

## MEMORANDUM

**TO:** Board of Directors, Massachusetts School Building Authority  
**FROM:** James A. MacDonald, First Deputy Treasurer, Chief Executive Officer  
Mary L Pichetti, Executive Director, Deputy Chief Executive Officer  
**DATE:** October 18, 2023  
**RE:** Reconciliation of Approved Projects to the Annual Program Funding Cap

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In accordance with the administrative procedures presented at the May 12, 2017 Board of Directors (the “Board”) meeting, and later presented and approved at the August 29, 2018 Board meeting, this Memorandum summarizes the annual reconciliation that compares the total grants for projects approved by the Board to the annual program funding cap for fiscal year 2023 (“FY23”).

### Discussion

The MSBA statute places a limit on the estimated amount of grants that can be approved by the MSBA during a fiscal year. That annual estimated grant limit (“grant cap”) is adjusted each year by an amount that is equal to the lesser of the rate of growth, by percentage, of dedicated sales tax revenues or 4.5 per cent. In May 2017, the MSBA implemented grant cap reconciliation procedures which enable the MSBA to annually reconcile Board approved projects to the annual funding cap, allocate project grants (whole or in part) to available Grant Cap Space in prior or future fiscal years, and capture unallocated grant cap space associated with failed local votes, projects removed from the Capital Pipeline, or additional savings realized in the Final Audit Grant determination or should the total value of approved projects in a given fiscal year be less than the annual cap as determined at the close of each fiscal year.

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. 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 a district’s ability to secure local authorization and funding. The MSBA’s administrative procedures provide a mechanism for reconciliation of the approved estimated grants and the annual cap to maximize the amount of funds available to support school construction grants and minimize the impact of changing district schedules and scope, that vary from project to project.

In accordance with the above procedures, staff have completed the annual reconciliation for projects approved in FY23. Please note that, for all Core Program Project Scope and Budget Agreements approved in FY23, the Maximum Total Facilities Grant amounts were allocated in total to FY23 Grant Cap Space. Summaries of available Grant Cap Space and approved estimated grants are presented below:

**SUMMARY OF GRANT CAP SPACE**  
**FISCAL YEAR 2023**

Source	Amount
Annual Grant Funding Cap Space for FY23 <sup>1</sup>	\$897,198,033
Grant Cap Space Allocated from FY22 (October 2022 Board Meeting)	\$95,199,950
Reconciliation of Annual Grant Funding Cap Space for FY22 No corrections or adjustments applied.	\$0
Adjusted Grant Funding Cap Space for FY23	\$992,397,983
Savings in Final Audit Grants August 2022 Board Meeting	\$4,508,729
Savings in Final Audit Grants October 2022 Board Meeting	\$1,442,677
Savings in Final Audit Grants December 2022 Board Meeting	\$4,183,940
Savings in Final Audit Grants February 2023 Board Meeting	\$2,477,789
Savings in Final Audit Grants April 2023 Board Meeting	\$1,601,965
Savings in Final Audit Grants June 2023 Board Meeting	\$2,802,039
<b>Allocated Grant Funding Cap Space for FY23</b>	<b>\$1,009,415,122</b>

**SUMMARY OF APPROVED ESTIMATED GRANTS**  
**FISCAL YEAR 2023**

Source	Amount
Maximum Total Facilities Grants allocated from prior Fiscal Years	\$0
Core Program Feasibility Study Invitations (Refer to Attachment A for more information)	\$9,788,515
Accelerated Repair Program Project Scope and Budget Approvals (Refer to Attachment B for more information)	\$60,995,196
Core Program Project Scope and Budget Approvals (Refer to Attachment C for more information)	\$343,253,941
Prior Reconciliations Adjustments (Refer to Attachment D for more information)	\$878,861
<b>Allocated Estimated Grant for FY23</b>	<b>\$414,916,513</b>

In accordance with the Policy Recommendations for Administering Estimated Grants Memorandum presented at the May 12, 2017 Board meeting and the Implementation of MSBA Policy for Administering Estimated Grants Memorandum presented and approved at the August 29, 2018 Board meeting, the \$594,498,609 of remaining Grant Cap Space for FY23 will be allocated to future fiscal years.

**Commonwealth's FY 2024 Budget**

<sup>1</sup> Annual Grant Funding Cap Space for FY23 was capped at 4.5 per cent. The rate of growth, by percentage, between the FY22 dedicated sales tax revenues of \$1,188,872,596 and the FY21 dedicated sales tax revenues of \$1,101,411,066, as reported by the Department of Revenue as of September 2022, exceeded 4.5 per cent.

On August 9, 2023, Governor Healey signed the Commonwealth's Fiscal Year 2024 Budget. As a result of Section 36<sup>2</sup>, the following adjustments are made and will be reflected in the Fiscal Year 2024 Reconciliation of Approved Projects to the Annual Program Funding Cap:

- Annual Grant Funding Cap Space for FY23 is reset to \$1,200,000,000, an increase of \$302,801,967 compared to
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- previously determined \$897,198,033;
- Accelerated Repair Program Approved Grant amounts of \$60,995,196 in FY23 no longer count against Grant Cap Space;
- and, beginning in FY24, the annual estimated grant limit will be adjusted each year by an amount that is equal to the lesser of the rate of growth, by percentage, of dedicated sales tax revenues or 6.5 per cent.

Applying these adjustments of \$302,801,967 and \$60,995,196, the remaining Grant Cap Space for FY23 to be allocated to future fiscal years increases from \$594,498,609 to \$958,295,772.

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<sup>2</sup> Commonwealth's FY 2024 Budget, SECTION 36. Chapter 70B of the General Laws is hereby amended by striking out section 7 and inserting in place thereof the following section: Section 7. There shall be a limit on the estimated amount of grants approved by the authority during a fiscal year. For fiscal year 2023, the limit shall be \$1,200,000,000; provided, however, that grant amounts relating to the authority's accelerated repair program shall not count against the limit set forth in this section. For each fiscal year thereafter, the limit shall be the limit for the previous fiscal year plus the lower of: (i) the rate of growth in the dedicated sales tax revenue amount as defined in subsection (a) of section 35BB of chapter 10; or (ii) 6.5 per cent.