senior
2016 Series A	\$ 150.0	\$ 122.1	11/15/2045	New Money	Fixed	Senior
2016 Series B	\$ 405.0	\$ 358.4	11/15/2046	New Money	Fixed	Senior
2016 Series C	\$ 188.6	\$ 188.6	11/15/2035	Refunding	Fixed	Senior
2018 Series A	\$ 395.0	\$ 377.4	2/15/2048	CP Takeout	Fixed	Subordinate
2018 Series B	\$ 200.0	\$ 200.0	2/15/2048	New Money	Fixed	Subordinate
2019 Series A	\$ 300.0	\$ 297.5	2/15/2049	New Money	Fixed	Subordinate
2019 Series B	\$ 715.4	\$ 711.6	10/15/2040	Refunding	Fixed	Subordinate
2020 Series A	\$ 350.0	\$ 350.0	8/15/2050	New Money	Fixed	Senior
2020 Series B	\$ 1,094.9	\$ 1,094.9	8/15/2035	Refunding	Fixed	Senior
2020 Series C	\$ 389.5	\$ 389.5	5/15/2043	Refunding	Fixed	Senior
	\$ 8,943.9	\$ 6,313.0				

Programmatic Oversight and Controls

The MSBA continuously implements programmatic oversight and controls to ensure that the grant program stays within available resources and remains sustainable. Some of the oversight and control measures include:

Limiting Grant Approvals to Available Funds

- Develop individual project budgets and require multiple independent cost estimates for projects
- Require districts to design to agreed-upon budget/scope
- Clearly document MSBA/local district financial commitment
 - Funding agreements explicitly protect MSBA from project budget or scope increases
 - The MSBA has been disciplined in applying policies and procedures and has demonstrated its willingness to halt funding to enforce compliance with funding agreements

Focused New Program Spending

- Emphasis on core academic spaces, such as classrooms and science labs
- Adherence to educationally-sound MSBA space guidelines/standards
- “Pay as you build” Progress Payment system

Periodic Surveying of State-Wide School Inventory

- Completed Three Capital Surveys of Approximately 1,800 School Facilities Across the Commonwealth
- Identified baseline public school inventory
- Conduct periodic school surveys to monitor public school inventory

Building Right-Sized Schools

- Developed Data-Based Enrollment Projection Methodology in Order to Build Right-Sized Schools

Addressing Potential Impacts on Future Grant Program Invitations

- Focus on evolving educational needs, escalating construction prices and changes to schedules at the local level affect the predictability of the timing of grant approvals in relation to the annual cap.
- Board approval obligates the grant for the total project but grant payments are distributed over a four to seven-year period.
- Established an administrative process for annual cap management to:
 - Mitigate the impact of educational changes, construction cost, and local schedule changes; and
 - Maximize the availability of funding to school districts

MSBA Initiatives

Commissioning

Building commissioning is a quality-focused process of verification of all building systems and subsystems by an independent third party. The MSBA requires and pays 100% for building commissioning for all MSBA-funded projects. The MSBA-commissioned buildings undergo an intensive quality assurance process that begins during design and continues through construction, occupancy, and initial operations. Commissioning ensures that the new building operates as designed and as the owner intended. Commissioning also prepares the building staff to operate and maintain building systems and equipment by ensuring that district personnel receive appropriate operation and maintenance manuals and training by equipment manufacturers and installation contractors.

Commissioning recognizes the integrated nature of all building systems' performance, which impact sustainability, occupant comfort and efficiency. Because all building systems are integrated, a deficiency in one or more components can result in sub-optimal operation and performance among other components adversely affecting operating costs and equipment life.

