

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
SUBJECT: Approved Legislation, Commonwealth of Massachusetts FY 24 Budget
Recommendation to Approve Supplemental Grants
DATE: October 18, 2023

The purpose of this memorandum is to seek approval by the Board of Directors to adjust the Maximum Total Facilities Grant for projects that:

- a) received Project Scope and Budget approval by the MSBA's Board of Directors prior to October 1, 2022 and have accepted or will accept bids on or after January 1, 2022, per the approved legislation in the Commonwealth's Fiscal Year 2024 Budget, as shown in Attachment A. Staff recommend adjustments commensurate with the positive funding limits approved by the Board of Directors on December 21, 2022 for these projects, as shown in Attachment B.
- b) received Project Scope and Budget approval by the MSBA's Board of Directors after October 1, 2022 and prior to October 1, 2023, as shown in Attachment C. Based on the approved legislation increasing the Annual Cap in fiscal year 2023 ("FY23") to \$1.2 billion, staff recommend project funding limit adjustments to align the increase to projects described in section a) above (shown in Attachment B) with the increase anticipated for projects receiving Project Scope and Budget approval after October 1, 2023. (See "Recommendation to Revise MSBA Project Funding Limits Policy", October 18, 2023).

Background

This memorandum addresses, in part, the legislation regarding supplemental grants for school construction projects previously approved by the MSBA (See Attachment A) and provides staff's recommendations on implementation for the Board's consideration. Working in conjunction with its legislative partners, the MSBA previously provided information regarding projects that have been significantly affected by unanticipated cost escalations. This legislation, along with the increase in the Annual Cap effective in FY23, has provided the MSBA with resources and flexibility to further assist school construction projects partnering with the MSBA.

The legislation defines the eligibility for supplemental grants as follows:

- Supplemental grants "*shall be made available in addition to amounts previously approved by the authority's board of directors for certain cities, towns and school districts with core program school facility projects in the authority's capital pipeline that have been impacted by unanticipated cost escalations*"; and,
- Supplemental grants "*shall be used to assist school districts with escalations incurred in connection with school facility construction projects that received project scope and*

funding agreement approval by the authority's board of directors prior to October 1, 2022 and have accepted or will accept bids on or after January 1, 2022".

In addition, the legislation provides guidance on the implementation of the supplemental grants as follows:

- The MSBA “*shall establish the rules and policies related to said program and the criteria for determining a project’s eligibility and an appropriate supplemental grant amount*”;
- The MSBA will partner with districts to ensure that they “*submit budget and project documentation to the authority in a form prescribed by the authority to be eligible to receive grants from this item*”;
- The MSBA, “*with the approval of its board of directors, may waive certain cost cap limits or other grant limits that have been established as part of the grant program funded under this item*”; and,
- The amount of the supplemental grants distributed to cities, towns and school districts from these supplemental grants shall not be included within the Annual Cap limit in section 7 of Chapter 70B of the General Laws.

Discussion

Based on review of the legislation, MSBA staff have two recommendations to adjust previously approved grants.

First, for the projects that meet the timeline identified in the legislation and shown in Attachment B, staff recommend that the previously approved Maximum Total Facilities Grant be increased using the project funding limits approved by the Board of Directors on December 21, 2022 (“Recommendation to Revise MSBA Project Funding Limits Policy”, December 14, 2022). Only the funding limits that result in an increase to the previously approved grant amounts would be applied for these projects. No funding limit that is more restrictive than the funding limit on which the project’s grant was initially established would be applied. Per the approved legislation, the amount of these supplemental grants will not apply to the Annual Cap.

Funding limits for these projects incorporate two different approved levels of MSBA project funding limits: \$333/sf effective for districts receiving an approval of a Project Scope and Budget on or after January 1, 2018 and \$360 effective for districts receiving an approval of a Project Scope and Budget on or after June 1, 2021. The information in the table below shows the two levels of funding limits and each funding limit category. Columns 2 and 3 represent the two levels used at the time the original grants were approved and Columns 4 and 5 show the recommended project funding limits approved December 21, 2022 for comparison and recommended implementation.

MSBA Project Funding Limits	Approved Projects Eligible for Supplemental Grants >1/1/2018	Approved Projects Eligible for Supplemental Grants >6/1/2021	Project Funding Limits Approved December 21, 2022 >10/1/2022	December 21, 2022 Project Funding Limits to be Applied (Yes or No)
Building Cost	\$333/sf	\$360/sf	\$393/sf	Yes
Sitework Cost	Included above	Included above	\$39/sf (10% of above)	Yes
Total Funding Limit for Building Cost and Sitework Cost	\$333/sf	\$360/sf	\$432/sf	Yes
OPM Fee	3.5% of construction budget	3.5% of \$500/sf	3.5% of \$550/sf	No, not applied for projects >1/1/18. Yes, applied for projects >6/1/21 to increase from \$500/sf to \$550/sf.
Designer Fee	10.0% of construction budget	10% of \$500/sf	10% of \$550/sf	No, not applied for projects >1/1/18. Yes, applied for projects >6/1/21 to increase from \$500/sf to \$550/sf.
Owner's Contingency	No limit	0.5% of construction budget for new construction and 1.0% of construction budget for addition/renovation	0.5% of construction budget for new construction and 1.0% of construction budget for addition/renovation	No, not applied for projects >1/1/18. No, no change required for projects >6/1/21.

