Massachusetts School Building Authority
2006–2007 ANNUAL REPORT

Illustration by First Grade Student Charles Wang, the Linscott School, Woburn, MA
SIGNIFICANT PROGRESS MADE

The MSBA has made remarkable progress over the last three years, including:

- Made over $5.8 Billion in payments to cities, towns, and regional school districts
  - Of the 428 projects on the Waiting List, 386 projects have received a payment or have been completely paid off
- Instituted an accelerated audit program which resulted in completing over 700 audits of the 800 audit backlog inherited from the former program
  - Saved the taxpayers of Massachusetts over $768 Million
  - Generated $2.3 Billion in avoided local interest costs
- Instituted creative financing programs—a Loan Program and a Grant Conversion Program—for certain Waiting List projects that have not started construction to help address project cost issues and get stalled project started
- Completed first ever statewide Needs Survey on the 1,817 K-12 public school facilities in the Commonwealth
- Instituted a "pay as you build" Progress Payment System which will help municipal cash flows with MSBA funds as a project is constructed
- Reviewed and analyzed 423 Statements of Interest received from 162 school districts and moved 83 into the MSBA capital pipeline
- Made over 400 site visits to more than 140 school districts as part of the MSBA’s review and due diligence process
- Held five statewide public hearings and several other information sessions across the Commonwealth to obtain public comment on draft regulations
- Completed most comprehensive revision of program regulations in 60 years
- Established a Designer Selection Panel to assist districts with the selection of qualified design professionals and to ensure an impartial and objective designer selection process that will be consistently applied across the Commonwealth
- Created an Owner’s Project Manager Review Panel to assist districts with the selection of qualified OPM’s
LETTER FROM THE TREASURER

Dear Citizen,

It is my pleasure to present to you the Massachusetts School Building Authority’s (“MSBA”) 2006–2007 Annual Report. As Chairman of the MSBA, I hope this document will provide an informative overview of the MSBA, its accomplishments and its role in serving the Commonwealth.

Last year brought significant achievements in our effort to bring financial sustainability to the school building assistance program. To date, the MSBA has paid over $5.8 billion in reimbursements to cities and towns for school construction projects—$3 billion of which are accelerated “payments-in-full” to districts which had been waiting years for a partial payment from the state prior to the creation of the MSBA. Over 386 projects have received a payment from the MSBA, with 286 projects completely paid off. In addition, over 700 audits of the 800 audit backlog inherited from the former program have been substantially completed—a process that has saved communities $2.3 billion in avoided interest costs.

In July of 2006, the MSBA Board approved the most sweeping revisions in 60 years to the way local school construction is funded by the state. This was accomplished by seeking an unprecedented amount of input from recognized experts in the field of school design and construction. The new regulations ensure that the Commonwealth’s investment in local school construction will be equitably distributed across municipalities and establishes a framework for approval of projects based upon identifiable deficiencies within buildings—particularly immediate health or safety issues. The regulations will be equitable for districts and will be consistently applied to ensure the short-term and long-term financial viability of the new program. The newly reformed grant program will create a collaborative process that will allow the MSBA and local communities to develop financial solutions tailored to meet the needs of individual municipalities.

The MSBA’s financing plan will provide $2.5 billion to be distributed over the next five fiscal years, making it the largest state-funded capital grant program. These funds are in addition to over $14 billion that the Commonwealth has already expended on local school construction since 1990. Selection of school project funding under the new program will be a competitive process where grants will be directed to projects that present the greatest need and urgency for capital improvements.

It is an honor to serve as Chairman of the Massachusetts School Building Authority. I am proud of what we have accomplished to date, and I look forward to continuing our work and providing a strong educational foundation for the children of the Commonwealth.

