



Massachusetts School Building Authority

Timothy P. Cahill
Chairman, State Treasurer

Katherine P. Craven
Executive Director

2010 M.M.A. Conference

January 22-23

MSBA

**40 Broad Street, 5th Floor
Boston , MA 02109**

Phone: 617-720-4466

Fax: 617-720-5260

<http://www.massschoolbuildings.org>



Massachusetts School Building Authority

WHAT WE DO...

Effectively create and manage a new program for school construction and renovation grants that is both educationally sound and financially sustainable

Since the MSBA's creation in 2004, we have implemented programmatic oversight, controls and "better business practices" to ensure the new grant program stays within available resources

The MSBA's enabling statute places tremendous emphasis on the prioritization of the MSBA's scarce resources by:

- Intensive pre-project planning
- Performing due diligence to confirm "problems"
- Thorough and thoughtful studies on a range of solutions
- Realistic enrollment projects
- Realistic budgets that are maintained, not exceeded
- Collaboration at all phases of the process between the district, the MSBA and the district's project team

We use our Dedicated Sales Tax funds - 1 cent of the statewide 6.25 cent Sales Tax - to audit and pay down approximately \$11 Billion for 1156 projects authorized under the former SBA program

- \$5.1B for 728 Prior Grant Projects that were receiving funding, and
- \$5.5B for 423 projects built up on a "Waiting List"

Use the remaining limited resources (after paying down the \$11 Billion of inherited commitments) to equitably spread across the Commonwealth for New Program school construction and renovations grants

The New Program

The MSBA's enabling statute places tremendous emphasis on planning, due diligence and prioritization of scarce Authority resources. The statute and MSBA regulations also require collaboration between local districts and the MSBA during all phases of the process.

1. Identify the Problem

- Local community identifies deficiencies in school facilities through the Statement of Interest process

2. Validate the Problem

- MSBA and local community work together to validate deficiencies identified
- Requires the MSBA and the city, town or regional school district to agree on the problem

3. Evaluation of potential solutions

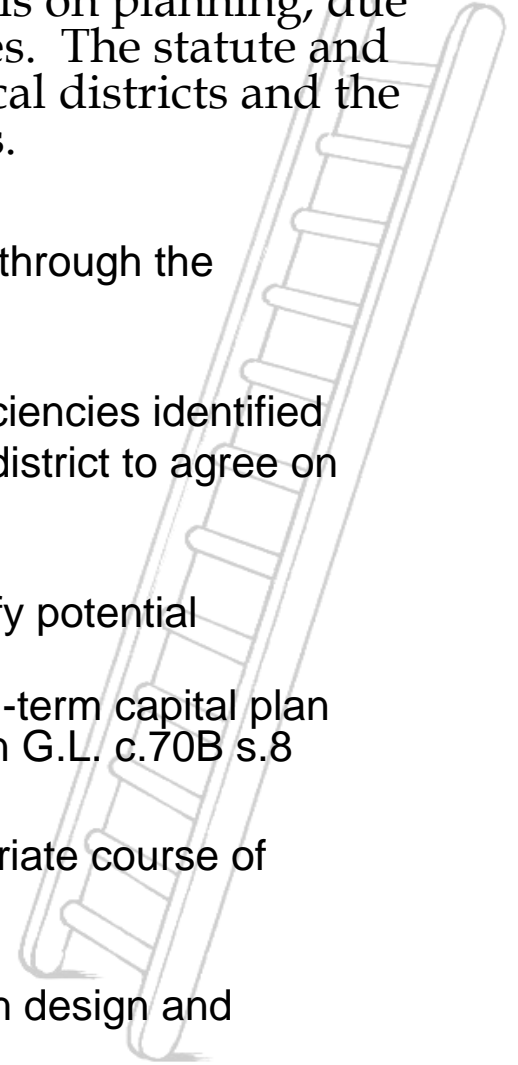
- MSBA and local community work in collaboration to identify potential solutions
- Solution must fit within the MSBA's available funding, long-term capital plan and will be prioritized based on the priorities established in G.L. c.70B s.8

4. Confirm the solution

- MSBA and local community agree on solution and appropriate course of action

5. Implement the agreed upon solution

- MSBA and local community continue collaboration through design and construction



Key Elements of The New Process

Process for grants is based on collaboration between districts and the MSBA.