Second, staff are also recommending an increase to the previously approved Maximum Total Facilities Grant for projects shown on Attachment C that received Project Scope and Budget approval between October 1, 2022 and October 1, 2023. This recommendation is made to bring the project funding limits for the projects during this period in alignment with the project funding

limits for the projects noted above in Attachment B and the proposed project funding limits, which are subject to the Board’s approval at the October 25, 2023 meeting, for projects that seek Project Scope and Budget approval after October 1, 2023.

Staff base this recommendation on the following: 1) if approved by the Board, the projects noted above (See Attachment B) who bid in an earlier year would otherwise now have the same project funding limits as those projects approved for Project Scope and Budget approval between October 1, 2022 and October 1, 2023; 2) the approved legislation increased the Annual Cap to \$1.2 billion in FY23; and 3) the project funding limits for the projects in this period would be much lower than those proposed for projects submitting on or after October 1, 2023. Therefore, staff recommend that the projects approved for Project Scope and Budget approval between October 1, 2022 and October 1, 2023, as shown in Attachment C, receive an increase up to the project funding limit levels noted in the table below.

MSBA Project Funding Limits	Projects Approved for Project Scope and Budget between 10/1/22 and 10/1/23	Project Funding Limit Recommended
Building Cost	\$393/sf	\$516/sf
Sitework	\$39/sf (10% of above)	\$52/sf (10% of above)
Total Funding Limit for Building Cost and Sitework Costs	\$432/sf	\$568/sf

Next Steps

Based on an initial review of existing funding agreements, MSBA staff estimate that the supplemental grants for the projects identified in the timeline approved in the legislation and as shown in Attachment B will total approximately \$270 million, which will not apply to the MSBA’s Annual Cap. The Commonwealth’s FY24 Budget provides \$100 million to the MSBA in support of the supplemental grants. To commence reimbursement at the higher funding limits and capitalize on the \$100 million appropriation in the FY24 budget, MSBA staff will need to receive the \$100 million from the Commonwealth in accordance with an agreed upon allocation, work expeditiously with each district to process new funding agreement amendments, update the MSBA’s Propay system, and develop the process to issue and track payments in accordance with the reimbursements submitted. The MSBA is currently working with the Comptroller’s office and the Executive Office of Education to define and finalize the process for receiving the funds.

For the projects identified in Attachment C, MSBA staff estimate that the increases will total approximately \$110 million, which will apply to the MSBA’s Annual Cap. MSBA staff will work with each district to make the necessary adjustments to the project funding agreements. The actual adjusted amounts for each project in Attachment B and C will only be known once

the district submits the required budget and project information and partners with the MSBA to apply revised project funding limits to each project.

Per the legislation, the MSBA will be required to submit a report to the Legislature no later than May 31, 2024, detailing grant award recipients and the amount received for each project. MSBA staff will provide an informational update to the MSBA Board of Directors at each Board meeting until all project adjustments have been finalized.

Recommendation

That the Board authorizes the Executive Director to adjust the Maximum Total Facilities Grants for the previously approved projects identified in Attachments B and C to provide supplemental grant assistance in accordance with the parameters set forth in this memorandum and in the amounts that MSBA staff calculate by applying the metrics set forth in this memorandum, and that the Board further authorizes the Executive Director to take steps necessary and reasonable to provide such supplemental grant assistance without additional Board approval, and to execute and deliver any and all documents and agreements, and expend funds as deemed appropriate by the Executive Director to assist the Projects identified in Attachments B and C, taking such actions without additional Board authorization

1596-2431 MSBA Capital Supports

Approved by the Governor

For supplemental grants for school construction projects previously approved for financing by the Massachusetts School Building Authority; provided, that notwithstanding any general or special law to the contrary, said program shall be made available in addition to amounts previously approved by the authority's board of directors for certain cities, towns and school districts with core program school facility projects in the authority's capital pipeline that have been impacted by unanticipated cost escalations; provided further, that said program shall be used to assist school districts with escalations incurred in connection with school facility construction projects that received project scope and funding agreement approval by the authority's board of directors prior to October 1, 2022 and have accepted or will accept bids on or after January 1, 2022; provided further, that notwithstanding any general or special law to the contrary, the authority shall establish the rules and policies related to said program and the criteria for determining a project's eligibility and an appropriate supplemental grant amount; provided further, that cities, towns and school districts shall submit budget and project documentation to the authority in a form prescribed by the authority to be eligible to receive grants from this item; provided further, that the authority, with the approval of its board of directors, may waive certain cost cap limits or other grant limits that have been established as part of the grant program funded under this item; provided further, that the amounts distributed to cities, towns and school districts from this item shall not be calculated as part of the limit in [section 7 of chapter 70B](#) of the General Laws on the estimated amount of grants approved by the authority during a fiscal year; and provided further, that not later than May 31, 2024, the authority shall submit a report to the executive office for administration and finance, the joint committee on education and the house and senate committees on ways and means detailing grant award recipients and the amount received for each project