Timothy P. Cahill
Treasurer and Receiver General


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*Appointed Member*

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*Appointed Member*

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*Appointed Member*

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Michael McGlynn, *Mayor of Medford*

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LETTER FROM THE EXECUTIVE DIRECTOR

It is with great pride that I present to you the 2006-2007 Annual Report of the Massachusetts School Building Authority. The Authority is committed to creating an efficient and financially sustainable program to fund school facility capital improvement projects. During the next five years, the Authority will collaborate with municipalities to equitably invest $2.5 billion in your schools by finding the right-sized, most fiscally responsible and educationally appropriate solutions to create safe and sound learning environments while being fiscally responsible with taxpayer dollars. The Authority is focused on remedying the neediest and most urgent situations first.

In 2004, Treasurer Tim Cahill worked with the Legislature to create the Authority, a new separate state authority charged with reforming a bankrupt school building program that had amassed $11 billion in outstanding obligations with no clear funding source and had built up a 10 to 15 year list of projects that were waiting for state reimbursement.

The Authority has made significant and rapid progress in implementing major management and financial reforms to the state reimbursement and funding process for school construction projects. The Authority has provided more than $5.8 billion dollars in project reimbursements through its accelerated payment system to school districts who otherwise would have waited decades for payment. These payments saved cities and towns millions of dollars in interest payments, allowed them to lower tax rates, and freed up billions in municipal resources that under the former program would have been dedicated to school construction.

The Authority has worked tirelessly to resolve a backlog of over 800 audits of local school building projects, dating back to 1990, and to date has substantially completed over 700 of these audits. Our audits have generated $768 million in savings to state taxpayers and $2.3 billion in avoided interest costs to local communities.

The Authority also has implemented a rolling, five-year capital plan for approvals of new projects, eliminating the old “wait list” and allowing for local and state funds to be used when an approved project actually needs the cash. This replaces the former system of the state locking up resources for projects that were not moving forward as quickly as others.

We will never over-promise and under-deliver on any project that we work on with a district. The key to the long-term success of the reformed school building grant program is to collaborate with school districts to identify and address school facility needs efficiently and equitably. The MSBA is creating a new era in which fiscal responsibility and dedication to education are combined to give our school children the best learning environments possible.

Sincerely,

Katherine Craven
Executive Director, Massachusetts School Building Authority
The Massachusetts School Building Authority created a contest to recognize school building design successes and to identify model elements of existing buildings to help inform the MSBA’s new school building grant program. Over 57 contest submissions were received by 17 architects and architectural firms. Submissions were judged by a panel of professionals from fields including education, economic development, construction, architecture, and elected state officials. We were very pleased to announce the following winners:

**Margo Jones Architects, Inc.**
- Crocker Farm Elementary School, Amherst
- Williamstown Elementary School, Williamstown
- New Hingham Elementary School, Chesterfield-Goshen Regional School District

**Design Partnership of Cambridge**
- Lincoln Elementary School, Melrose

**DiNisco Design Partnership**
- Holten-Richmond Middle School, Danvers

**Cole & Goyette**
- Point Webster Middle School, Quincy

**HMFH Architects, Inc.**
- Central Tree Middle School, Wachusett Regional School District
- Boston Latin High School, Boston
- Brooks, Columbus & Roberts Elementary Schools, Medford
- Michael E. Capuano Early Childhood Center, Somerville

**Flansburgh Associates, Inc.**
- Fairhaven High School, Fairhaven

**Mount Vernon Group**
- Roosevelt Middle School, New Bedford
- Ashland High School, Ashland

**Architecture Involution, Inc.**
- Whitman-Hanson High School, Whitman-Hanson Regional School District

**Lamoureux Pagano Associates**
- Worcester Technical High School, Worcester

**Dore & Whittier Architects**
- Littleton High School, Littleton

All winners were honored at a special State House Ceremony on Friday, October 27, 2006

A special thanks to the judges of the School Building Design Awards contest:

- **Ranch Kimball**, Secretary of Economic Development
- **Patricia A. Haddad**, Chair, Joint Committee on Education
- **Kevin Sullivan**, Senior Vice President of Government Banking, Sovereign Bank
- **Joe Dart**, MSBA Advisory Board Member, President of the Massachusetts Building Trades Council
- **Bernie Feldstein**, MSBA Advisory Board Member, AIA Emeritus, Boston Society of Architects
- **John Crafton**, Executive Director of the Massachusetts Association of School Business Officials
- **Thomas Scott**, Executive Director of the Massachusetts Association of School Superintendents (MASS)
- **Paul Andrews**, Director of Professional Development and Government Services for the MASS
- **Terry Kwan**, MSBA Board Member, Former Brookline School Committee Member and Teacher
- **Monica Lawton**, MSBA Advisory Board Member, Executive Director of the Associated Subcontractors of Massachusetts
NEEDS SURVEY EXECUTIVE SUMMARY

The Needs Survey Final Report is the culmination of more than eight months of work commissioned by the Massachusetts School Building Authority to gather statewide baseline data about the general conditions of locally-owned public school facilities throughout the Commonwealth. The data collected was a result of observations of teams of educators and engineers whose task was to utilize a standard survey to ascertain the general condition of each school in the Commonwealth. Data collectors visited every superintendent in every school district to receive an inventory of school committee-controlled school properties and then visited every one of those school facilities to gather this important baseline data. Baseline data about the general condition of Massachusetts school facilities has never existed in the breadth and scope which was included in the report.

The following are key findings in the Needs Survey:

1. The condition of 1,817 Massachusetts schoolhouses is generally good. The general baseline data gathered during the Needs Survey was used to rate each school on a 1 to 4 basis.
   - Over 76% of Massachusetts schools received a rating of 1 or 2, meaning that they are generally in good condition, with few building systems that may need attention.
   - There was little correlation between relative wealth of a school district and the general condition of the school buildings within that district.

2. Massachusetts has expanded a substantial amount on schoolhouse capital facilities over the past 60 years. In 2005, the Commonwealth was paying an average of 72% of local capital school construction or renovation costs. The Authority is currently making approximately $11 billion in payments on local school projects, with municipalities paying approximately $4 billion to match the Authority funds.

3. A school building boom occurred between 2000 and 2005 even though statewide enrollment has been declining. Between 2000 and 2005, the amount of school facility square footage that was built new or renovated far surpassed the amount of square footage built new or renovated in any previous decade.
   - Between 2000 and 2005, 46 million square feet of building space was constructed or renovated, and this does not include projects on the Waiting List that have not started construction or are incomplete.

4. Almost one-half of the current school facility square footage is new or recently renovated. More than 48% of Massachusetts school square footage either has been built new or renovated in the last 15 years.

5. There is very little temporary space in Massachusetts.

6. Massachusetts schools have been built 32% to 39% larger, on average, than the maximum gross square footage space requirements per student in the Department of Education regulations. The Needs Survey has revealed that the average school in Massachusetts is significantly larger than the gross square footage stated in the former DOE regulations. Most Massachusetts schools significantly exceed the DOE maximum regulation square footages.

<table>
<thead>
<tr>
<th>Gross Square Footage Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Type</td>
</tr>
<tr>
<td>Elementary School</td>
</tr>
<tr>
<td>Middle School</td>
</tr>
<tr>
<td>High School</td>
</tr>
</tbody>
</table>
When the MSBA was created in 2004, it assumed responsibility for funding the state’s share of 428 Waiting List projects. At that time, it was believed that many of these 428 projects had been completed or were ready to begin construction. Upon review, however, some of the communities that had added projects to the Waiting List were not prepared to begin construction. The longer these communities waited to begin, the greater the pressures were on the original finance plans and cost estimates for the project. To help alleviate these cost pressures, the MSBA added over $1.4 billion in inflation to the total estimated costs of the MSBA’s share of Waiting List projects. This represented a more than 25% increase from the original cost estimates for the Waiting List projects. Even with the addition of this $1.4 billion for inflation, however, a small number of Waiting List projects were still experiencing cost pressures.

To help these few communities complete their Waiting List projects, the MSBA created a fiscally responsible solution with the low-interest Loan Program and the Grant Conversion Program. When combined, these programs are estimated to provide more than $550 million in targeted solutions to help relieve cost pressures facing the few remaining Waiting List projects.