Benefits of commissioning for the District include:

- Construction cost savings
- Improved coordination between design, construction, and occupancy
- Fewer system deficiencies at building turnover
- Improved system and equipment function
- Improved building operation and maintenance
- Lower utility bills through energy savings
- Improved indoor environmental quality and occupant comfort

Building commissioning is a critical component in any "green" or sustainable building program including LEED and MA-CHPS. The process employs several strategies to reduce a building's energy use. Early in the design phase, energy issues are discussed among the project team. In design review, the commissioning consultants look for design issues that may have an impact on maintenance accessibility or lead to inefficient system operation and wasted energy. Upon installation, they direct and observe functional performance testing of systems and equipment to verify proper operation.

The table below represents the status of commissioning assignments sorted by the fiscal year in which the commissioning work orders were issued.

Fiscal Year	No. Work Orders Issued	Value of Work Orders Issued	Total Invoiced*	Percent Complete
FY2010	31	\$4,231,376	\$4,273,277	100%
FY2011	95	\$6,132,890	\$6,058,460	99%
FY2012	52	\$4,373,944	\$4,386,520	100%
FY2013	55	\$3,364,697	\$3,408,897	100%
FY2014	47	\$2,604,062	\$2,541,165	98%
FY2015	44	\$2,277,711	\$2,273,711	100%
FY2016	44	\$3,385,137	\$3,243,477	96%
FY2017	37	\$2,290,661	\$2,062,645	90%
FY2018	45	\$4,137,550	\$2,667,903	65%
FY2019	39	\$3,604,720	\$1,137,500	32%
FY2020	40	\$2,972,397	\$462,482	16%
FY2021	3	\$318,587	\$0	0%
Total	532	\$39,693,732	\$32,516,036	

*Includes approved additional services over value of Work Order

Model School Program

The Model School Program seeks to effectively adapt and re-use the design of successful, recently constructed Pre-K through 12th grade schools. Model Schools are efficient in design and easy to maintain, contain optimal classroom and science lab space, can easily accommodate higher or lower enrollments, incorporate sustainable “green” design elements when possible and are flexible in educational programming spaces while encouraging community use.

The Model School Program was introduced in 2008 and at first included incentive points to help raise awareness of the program. In 2011, the Model School Task Force studied the program and identified the benefits and challenges of providing incentive points. In 2016, the MSBA concluded that using the Model School Program was a successful program but that the cost of providing incentive points outweighed the benefits and the Board therefore voted to rescind the offer of incentive points to future applicants. The MSBA determined that while the incentive points may assist districts with gaining local support, the increase in the MSBA grant for model schools was at the expense of other districts or projects and may encourage new construction when it may not be the most appropriate solution.

Today, the Model School Program is still an integral part of MSBA new construction projects. The Model School Program goals are to maximize value of existing, proven school designs and best practices, encourage schools that reflect enduring and educationally sound designs, allow for compressed project schedules and accelerated construction start times, thus reducing uncertainty of inflation in construction and project cost, shorten and streamline the design process to reduce design fees, enhance predictability of project costs and performance resulting in improved quality control and reduced change orders, and provide opportunity for districts to experience the model before selecting a design.

While the Model School Program no longer offers incentive points, it still provides the opportunity for cost savings to districts, particularly with regard to an accelerated schedule, consultant fees and change orders. Data provided to the Board in 2016 showed that model schools tend to decrease change orders and design issues by over 30%. However, some districts who are eligible determine that they would not like to pursue a model school. Districts may determine a model school is not appropriate for their students because they feel a model school minimizes the importance of district specific educational programming. Additionally, designers may be incentivized to persuade districts to avoid model schools because in that instance, the designer's design fee will be reduced by the lower cost of the project.

Recently, the Model School Program allowed the City of Marlborough to construct a new elementary school for about \$56 million which was a result of a cost savings of about \$10 million after deciding to use the Model School Program. The MSBA provided a \$29 million grant and the project was finished on time and under budget.

Tech Loan Program

In July 2016, the MSBA established a \$50 million school technology infrastructure partnership loan program. The MSBA IT Loan Program supported an existing Informational Technology Grant Program, the Digital Connections Partnership Schools Grant ("DCPSG") program, that was being managed by the Department of Elementary and Secondary Education ("DESE") and the Massachusetts Office of Information Technology ("MassIT"). The MSBA IT Loan Program was established to fund projects in public schools across the Commonwealth, improving the student experience through the use of enhanced technology and increased broadband access.