Education and Transportation Fund

..... \$100 million

Attachment B

“school facility construction projects that received project scope and funding agreement approval by the authority’s board of directors prior to October 1, 2022 and have accepted or will accept bids on or after January 1, 2022”

District	School	Project Scope and Budget Approval	General Bids / Guaranteed Maximum Price (Received / Anticipated)
Andover	West Elementary School	4/14/2021	12/12/2022
Ashland	David Mindess Elementary School	10/28/2020	3/8/2022
Boston	William E. Carter School	8/25/2021	11/17/2023
Boston	Josiah Quincy Upper School	10/28/2020	11/15/2022
Bristol-Plymouth Regional Vocational Technical School District	Bristol-Plymouth Regional Vocational Technical High School	10/27/2021	8/31/2023
Fitchburg	Crocker Elementary School	6/23/2021	2/14/2023
Gloucester	East Gloucester Elementary School	8/26/2020	2/23/2022
Greater Fall River Vocational School District	Diman Regional Vocational Technical High School	12/15/2021	2/1/2024
Groton-Dunstable Regional School District	Florence Roche Elementary School	2/11/2021	6/29/2023
Hingham	William L. Foster Elementary School	8/31/2022	5/16/2023
Lawrence	Francis M. Leahy Elementary School	10/27/2021	5/24/2023
Lawrence	Oliver Partnership School	2/11/2021	11/9/2022
Lowell	Lowell High School	4/10/2019	10/4/2022
Nauset Regional School District	Nauset Regional High School	2/13/2020	10/19/2022
Northeast Metropolitan Regional Vocational School District	Northeast Metropolitan Regional Vocational Technical High School	8/25/2021	11/24/2023
Norwood	Dr. Philip O. Coakley Middle School	3/2/2022	6/12/2023

<i>District</i>	<i>School</i>	<i>Project Scope and Budget Approval</i>	<i>General Bids / Guaranteed Maximum Price (Received / Anticipated)</i>
<i>Peabody</i>	<i>William A. Welch Elementary School</i>	<i>10/27/2021</i>	<i>12/1/2022</i>
<i>Randolph</i>	<i>Elizabeth G. Lyons Elementary School</i>	<i>10/27/2021</i>	<i>1/25/2023</i>
<i>Somerset</i>	<i>Somerset Middle School</i>	<i>4/14/2021</i>	<i>3/6/2023</i>
<i>Spencer-East Brookfield Regional School District</i>	<i>David Prouty High School</i>	<i>6/22/2022</i>	<i>11/15/2023</i>
<i>Stoneham</i>	<i>Stoneham High School</i>	<i>8/25/2021</i>	<i>1/23/2023</i>
<i>Swampscott</i>	<i>Hadley Elementary School</i>	<i>6/23/2021</i>	<i>10/25/2022</i>
<i>Tyngsborough</i>	<i>Tyngsborough Middle School</i>	<i>4/27/2022</i>	<i>12/13/2023</i>
<i>Walpole</i>	<i>Bird Middle School</i>	<i>8/25/2021</i>	<i>2/14/2023</i>
<i>Watertown</i>	<i>Watertown High School</i>	<i>3/2/2022</i>	<i>5/10/2023</i>
<i>Webster</i>	<i>Bartlett High School</i>	<i>3/2/2022</i>	<i>10/19/2023</i>
<i>Wellesley</i>	<i>John D. Hardy (fka Ernest F. Upham) Elementary School</i>	<i>8/25/2021</i>	<i>4/13/2023</i>
<i>Westfield</i>	<i>Franklin Avenue Elementary School</i>	<i>10/27/2021</i>	<i>3/21/2023</i>
<i>Westwood</i>	<i>Paul R. Hanlon Elementary School</i>	<i>4/14/2021</i>	<i>6/22/2022</i>
<i>Worcester</i>	<i>Doherty Memorial High School</i>	<i>8/26/2020</i>	<i>6/15/2022</i>

Attachment C

Projects approved for project scope and budget approval between October 1, 2022 and October 1, 2023

District	School	Project Scope and Budget Approval
<i>Haverhill</i>	<i>Consentino Middle School</i>	<i>10/26/22</i>
<i>Winchester</i>	<i>Lynch Elementary School</i>	<i>10/26/22</i>
<i>Brookline</i>	<i>Pierce K-8</i>	<i>12/21/22</i>
<i>Wakefield</i>	<i>Wakefield High School</i>	<i>12/21/22</i>
<i>Amherst</i>	<i>Fort River Elementary School</i>	<i>4/26/23</i>
<i>Holyoke</i>	<i>Peck Middle School</i>	<i>6/21/23</i>
<i>Maynard</i>	<i>Green Meadow ES</i>	<i>6/21/23</i>
<i>Nashoba</i>	<i>Nashoba Regional High School</i>	<i>8/30/23</i>
<i>Tri-County</i>	<i>Tri-County Regional Vocational Technical High School</i>	<i>8/30/23</i>