Summary of Grant Conversion Program
The Grant Conversion Program was a time-limited offer to cities, towns and regional school districts with multiple projects on the Waiting List and with at least one project that has not yet started construction, to remove a project(s) from the Waiting List and request that a portion of the Authority’s anticipated grant for that project(s) be applied to another eligible project on the Waiting List that is within the same city, town, or regional school district as the project being removed.

Summary of Loan Program
The Loan Program was a one-time offer to certain communities for a low-interest loan to help complete their Waiting List Project. The Board of the MSBA set aside a total of $150 million for the Loan Program. The low-interest Loan Program is estimated to save local communities approximately $90 million in avoided interest payments.
1. Identify the Problem
Local District identifies perceived deficiencies in school facilities through the Statement of Interest process

2. Validate the Problem
MSBA and local District work together to validate deficiencies identified by the District

3. Evaluation of Potential Solutions
MSBA and local District work in collaboration to identify potential solutions

4. Confirm the Solution
MSBA and local District agree on solution and appropriate course of action

5. Implement the Agreed Upon Solution
MSBA and local District continue collaboration through design and construction
OVERVIEW OF THE AUTHORITY’S SCHOOL BUILDING GRANT PROGRAM REGULATIONS

• Collaboration between the District and the Authority from initial description of problem through project approval, construction and completion

• Creation of a low-cost application process for municipalities until Authority approves a project

• Emphasis on form following function, not the other way around

• No longer “One Size Fits All” approach to school sizing or cost standards

• Match Authority funding with project cash flow = lower municipal tax burden = better local votes for projects

What is new?

• Sliding scale for school sizes based upon enrollment

• Quicker payments: “Pay as you Build”: Approved projects will receive payments monthly as construction occurs and will not wait indefinitely for state funding

• Authority encourages central decision making by authorized person at the municipal level

• Focus on maintenance: statutory requirements will be adhered to and the Authority will provide Maintenance Trust Fund match to eligible communities

• Owner’s Project Managers will be an essential go-between in process

What is the same?

• State review of expenditures, designs and insistence on complete documentation

• Ineligible costs of old program remain ineligible: site procurement, district administrative space, field houses, swimming pools and ice rinks

• Special Education exceptions will still be considered if District demonstrates that size standards are inadequate

• Long range master planning still required at District level

• 50 year anticipated useful life for a school building
The following chart generally shows a comparison of the former DOE regulations and the MSBA regulations on a number of key topics. Please contact the MSBA if you have specific questions on the regulations.

<table>
<thead>
<tr>
<th>DOE</th>
<th>Differences</th>
<th>MSBA</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-size-fits-all</td>
<td>Space Standards</td>
<td>“Adjustable” based on enrollment</td>
</tr>
<tr>
<td>Paid in arrears over 20 years</td>
<td>Payment Method</td>
<td>Paid monthly based on submitted invoices</td>
</tr>
<tr>
<td>Done after construction completed, often many years later</td>
<td>Audit Process</td>
<td>Audit as you build</td>
</tr>
<tr>
<td>Based on district wish list/wants put on wait list!</td>
<td>Priority System</td>
<td>Based on statutory criteria and how each district’s need fits in statewide spectrum of need</td>
</tr>
<tr>
<td>No cap on spending</td>
<td>Spending Cap</td>
<td>Statutory cap on spending (FY08 $500 million)</td>
</tr>
<tr>
<td>District developed “solution” before articulating “problem”</td>
<td>Application Process</td>
<td>Identify problem, validate problem, work in collaboration on a solution, implement the agreed upon solution</td>
</tr>
<tr>
<td>No minimum level</td>
<td>Minimum Level of “Green” for all Schools</td>
<td>Encourage all school facilities to embrace minimum level of “Green”</td>
</tr>
<tr>
<td>Not enforced</td>
<td>Maintenance</td>
<td>Focus on maintenance; districts will be required to spend statutorily mandated maintenance amount</td>
</tr>
<tr>
<td>Not required</td>
<td>Commissioning of Buildings</td>
<td>Required. The Authority will procure, pay for &amp; conduct</td>
</tr>
<tr>
<td>No standard contracts</td>
<td>Standard Contracts</td>
<td>Standard contract language for project managers, architects/engineers &amp; contractors</td>
</tr>
</tbody>
</table>
The 4 year moratorium on school construction grants ended on July 1, 2007, and from January 2006 to the July 31, 2007 deadline, the MSBA received 423 SOIs from 162 districts for the new program—over 200 of which arrived at the MSBA in July 2007. The 423 SOIs received by the MSBA describe a variety of facility problems, ranging from leaky roofs, to overcrowded classrooms, to structural concerns. As part of the MSBA’s due diligence process in assessing the Statements of Interest, the MSBA has made over 400 site visits to more than 140 school districts. In addition, the MSBA has held over 100 meetings with local officials to answer questions about the new program and explain the next steps in the grant process.