- The MSBA needs to be involved in all phases of a project from initial statement of the problem through feasibility study, design development, construction and project close-out.
- Studies/design/work done without MSBA participation is not eligible for reimbursement.

Project Scope, Schedule and Budget

- The MSBA and the District must have agreement on scope, schedule, budget ***before*** project can be approved by the MSBA Board.

Enrollments

- Projected enrollments must be generated through the MSBA's on-line enrollment projection system and must be agreed upon ***before*** project can move forward.

MSBA Space Guidelines

- **Per Student Space Allowance** - For new schools, the MAXIMUM gross square feet per student based on projected enrollments cannot be exceeded.
- **Space Allowance by Program Activity** - For new schools, basic classrooms sizes for Pre-K, elementary, middle and high school must meet MSBA guidelines.

Local Votes

- The MSBA requires a very specific form/language for local votes
- One project – One Vote

Designer Selection

- The Designer Selection Panel (DSP) was created by the MSBA to ensure an impartial and objective designer selection process.
- Projects estimated to be in excess of \$5 Million, will be required to select a designer through the MSBA's Designer Selection Panel.

Owner's Project Managers (OPMs)

- Any project over \$1.5 Million is required to have an Owner's Project Manager (OPM).
- The MSBA must approve OPM's for approved school projects.
- Scope of services will include, monitoring and reporting on total project budget, schedule, cash flow and reporting on performance of designer and general contractor

MSBA Accomplishments – The First Five Years

- **Paid over \$6.6 Billion in accelerated payments for 1156 school projects built-up under the former program**
 - This is \$4.4 Billion more than would have been paid under old way of doing business
 - Disbursed approximately \$2.2 billion in payments to 700+ pre-2003 non-Waiting List projects
 - Made \$4.4 billion in accelerated payments to municipalities for over 415 of the 428 “Waiting List” projects inherited from the former program
- **Audit Savings**
 - Reduced the overall cost of the former program by over \$900 million
 - Saved cities, towns and regional school districts \$2.8 billion in avoided local interest costs
 - Finalized the costs of 752 of the 800 un-audited school projects inherited from the former program

MSBA Accomplishments – The First Five Years

And...

Ended entitlement culture for school building grants

- Created competitive grant application process based upon need and urgency of a project

Limit MSBA grant approvals to MSBA available funds

- Develop individual project budgets by comparing construction costs against a peer group of comparable school building projects
- Design to Budget - require districts/designers to design to agreed upon budget/scope
- Execute contract documents which memorialize MSBA/local district financial commitments

Adopted most comprehensive revision of program regulations in 60 years

- New regulations focus on intensive pre-design scope, schedule and budget development

Completed first ever capital survey of 1,817 schools in the Commonwealth

- Identified baseline public school inventory
- Collected data for regulation development

MSBA Accomplishments – The First Five Years

And...

Collect “Problems” rather than “Solutions” from school districts

- Old way of doing business was for districts to work alone in creating a solution, often to problems that didn't exist
- New process asks districts for their “Problems” first, then MSBA verifies problems actually exist
- Then District and the MSBA work in collaboration on educationally sound and financially prudent “solutions”

Focused New Program spending

- Emphasis on core academic spaces, such as classrooms and science labs
- Adherence to educationally sound MSBA space guidelines/standards

Created “Model School” program

- Adapts proven designs for reuse
- Significantly reduces design time/costs
- Moves projects into construction sooner
- Generates cost savings for both the MSBA and local districts

Commenced the reformed grant program for school construction and renovation projects

- Moved the first round of projects into the \$2.5 billion 5-year capital pipeline

MSBA Accomplishments – The First Five Years

And...

Implemented Better Business Practices

- Standardized Contracts
 - Developed standard contracts for designers and Owner’s Project Managers (OPMs)
 - Standard contracts protect the best interest of the district and the MSBA, not the consultant
- Developed and implemented a web-based “pay/audit-as-you-build” Progress Payment System for projects:
 - provides municipalities with much needed cash flow as projects are built
 - reduces the amount of debt a city, town or regional school district needs to issue
- Developed a web-based Enrollment Projection System
 - Allows districts to generate “no cost” enrollment projections
 - Based on a modified cohort survival method
- Developed a web-based Statement of Interest (SOI) Application System
 - Allows districts to submit their SOIs in a consistent format
 - Open 24/7 during the period that the MSBA is accepting SOIs
 - Keeps prior year information to make “refreshing” easier ion subsequent years
- Use private sector partners to help manage billions of dollars in school construction/renovation projects
 - Owner’s Project Managers (OPMs)
 - Designers
 - Construction Managers
 - Engineers

How is MSBA funded?