School Survey Program

The school survey is a statutorily required general facility assessment meant to establish a baseline for all of the Commonwealth's schools and to help the MSBA understand how the needs of individual districts fit within the statewide spectrum of need. It is essential that the MSBA successfully performs these periodic surveys in order to meet our enabling legislation. The assessment evaluates several key factors including condition, capacity, maintenance, and educational environment. The survey is critical to the Authority's efforts to ensure fair and equitable funding of school construction, renovation, and repair projects across the Commonwealth.

The graphics below demonstrate the thorough approach taken by the Authority in gathering information. The results were encouraging overall, but the survey facilitated identifying the schools most in need such as the 131 buildings which are over 100 years old and the 19% of elementary schools which have neither an art nor music classroom. Additionally, the Authority was able to identify that 30% of schools did not have sufficient devices and infrastructure to conduct statewide test and approximately 34% had insufficient power capacity to support the technology. The Authority uses the findings in part to inform their programmatic approach to assist in delivering an equitable 21st century education to students across the Commonwealth.

2016 School Survey - Key Findings:

Number of Schools & Total Square Footage

- **1,858** public schools
- **1,695** schools evaluated
- **886,074** students
- **330** school districts
- **1,773** school-related permanent buildings
- **173,456,438** gross square feet

Age of Schools

- Since 2000, **54.5%** of approximately **173 million** existing square feet of school facility space has been **newly built or renovated**.
- **131 schools** (approximately 7%) are **over 100 years old**. **16** are in the **MSBA grant program**.

Size of Schools

- **Review of 1,419 assessed schools** shows **little evidence** of widespread **overcrowding** with most of space needs being met through the use of permanent space. A small percentage (**~1.3%**) of assessed classrooms are **in temporary spaces**.
- Of the more than **48,348 classrooms** assessed, only **635** are located in **modular buildings**.
- **102 schools** (7%) have more than **10%** of their **classroom space** in **temporary modular buildings**.

Enrollment Trends

- During the 2010 survey report period, there was a **3.3%** statewide **decline** in K-12 public school **enrollment** from 2004-2005 school year (approximately **900,478** students). Since then, enrollment **declined** roughly **1.6%** statewide to approximately **886,074** students in 2015-2016.

School Rating Summary

Massachusetts school buildings performed well in primary scoring matrices, which rated:

- **Building Conditions:** An overall rating for the general conditions of a school facility's major systems.
- **General Environment:** An overall rating that reflects the school building's environment.
- **Capacity Utilization:** An overall rating that reflects the school building's utilization.

Collaborative Purchasing

The MSBA encourages school districts that are buying school furniture, fixtures, and equipment to consider buying in bulk together with other school districts. Collaborative purchasing can potentially help participating districts save thousands of dollars. The MSBA's Collaborative Procurement Program ("CPP") is a collective buying program for furniture to outfit classrooms, cafeterias and for administrative spaces. It helps by matching connect school districts that are interested in purchasing from the same manufacturers. The CPP is a collective buying program for furniture to outfit classrooms, cafeterias and for administrative spaces. Working with the Massachusetts Higher Education Consortium (MHEC), manufacturers have indicated a willingness to provide deeper discounts than MHEC's tiered discounts for increased volume.

Post-Occupancy Evaluation Program

The MSBA Board recently approved the implementation of a new Post-Occupancy Evaluation (“POE”) for MSBA-funded Core Program projects beginning in FY21. The MSBA anticipates that a POE program will enable the MSBA to harvest collected information that will inform the design, construction, operation, and maintenance practices for current and future MSBA-funded projects in an effort to understand that buildings continue to operate and perform as designed and to protect the Commonwealth’s investment. The POE will commence three years following the date of substantial completion of MSBA-funded school construction projects. Beginning in FY21, and over the course of the next five fiscal years, the MSBA projects that post-occupancy evaluations could be performed for 50-60 MSBA-funded school buildings. The MSBA will create individual POE Reports for subject buildings resulting from the collection and analysis of POE survey data, District interviews and feedback, and field observations conducted by the MSBA. The POE reports will provide information that school districts can use to take corrective measures to ensure the long-term success in protecting their investment.