At the November 28, 2007 MSBA Board meeting, the Board voted to move 83 schools into the Feasibility Study phase and placed the remaining 79 schools into the Hold or Planning/Regionalization Assessment Categories. The categorization of these schools is the culmination of months of due diligence and analysis by the MSBA to determine which school facilities across the Commonwealth are in most need of capital investment.

Based on the MSBA diagnostic analysis and input from the Facilities Assessment Subcommittee, the Board took the following actions:

- Feasibility Invitation 49
- Repair Assessment 27
- Project Scope Invitation 7
- Planning 13
- Regionalization Assessment 12
- Regional Vocational/Technical HS 9
- Hold 45

Total 162

The MSBA has separated all 162 potential projects into the following categories:

Feasibility Invitation: Some medium–larger scope projects will be agreed upon by MSBA and the District to solve agreed upon facility problem with educational impact.

Repair Assessment: Smaller, targeted projects over $250K that will extend useful life of a facility (roofs, windows, HVAC).

Project Scope Invitation (2007 only): Projects that otherwise meet the need and urgency criteria established by G.L. c. 70B that commenced between 2003–2007.

Planning: MSBA is working with Districts whose facility or educational needs and enrollments require clarification or solutions are not readily apparent. Includes MSBA sharing costs for technical services that the MSBA agrees to be necessary.

Regionalization Assessment: Certain Districts may lend themselves to mergers with neighboring towns given small and decreasing enrollments and budget challenges for capital and operational costs.

Regional Vocational/Technical HS: Non-repair, major potential projects which each have unique needs and local concerns.

Hold: Community continues to work with MSBA to clarify Statements of Interest issues and resolve local issues about master planning.
HIGH PERFORMANCE GREEN SCHOOLS GUIDELINES

The MSBA, in collaboration with the Massachusetts Technology Collaborative (MTC), established the High Performance Green School Guidelines (based on MA-CHPS). The MSBA’s regulations allow the Authority to reimburse an approved project up to an additional 2% of eligible project costs if the project meets the thresholds established in these Guidelines. This incentive is intended to encourage communities to choose High Performance Green Schools, which in the short run may represent additional capital costs, but with important long-run benefits, as these schools are designed to be less costly to operate, provide an enhanced learning and working environment, and conserve important and increasingly expensive resources such as water and energy and focus on renewable energy sources.

The guidelines are specific to the conditions of the Northeast and describe a wide range of criteria—site, water, energy, indoor air quality, daylight, acoustics, sustainable materials and thermal comfort.

AUDIT UPDATE

Since November 2004, the MSBA has been diligently working to resolve a backlog of over 800 audits inherited from the former program for local school building projects. As of December 31, 2007, over 700 audits of the 800 audit backlog have been substantially completed saving the taxpayers of Massachusetts over $768 million and $2.3 billion in avoided local interest costs.

