

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
SUBJECT: MSBA Third Party Funding Policy Updates
DATE: June 15, 2022

Introduction

The Massachusetts School Building Authority (the “MSBA”) has recently reviewed its Third Party Funding Policy (“Policy”) as it relates to certain federal covid funding that cities, towns and districts (“Districts”) with MSBA grant eligible projects may receive. Also, the MSBA has reviewed the Policy in connection with electric vehicle infrastructure funding that Districts with MSBA grant eligible projects may receive. This memorandum provides a summary of these topics and explains how these two types of third party funding will be treated by the MSBA.

Background

The Policy requires that the MSBA share in savings provided to Districts through most forms of third party funding. Pursuant to the Policy, third party funding is treated as an ineligible cost. As a result, third party funding reduces the District's cost and, therefore; the MSBA grant is lowered proportionally based on reimbursement of the District's eligible reduced cost. Third party funding includes insurance settlements, rebates, grants from other public entities or other parties, private donations, and other sources of project income.

In April 2018, the MSBA updated its Policy in order to address Clean Energy Incentive Rebates that a District may receive for a project. Clean Energy Incentive Rebates, funded in whole or in part by monies that were directly or indirectly paid by Massachusetts' customers to providers, are not treated as third party funding under the Policy.

Federal Covid Funding – Discussion and Recommendation

In response to the Covid Pandemic, the United States Federal Government passed legislation to provide funding to municipalities across the country to mitigate certain costs related to the ongoing Covid Pandemic.

There are Districts in the Commonwealth of Massachusetts that may elect to use this federal funding to offset costs related to MSBA grant eligible school building projects, to the extent such use is compatible with any federal requirements.

In response to District inquiries, MSBA staff have been considering whether funds received by Districts pursuant to federal legislation passed in response to the Covid Pandemic would

constitute third party funding under the Policy. After examining the impact the use of federal covid funding could have on the MSBA's grant program and in an effort to assist Districts during an unprecedented time, MSBA staff has determined that the federal covid funding which may be used by Districts on MSBA projects will not be treated as third party funding under the Policy, provided certain requirements are satisfied.

The MSBA is instituting best practices to ensure that Districts are not requesting or receiving reimbursement for costs that have already been paid or will be paid with federal funds and will issue guidance to explain that Districts cannot be paid twice for the same cost. Further, the MSBA will require that District officials and local counsel provide several certifications to the MSBA when Districts elect to use federal covid funding for an MSBA grant eligible project to ensure that such use of funds is compatible with both programs.

Eversource Electric Vehicle Funding – Discussion and Recommendation

Eversource has instituted an Electric Vehicle (“EV”) Make Ready Program, through which Eversource funds the EV infrastructure and implementation costs for customers that are part of the EV charging station program. The EV Program is funded by ratepayer dollars which the Department of Public Utilities allows Eversource to use for the installation of the infrastructure.

The MSBA has received inquiries concerning how the MSBA will treat funding that a District may receive through Eversource EV Make Ready Program when the EV infrastructure is located on the site of an MSBA project.

MSBA staff has been considering whether EV funds received by Districts would constitute third party funding under the Policy. After examining this issue, MSBA staff has determined that, similar to the Clean Energy Incentive Rebates, the MSBA will not treat funding that a District may receive through Eversource's EV Make Ready Program as third party funding. This is consistent with the MSBA's Policy to treat funding that is directly or indirectly paid by Massachusetts' customers differently than other sources of funding.