

Massachusetts School Building Authority

Timothy P. Cahill
Chairman, State Treasurer

Katherine P. Craven
Executive Director

To: Board of Directors, Massachusetts School Building Authority
From: Katherine Craven, Executive Director
Date: May 26, 2010
Subject: Update on Qualified School Construction Bonds (QSCBs) Issuance

As discussed at the March 31, 2010 meeting, the American Recovery and Reinvestment Act of 2009 (ARRA) authorized a new type of debt called Qualified School Construction Bonds (QSCBs). Issuers of QSCBs will receive a federal government subsidy for the interest on the bonds that make the effective interest rate on the bonds approximately 0%. Proceeds of QSCBs can only be used for school construction, rehabilitation, and repair projects. Proceeds can only be used for obligations incurred after April 3, 2009.¹ Projects financed must comply with the federal Davis Bacon prevailing wage rates. Proceeds must also all be expended within 2 years of issuance.

The Board of Directors at the March meeting authorized the issuance of approximately \$300 million of QSCBs. The MSBA expects to issue approximately \$150 million of the QSCBs in mid or late June. As of the date of this memo, there are drafts of the Trust Agreement and Preliminary Official Statement that are being reviewed by the MSBA and its team of underwriters and counsel. Conference calls with the rating agencies are scheduled for early June.

A recent development is the issuance of a memorandum by the U.S. Department of Labor regarding the application of Davis Bacon (federal prevailing wage) to QSCB funded projects. Staff is in the process of evaluating the effect this latest ruling may have on the QSCB program.

MSBA staff continues to work toward preparing the necessary documentation to meet the goal of closing the QSCB financing before the end of the fiscal year.

¹ The QSCB 2009 allocations were issued on that date.