



# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

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*The Division of Local Services (DLS) would like to remind school districts that are receiving financial support from the Massachusetts School Building Authority (MSBA) that as their projects progress toward the end of construction phase and toward closeout, that cash flow may be impacted. Additionally, until the Project Funding Agreement for a Core Project is signed, only costs related to the Feasibility Study Agreement would be reimbursed.*

- The MSBA “pay-as-you-build” Progress Payment System reimburses districts for eligible project costs during construction. A community submits invoices that have been incurred and paid locally. MSBA audits the submitted invoices and reimburses the district for its share of eligible project costs. However, once a School District reaches 95% of the estimated grant amount till completion of the closeout phase, MSBA puts a hold on all future payments.
- The portion of the holdback of 5% of the grant amount related to eligible costs is released only when all the final documentation is submitted and audited. To facilitate the goal of timely closeouts, the MSBA has posted on its [website](#) the steps necessary to complete the process and receive the final payment due to the District. As the project nears completion, the District should make sure to begin this closeout process. Please note that final audits may take time and require additional materials and reconciliation of costs between the District and the MSBA. The MSBA will make the final grant payment only after the District has accepted the Draft Audit Report; the District has completed and submitted the required closeout documents; and the MSBA Board has approved the final Total Facilities Grant for the project. This final payment of the State’s share of the project cost may take up to a year or longer to be released.
- DLS reminds Treasurers and other local officials that provisions of internal borrowing (MGL c. 44, § 20A) require that advances must be repaid during the same fiscal year. Communities using internal borrowing for capital projects must be aware that funds not externally borrowed by June 30<sup>th</sup> may result in a significant reduction to free cash or excess and deficiency (E&D).
- We recommend that local officials notify their Treasurer of the anticipated final payment date no later than the end of May in order to provide the Treasurer with ample time to issue short-term bond anticipation notes (BAN’s) under G.L. c. 70B, § 6 by June 30, if necessary.
- Short-term notes may be necessary, not just for cash flow purposes, but to eliminate year-end capital project fund deficit balances due to this held final payment. The year-end deficit may result in a reduction from the free cash/E& D amount certified by the Bureau of Accounts if short-term borrowing is not issued by June 30<sup>th</sup> or final payment sufficient to cover the deficit is not received by September 30<sup>th</sup>. We also recommend that the Treasurer renew these notes until such time that the final payment is received.
- The final payment can be applied to extinguish the short-term note at maturity without further appropriation.

If there are further concerns not covered by this guidance, local officials may contact their Bureau of Accounts field representative for further guidance.

*Supporting a Commonwealth of Communities*

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