Looking Forward

The MSBA is in the process of reviewing the 2020 Statement of Interest (“SOI”) submittals for the Accelerated Repair Program and the Core Program. The Accelerated Repair Program, for which the MSBA received 90 SOIs for consideration in Calendar Year 2020, is primarily for the replacement of roofs, windows/doors, and/or boilers in an otherwise structurally sound facility. The Core Program, for which the MSBA received 71 SOIs for consideration in Calendar Year 2020, is primarily for projects beyond the scope of Accelerated Repair Program, including extensive repairs, renovations, additions/renovations, and new school construction.

Due to the COVID-19 public health emergency, the MSBA’s due diligence for the Accelerated Repair Program, which would normally include a site visit to the school for the 30 qualifying schools, has been delayed this year. Unlike prior years in which project invitations were approved at the June Board meeting, staff are pursuing invitations to the 2020 Accelerated Repair Program at the December 2020 or February 2021 Board meetings. The MSBA is currently conducting site visits with the MassDOT’s Aeronautics Drone Program to obtain existing condition photographs at qualifying roof and window/door projects. The MSBA’s due diligence for the Core Program, which includes senior study visits to select schools, has been postponed. Unlike prior years in which project invitations were approved at the December Board meeting, a schedule for Core Project invitations into Eligibility Period is still under consideration. The MSBA is currently setting up a schedule for district site visits at qualifying schools.

The MSBA grant program has been very successful in fulfilling our mandate and carrying out our mission; however, the MSBA is continuously refining our processes and looking for ways to improve our grant program. In considering changes to our program, it is important to consider the impact that providing additional grant resources to specific projects will have on the number of projects that the MSBA can invite into the grant program each year and on the MSBA’s overall reach. The current program design, policies, limits, and thresholds that the MSBA has as part of the grant program enable our grant resources to reach many districts each year. There is one change on which we can all agree, if there are more resources, then the program can reach even more districts.