Pay-as-you-build Progress Payment System

The MSBA has instituted a “pay-as-you-build” Progress Payment System to reimburse districts for eligible project expenses as construction occurs. After a community enters into a Project Funding Agreement with the MSBA and submits approved project costs that have been incurred, the MSBA will audit submitted invoices and make monthly reimbursements. The major benefits of this new system are:

• Communities avoid having to borrow the MSBA’s share of project costs, which helps reduce both the amount of debt on the local books and interest costs related to financing.

• Communities receive the full amount of the MSBA’s share of project costs during construction and close-out audit. No longer do they have to wait 20 years to receive their full grant.

• Communities receive monthly cash disbursements from the MSBA for eligible project costs, which help local cash-flows.

• The MSBA is auditing projects as they are built, avoiding the many-year delay between project completion and final cost reconciliation.
For fiscal year 2006, the Authority had three major funding sources: a portion of the Commonwealth’s statewide sales tax revenue, the proceeds of statutorily authorized Commonwealth General Obligation bonds and the proceeds of the MSBA’s inaugural bond issue. For fiscal years 2007 and beyond, the primary funding sources for the Authority will be the dedicated sales tax revenue and issuance of additional MSBA bonds and other debt obligations.

On August 15, 2005, the Authority issued $2.5 billion of Dedicated Sales Tax Bonds (the “Bonds”). The Bonds mature at various dates through August 15, 2030. The interest rates on the Bonds range from 3 percent to 5 percent. The Bonds are callable on or after August 15, 2015. The proceeds of the Bonds will primarily be used to fund grants to cities, towns and regional school districts for school construction and renovation projects.

The major component of the Authority’s expenditures for fiscal year 2006 was grant payments to cities, towns and regional school districts. These grant payments totaled approximately $2.0 billion which was composed of approximately $1.6 billion in grant payments to Waiting List projects and approximately $400 million in grant payment to Prior Grant projects. The other major component of the Authority’s expenditures resulted from partial-year debt service and related costs from the inaugural $2.5 billion bond issue of approximately $80 million.

At the end of fiscal year 2004, according to data maintained under the former program and furnished to the Authority, the Commonwealth was reimbursing cities, towns and regional school districts for 728 previously approved projects, with the Commonwealth’s estimated share of the borrowing and construction costs for these projects totaling approximately $5.1 billion. In addition, according to data compiled under the former program and furnished to the Authority, approximately 428 school projects were maintained on a waiting list for funding (“Waiting List projects”), with the Commonwealth’s estimated share of the borrowing and construction costs for these projects totaling approximately $5.5 billion. The amounts the Authority will ultimately fund for approved eligible project costs will be determined through an audit of the completed project conducted by the Authority. These audits may increase or decrease the project cost estimates and will determine the actual amount to be reimbursed.
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**MASSACHUSETTS SCHOOL BUILDING AUTHORITY**
Fiscal Year ended June 30, 2006

**(in thousands) 2006**

**Revenues**

<table>
<thead>
<tr>
<th>Description</th>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>47,190</td>
</tr>
<tr>
<td>Dedicated Sales Tax</td>
<td>488,700</td>
</tr>
<tr>
<td>Other Income</td>
<td>79,920</td>
</tr>
<tr>
<td>Contributions from Commonwealth</td>
<td>435,000</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>1,050,810</strong></td>
</tr>
</tbody>
</table>

**Expenditures**

<table>
<thead>
<tr>
<th>Description</th>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant payments to Cities, Towns and Regional School Districts</td>
<td>2,089,338</td>
</tr>
<tr>
<td>Administration</td>
<td>6,133</td>
</tr>
<tr>
<td>Debt Service and Cost of Issuance</td>
<td>79,823</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>2,175,294</strong></td>
</tr>
</tbody>
</table>

**Fund Balance**

<table>
<thead>
<tr>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,124,484</td>
</tr>
</tbody>
</table>