- The Commonwealth has dedicated 1 cent of the statewide 6.25 cent sales tax (not including meals) to the MSBA
 - Sales tax collections have been very weak over the past few years
- Recent increase to sales tax base (i.e., alcohol) may have some positive effect
- Recent Increase to sales tax rate (5% - 6.25%) will not benefit MSBA or local Districts
- FY2010 budget required a \$150 Million transfer from MSBA to help the state's ailing General Fund
- MSBA Administrative costs represent less than 1% of annual budget, 99% of budget goes towards grants to local communities
- MSBA will never promise funds that they can't deliver. Program has been curtailed to meet available resources.
 - MSBA will fund a capital program of \$2.5B over the next few years...

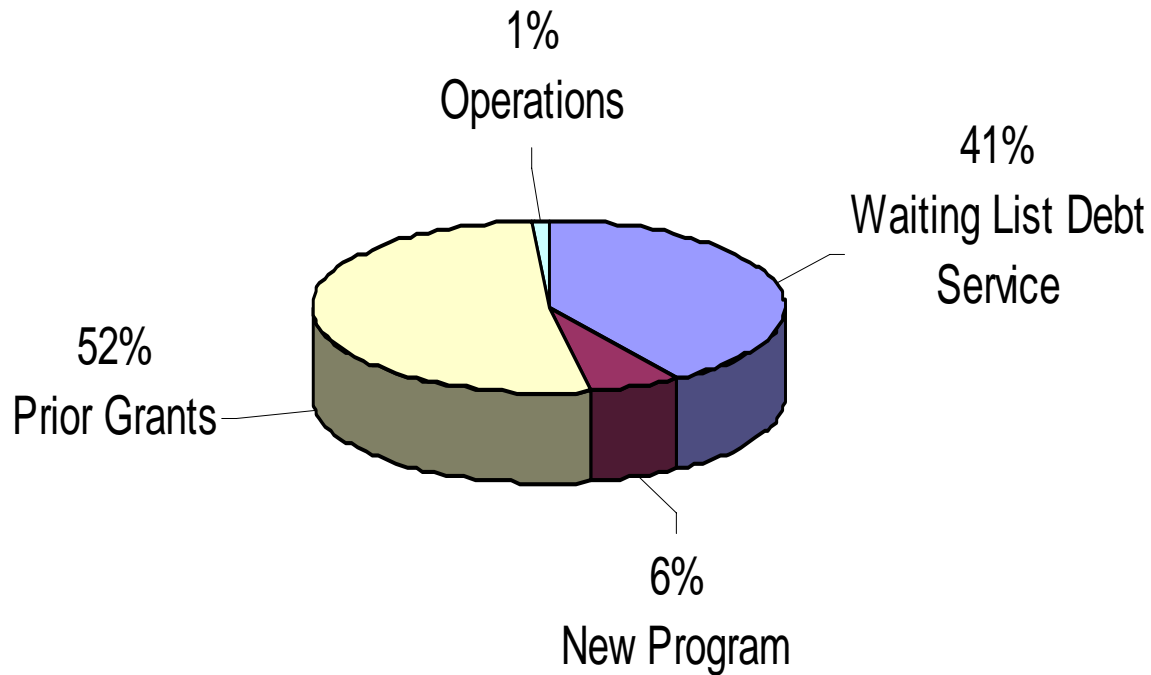
Total MSBA Capacity to Fund New Projects is Reliant on Sales Tax Growth

Sales Tax Growth Assumption	Estimated Total Amount of Grants Funded in the next 30 years
0%	5,600,000,000
1%	8,100,000,000
2%	10,500,000,000
3%	13,800,000,000
4%	21,200,000,000

The former SBA program committed \$20B over the last 20 years to school construction.

This slide shows that at 0% sales tax growth only \$5.6B will be available for new projects until 2025....