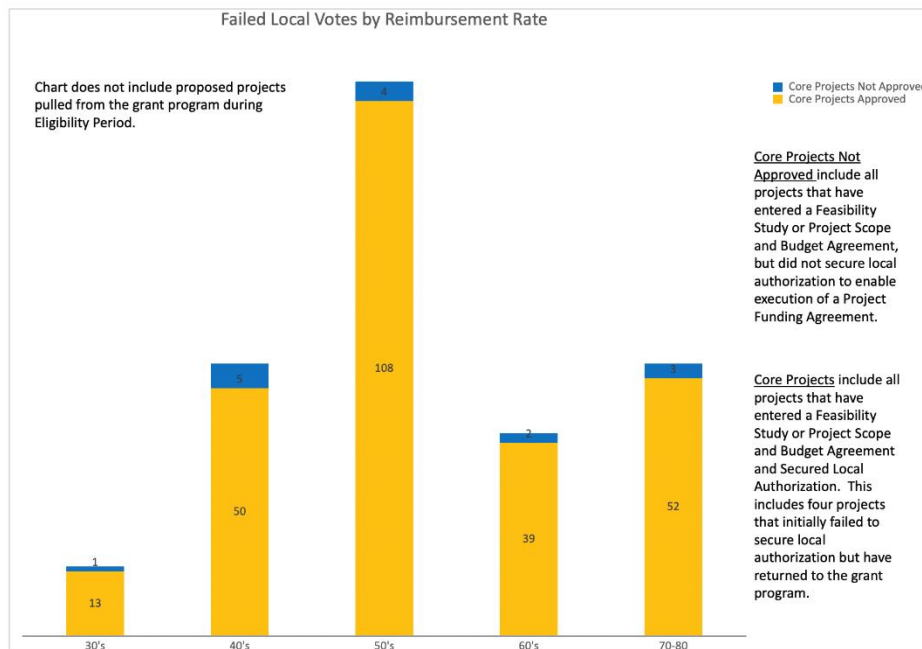
Conclusion

The MSBA has been very successful in carrying our mission and meeting our statutory mandate. We continue to work in partnership with communities across the Commonwealth to provide guidance, support, expertise, and grant monies to assist with the repair, renovation, and construction of school building facilities. The MSBA has worked to find the right balance to administer a program that is fair and equitable for all communities, taking care to work with communities that are struggling to effectively participate in the MSBA grant program. The MSBA has maintained this balance while working to understand the unique needs of the various school districts across the Commonwealth and provide additional support where possible to districts in receivership, or with special circumstances. We continually strive to work with all districts to address their specific school facilities needs and find the best solution for each school district while adhering to our policies that engender a fair and equitable distribution of our resources.

Appendix A - Impact of the Maximum Grant Percentage on Communities Adopting Efforts Which Earn Incentive Points, A Look at Failed Local Votes by Reimbursement Rate

A variety of factors can contribute to a district's project costs that are beyond the scope of the MSBA grant, and these factors may have a significant impact on a district's share of the project cost. To better understand the potential impact that the maximum grant percentage has on communities adopting efforts that earn incentive points, the MSBA compared projects based on outcomes of local authorizations and approvals and relative project cost.

Comparing MSBA Core Program projects that successfully secure local authorization and approvals to those that do not, by reimbursement rate, appears to indicate that a district's ability to secure local authorization is not impacted by the reimbursement rate or the maximum grant percentage. See the "Failed Votes by Reimbursement Rate" chart below.



Core Projects Not Approved include all projects that have entered a Feasibility Study or Project Scope and Budget Agreement but did not secure local authorization to enable execution of a Project Funding Agreement.

Core Projects include all projects that have entered a Feasibility Study or Project Scope and Budget Agreement and Secured Local Authorization. This includes four projects that initially failed to secure local authorization but that, later in the process, were eventually able to secure local approval.

Failed Votes – Core Program

DISTRICT	SCHOOL	BASE RATE	WITH INCENTIVE POINTS	ADDITIONAL INFORMATION
Town of Granby	Granby Junior Senior High School	62.52%	63.52%	Project approved by Board on September 29, 2010
Town of Carver*	John Carver Elementary School			Feasibility Study vote failed (invited November 28, 2007)
Town of Hopkinton*	Center Elementary School	43.70%	44.70%	Project approved by Board on February 9, 2011
Town of Orange*	Dexter Park School			Failed Feasibility Study vote (invited September 30, 2009)
Town of Wareham*	Minot Forest Elementary School			Failed Feasibility Study vote (Invited January 25, 2012)
Town of Lincoln**	Lincoln School K-8	36.89%	44.80%	Project approved by Board on July 25, 2012
Whitman-Hanson RSD	Maquan Elementary School	55.63%	59.17%	Project approved by Board on July 31, 2013
Berkshire Hills RSD	Monument Mountain Regional High School	40.90%	48.52%	Project approved by Board on July 31, 2013
Town of Swampscott	Hadley Elementary School	44.05%	47.25%	Project approved by Board on July 30, 2014
Town of Orange*	Dexter Park School			Failed Feasibility Study vote (invited March 26, 2014)
Town of Amherst	Wildwood Elementary School	64.05%	68.34%	Project approved by Board on September 28, 2016
City of Lynn	Pickering Middle School	79.58%	80.00%	Project approved by Board on February 15, 2017
City of Holyoke	H.B. Lawrence School	80.00%	80.00%	Project approved by Board on August 28, 2019
Town of Clarksburg	Clarksburg Elementary School	64.72%	70.62%	Project approved by Board on August 23, 2017
Town of Ipswich	Winthrop Elementary School	47.21%	50.52%	Project approved by Board on April 10, 2018
Town of Tisbury	Tisbury Elementary School	41.26%	45.28%	Project approved by Board on February 14, 2018
Town of Leicester	Leicester Middle School	61.32%	65.04%	Project approved by Board on April 15, 2020

*The local funding vote for a project at the school was later approved and the project moved into the MSBA’s Capital Pipeline.