**(in thousands) 2006**

**Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, Cash Equivalents &amp; Other Assets</td>
<td>1,200,087</td>
</tr>
<tr>
<td>Funds held by Bond Trustee</td>
<td>329,300</td>
</tr>
<tr>
<td>Sales Tax due from Commonwealth</td>
<td>50,755</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>1,580,142</strong></td>
</tr>
</tbody>
</table>

**Liabilities**

<table>
<thead>
<tr>
<th>Description</th>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable &amp; Other Liabilities</td>
<td>1,022</td>
</tr>
<tr>
<td>Grants payable to Cities, Towns and Regional School Districts</td>
<td>6,257,568</td>
</tr>
<tr>
<td>Value of Waiting List Projects that have not started Construction</td>
<td>1,060,529</td>
</tr>
<tr>
<td>Outstanding Authority Debt and Accrued Interest</td>
<td>2,712,974</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>10,032,093</strong></td>
</tr>
</tbody>
</table>

**Net Assets**

<table>
<thead>
<tr>
<th>$ (in thousands)</th>
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</thead>
<tbody>
<tr>
<td>8,451,951</td>
</tr>
</tbody>
</table>

**(in thousands) 2006**

**Project Summary**

<table>
<thead>
<tr>
<th>Description</th>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Outstanding Estimated Waiting List Grant</td>
<td>($4,865,697)</td>
</tr>
<tr>
<td>Value of Outstanding Estimated Prior Grants</td>
<td>($4,652,164)</td>
</tr>
<tr>
<td><strong>Total Amount of Grants</strong></td>
<td>($9,517,861)</td>
</tr>
<tr>
<td>Waiting List Grants Paid</td>
<td>1,684,419</td>
</tr>
<tr>
<td>Prior Grants Paid</td>
<td>404,919</td>
</tr>
<tr>
<td><strong>Total Amount of Grant Payments during the Fiscal Year</strong></td>
<td><strong>2,089,338</strong></td>
</tr>
<tr>
<td>Estimated Remaining Waiting List Grants</td>
<td>($3,181,278)</td>
</tr>
<tr>
<td>Estimated Remaining Prior Grants</td>
<td>($4,247,245)</td>
</tr>
<tr>
<td><strong>Total Amount of Estimated Remaining Grant Payments</strong></td>
<td><strong>($7,428,523)</strong></td>
</tr>
</tbody>
</table>

Source: Massachusetts School Building Authority Audited Financial Statements for Fiscal Year 2006
2007 FINANCIALS

For fiscal year 2007, the Authority’s primary funding sources are a portion of the Commonwealth’s statewide sales tax revenue, and the proceeds of the MSBA’s 2007 Series A Bonds and other debt obligations.

In March of 2006, the Authority issued $1.5 billion of 2007 Series A Dedicated Sales Tax Bonds (the “Bonds”). The Bonds mature at various dates through August 15, 2038. The interest rates on the Bonds range from 3 percent to 5 percent. The Bonds are callable on or after August 15, 2017. The proceeds of the Bonds will primarily be used to fund grants to cities, towns and regional school districts for school construction and renovation projects.

The primary component of the Authority’s expenditures for fiscal year 2007 was grant payments to cities, towns and regional school districts. These grant payments totaled approximately $1.6 billion which is composed of approximately $1.2 billion in grant payments to Waiting List projects and approximately $400 million in grant payment to Prior Grant projects. The other major component of the Authority’s expenditures resulted from debt service and related costs from debt obligations issued by the Authority.

At the end of fiscal year 2004, according to data maintained under the former program and furnished to the Authority, the Commonwealth was reimbursing cities, towns and regional school districts for 728 previously approved projects, with the Commonwealth’s estimated share of the borrowing and construction costs for these projects totaling approximately $5.1 billion. In addition, according to data compiled under the former program and furnished to the Authority, approximately 428 school projects were maintained on a waiting list for funding (“Waiting List projects”), with the Commonwealth’s estimated share of the borrowing and construction costs for these projects totaling approximately $5.5 billion. The amounts the Authority will ultimately fund for approved eligible project costs will be determined through an audit of the completed project conducted by the Authority. These audits may increase or decrease the project cost estimates and will determine the actual amount to be reimbursed.

