

MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: James A. MacDonald, First Deputy Treasurer, Chief Executive Officer
John K. McCarthy, Executive Director, Deputy Chief Executive Officer
DATE: October 19, 2022
RE: Reconciliation of Approved Projects to the Annual Program Funding Cap

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 2022 (“FY22”).

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 FY22. Please note that, for all Core Program Project Scope and Budget Agreements approved in FY22, the Maximum Total Facilities Grant amounts were allocated in total to FY22 Grant Cap Space. Summaries of available Grant Cap Space and approved estimated grants are presented below:

SUMMARY OF GRANT CAP SPACE
FISCAL YEAR 2022

Source	Amount
Annual Grant Funding Cap Space for FY22 ¹	\$858,562,711
Grant Cap Space Allocated from FY21 (October 2021 Board Meeting)	\$159,758,794
Reconciliation of Annual Grant Funding Cap Space for FY21 Correction to actual dedicated sales tax revenues in FY20 from \$917,307,231 to \$917,306,868 resulted in an adjustment to the rate of growth, by percentage, of dedicated sales tax revenues applied to FY21. Adjustment reduces Grant Funding Cap Space for FY21 from \$821,591,436 to \$821,591,111.	-\$325
Adjusted Grant Funding Cap Space for FY22	\$1,018,321,180
Savings in Final Audit Grants August 2021 Board Meeting	\$4,935,223
Savings in Final Audit Grants October 2021 Board Meeting	\$2,927,158
Savings in Final Audit Grants December 2021 Board Meeting	\$3,335,765
Savings in Final Audit Grants February 2022 Board Meeting	\$1,882,551
Savings in Final Audit Grants April 2022 Board Meeting ²	\$1,224,759
Savings in Final Audit Grants June 2022 Board Meeting	\$4,601,504
Allocated Grant Funding Cap Space for FY22	\$1,037,228,140

SUMMARY OF APPROVED ESTIMATED GRANTS
FISCAL YEAR 2022

Source	Amount
Maximum Total Facilities Grants allocated from prior Fiscal Years	\$0
Core Program Feasibility Study Invitations (Refer to Attachment A for more information)	\$7,872,409
Accelerated Repair Program Project Scope and Budget Approvals (Refer to Attachment B for more information)	\$46,304,246
Core Program Project Scope and Budget Approvals (Refer to Attachment C for more information)	\$887,778,575
Prior Reconciliations Adjustments (Refer to Attachment D for more information)	\$72,960
Allocated Estimated Grant for FY22	\$942,028,190

¹ Annual Grant Funding Cap Space for FY22 was capped at 4.5 per cent. The rate of growth, by percentage, between the FY21 dedicated sales tax revenues of \$1,101,411,066 and the FY20 dedicated sales tax revenues of \$917,306,868, as reported by the Department of Revenue as of September 2022, exceeded 4.5 per cent.

² Savings in the Final Audit Grants approved at the April 27, 2022 Board of Directors meeting are understated. In Exhibit C, the Additional Savings in Final Audit Grant for Cap Reconciliation for the two projects, Sylvester School in Hanover and Cabot School in Newton, were understated by the amount of their Feasibility Study Agreement grants. The Feasibility Study Agreement grant for Sylvester School in Hanover was \$236,050. The Feasibility Study Agreement grant for Cabot School in Newton was \$339,500. The Additional Savings in association with these two projects will be identified and applied in the Summary of Grant Cap Space in the Reconciliation of Approved Projects to the Annual Program Funding Cap Memorandum for fiscal year 2023.

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 \$95,199,950 remaining Grant Cap Space for FY22 will be allocated to future fiscal years.