**The District undertook the project without MSBA participation.

Appendix B - Impact of the Maximum Grant Percentage on Communities

Adopting Efforts Which Earn Incentive Points, Capital Cost Impact of Maximum Grant Percentage for Fiscal Years 2016 through 2020

The pursuit of incentive points in the MSBA grant program contributes to benefits that extend beyond the capital costs of a school project, such as reduced operating costs through effective maintenance and capital planning and the inclusion of sustainable design features. While it is not possible to quantify the positive impact that these operational benefits bring to a district, it is possible to identify the associated grant value of eligible costs that exceed the maximum grant percentage.

Currently no district can exceed an 80% reimbursement rate. The chart below, Capital Cost Impact of Maximum Grant Percentage, shows what the additional grant impact would be if these districts were able to receive a grant with a reimbursement rate in excess of 80%.

Capital Cost Impact of Maximum Grant Percentage for Fiscal Years 2016 through 2020				
District and School	Reimbursement Rate Before Incentive Points	Total Incentive Points	Reimbursement Rate with all Incentive Points	Grant Beyond Statutory Limit
New Bedford John Hannigan Elementary School	79.58%	3.18%	82.76%	\$784,067
Lynn Pickering Middle School	79.58%	4.27%	83.85%	\$2,073,989
Lynn W. Lynn Middle School	79.58%	4.27%	83.85%	\$2,743,702
Worcester South High Community School	78.95%	3.52%	82.47%	\$3,581,856
Fall River B M C Durfee High School	80.00%	2.50%	82.50%	\$6,014,075
Taunton Mulcahey Elementary School	77.47%	3.39%	80.86%	\$455,189
Springfield Brightwood Elementary School	80.00%	2.85%	82.85%	\$1,790,515
Lowell High School	78.95%	7.52%	86.47%	\$17,478,589
Gardner Waterford Street Elementary School	80.00%	3.44%	83.44%	\$2,295,754
Holyoke Chestnut Street Elementary School	80.00%	4.38%	84.38%	\$1,989,856
Holyoke Peck Elementary School	80.00%	4.38%	84.38%	\$2,179,463
West Springfield Philip G Coburn Elementary School	76.84%	3.31%	80.15%	\$80,680
Orange Dexter Park Elementary School	80.00%	3.37%	83.37%	\$1,459,965
Springfield DeBerry Elementary School	80.00%	1.85%	81.85%	\$1,448,667
Total:				\$44,376,368

Appendix C – Reimbursement Rates per Square Foot Relative to Construction Costs and Changes to this Ratio Over Time

Construction Cost per Square Foot								
Year	MSBA Construction Funding Limit	Number of Projects	Schematic Design ²			Bid Results		
			Average	Proportion	Range	Average	Proportion	Range
2020 ¹	\$333	12	\$503	66%	\$427 - \$653	\$480	69%	\$363 - \$653
2019	\$333	10	\$473	70%	\$418 - \$508	\$452	74%	\$354 - \$507
2018	\$333	4	\$460	72%	\$429 - \$475	\$418	80%	\$334 - \$464
2017	\$326	8	\$445	73%	\$390 - \$501	\$415	79%	\$382 - \$495
2016	\$312	7	\$408	76%	\$369 - \$472	\$389	80%	\$336 - \$471
2015	\$299	10	\$371	81%	\$344 - \$459	\$362	83%	\$319 - \$458
2014	\$287	8	\$363	79%	\$337 - \$404	\$345	83%	\$280 - \$403
2013	\$275	13	\$331	83%	\$280 - \$377	\$327	84%	\$250 - \$377
2012	\$275	14	\$290	95%	\$255 - \$329	\$291	95%	\$245 - \$375
2011	\$275	13	\$287	96%	\$243 - \$325	\$289	95%	\$245 - \$330
2010	\$275	14	\$305	90%	\$270 - \$381	\$266	103%	\$206 - \$353
2009	\$275	2	\$306	90%	\$288 - \$324	\$243	113%	\$239 - \$248