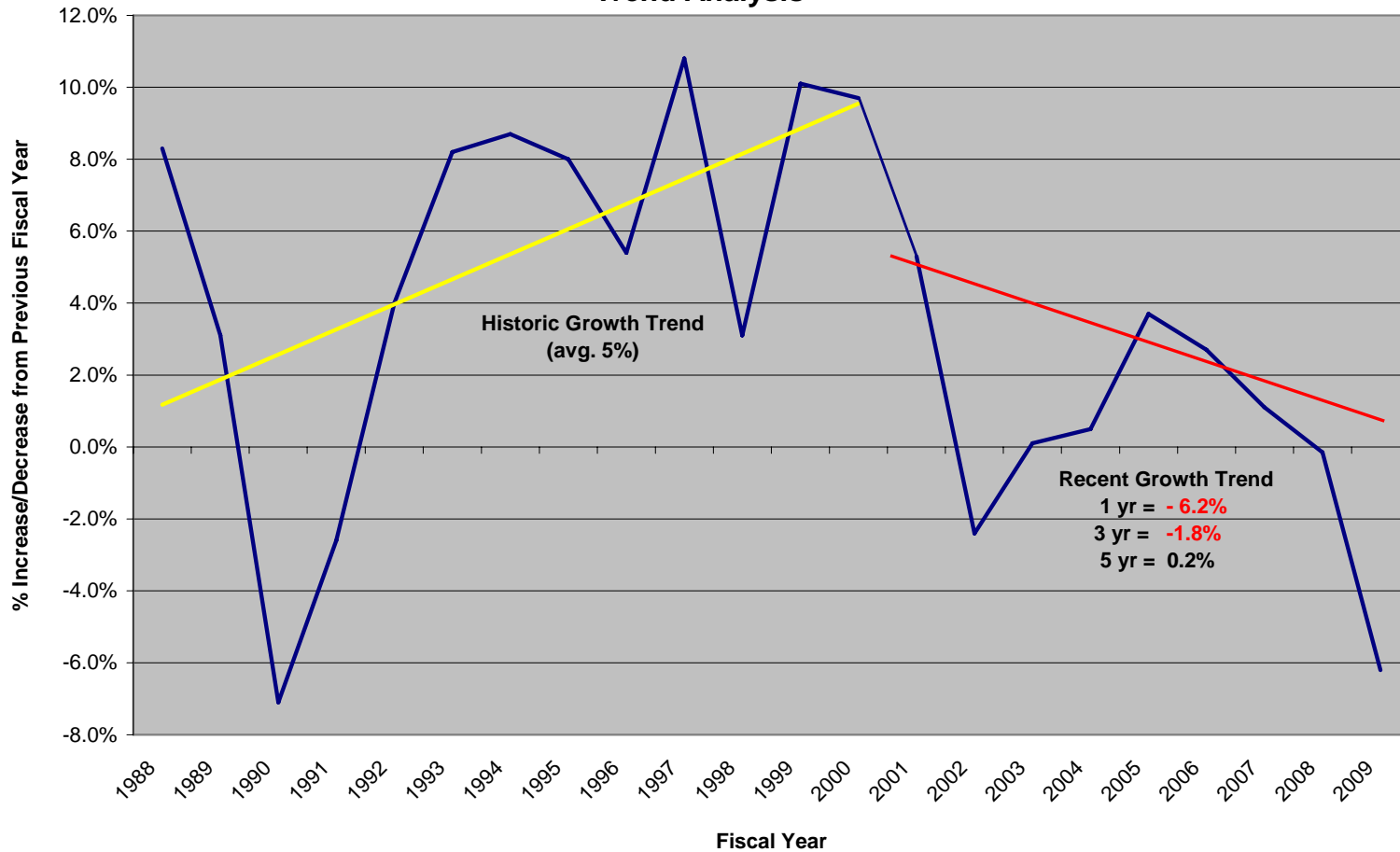
FY2010 Projected Expenditures



■ Waiting List Debt Service ■ New Program Debt Service ■ Prior Grants ■ Operations

Sales Tax Growth Trends

Historical Commonwealth Sales Tax Growth Trend Analysis





Massachusetts School Building Authority

Timothy P. Cahill
Chairman, State Treasurer

Katherine P. Craven
Executive Director

Questions?

Brian McLaughlin
Brian.McLaughlin@MassSchoolBuildings.org

MSBA

40 Broad Street, 5th Floor
Boston , MA 02109

Phone: 617-720-4466
Fax: 617-720-5260

<http://www.massschoolbuildings.org>