NOTES:

1 - MSBA has received bid results for 12 of the 19 projects anticipating DBB bids or GMP executions in 2020.

2 - Projects are presented by bid year; consequently, the Schematic Design cost information is not reflective of the year the cost estimates were developed.

**Please note, the per square foot construction cost does not include commissioning, demo, and soft costs such as designer fees and OPM costs.*

Appendix D - Eligible expenses and efficacy of establishing certain priority for expenses not currently eligible for reimbursement

Key to the success of the MSBA grant program are the spending controls that the MSBA has in place. When the MSBA was created by the Legislature in 2004, one of its charges was to develop a sustainable program. Based on Auditor DeNucci's report on the former SBA program, and the MSBA's analysis of the former program, it was clear that the MSBA had to limit the categories of costs that are eligible for reimbursement and establish reimbursement caps for certain categories of project costs.

In order to reach more districts in the Commonwealth each year, the MSBA targets its spending on key elements tied to a district's educational program. The MSBA lists categorically ineligible costs in its regulations and also has placed caps on other categories of costs such as site costs, costs per square foot, and designer and Owner's Project Manager fees. These ineligible categories and caps are essential in equalizing the playing field for districts across the Commonwealth. By capping site costs, for example, a project in one district cannot usurp grant dollars from other districts in the MSBA's pipeline by choosing a site without infrastructure or a site that is contaminated. If the MSBA reimbursed districts for all costs associated with these "undesirable sites" without a limit, then other districts in need of a project would not even be invited to participate in the MSBA's grant program. Policies like this equalize the program for all districts. By capping the costs per square foot, districts are encouraged to manage project costs and work to achieve efficient designs and projects scopes. This also equalizes the arena for districts, as some districts may not prioritize design and scope efficiency. The categorically ineligible costs that are listed in the MSBA's regulations include items such as legal fees, swimming pools, and other items that are not directly related to a district's educational program and can be so-called "budget busters," that would again usurp grant funds that are desperately needed for other projects in the MSBA's pipeline.

While the MSBA has had to take a hard line and make difficult decisions in setting policies for costs that are eligible for reimbursement through the MSBA's grant program, it is imperative to keep these safeguards in place so the MSBA's limited resources can reach as many districts as possible each year, in an equitable way.

The MSBA's process targets reimbursements to the most critical educational needs, as opposed to reimbursing districts for tangential costs that might absorb a disproportionate amount of the MSBA's resources. The MSBA's reimbursement policies are in place to most effectively and equitably target our limited resources to educational spaces and related infrastructure that are designed to meet our guidelines. This allows the MSBA's limited grant monies to go further and reach more school districts. The MSBA grant program was never intended to reimburse districts for all projects costs and the limits that are in place are essential for ensuring the ability of the program to continue to have a broad reach to districts across the Commonwealth with finite resources.

As set forth in the Act, no city, town, regional school district, or independent agricultural and technical school has any entitlement to any funds from the Authority, except at the discretion of the Authority. The chart below demonstrates that, based on an annual cap of \$800 million, assuming an average grant of \$50 million dollars per project, the MSBA is able to provide grants to approximately 16 schools each year. Based on those assumptions, with 1,800 schools in

Massachusetts, it would take 113 years to replace all of the schools. In order to replace all schools within the 50-year assumed life, the MSBA would need to provide grant funding to 36 schools each year.