At the end of fiscal year 2007, the Authority’s estimated remaining liability totaled approximately $1.7 billion for Waiting List projects and approximately $3.8 billion for Prior Grant projects. The Authority expects to fund its remaining share of approved eligible project costs for Waiting List projects over the next several years upon completion of an audit of each project. The Authority expects to fund its remaining share of approved eligible project costs for Prior Grant projects according to the schedule that was established by the Department of Education which continues through fiscal year 2023.

"The information above was derived from the Authority’s audited financial statements for the fiscal year ending June 30, 2007 and the Official Statement for the Massachusetts School Building Authority’s Dedicated Sales Tax Bonds, 2007 Series A. This information is provided for general information purposes only and is not intended to be the basis of, and should not be relied upon in making, an investment in the Authority’s Bonds. The information set forth above is dated as of a certain date and has not been updated since that date, and the Authority disclaims any duty to provide an update of any information contained in this section."
## MASSACHUSETTS SCHOOL BUILDING AUTHORITY

**Fiscal Year ended June 30, 2007**

### Revenues

<table>
<thead>
<tr>
<th>Item</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated Sales Tax</td>
<td>$557,400</td>
</tr>
<tr>
<td>Investment and Other Income</td>
<td>$68,407</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$625,807</strong></td>
</tr>
</tbody>
</table>

### Expenditures

<table>
<thead>
<tr>
<th>Item</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant payments to Cities, Towns and Regional School Districts</td>
<td>$1,578,921</td>
</tr>
<tr>
<td>Administration</td>
<td>$6,706</td>
</tr>
<tr>
<td>Debt Service and Cost of Issuance</td>
<td>$186,316</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$1,771,943</strong></td>
</tr>
</tbody>
</table>

### Fund Balance

<table>
<thead>
<tr>
<th>Fund Balance</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>[in thousands]</td>
<td>$(1,146,136)</td>
</tr>
</tbody>
</table>

### Assets

<table>
<thead>
<tr>
<th>Asset</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, Cash Equivalents &amp; Other Assets</td>
<td>$1,930,867</td>
</tr>
<tr>
<td>Funds held by Bond Trustee</td>
<td>$481,850</td>
</tr>
<tr>
<td>Sales Tax due from the Commonwealth</td>
<td>$64,221</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$2,476,938</strong></td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th>Liability</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable &amp; Other Liabilities</td>
<td>$1,644</td>
</tr>
<tr>
<td>Grants payable to Cities, Towns and Regional School Districts</td>
<td>$4,480,246</td>
</tr>
<tr>
<td>Value of Waiting List Projects that have not started Construction</td>
<td>$932,980</td>
</tr>
<tr>
<td>Outstanding Authority Debt and Accrued Interest</td>
<td>$4,708,271</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$10,123,141</strong></td>
</tr>
</tbody>
</table>

### Net Assets

<table>
<thead>
<tr>
<th>Net Assets</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>[in thousands]</td>
<td>$(7,646,203)</td>
</tr>
</tbody>
</table>

### Project Summary

<table>
<thead>
<tr>
<th>Summary</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Outstanding Estimated Waiting List Grant</td>
<td>($3,044,963)</td>
</tr>
<tr>
<td>Value of Outstanding Estimated Prior Grants</td>
<td>($4,247,245)</td>
</tr>
<tr>
<td><strong>Total Amount of Grants</strong></td>
<td><strong>($7,292,208)</strong></td>
</tr>
<tr>
<td>Waiting List Grants Paid</td>
<td>$1,385,667</td>
</tr>
<tr>
<td>Prior Grants Paid</td>
<td>$493,315</td>
</tr>
<tr>
<td><strong>Total Amount of Grant Payments/Audit Adjustments during the Fiscal Year</strong></td>
<td><strong>$1,878,982</strong></td>
</tr>
<tr>
<td>Estimated Remaining Waiting List Grants</td>
<td>($1,659,296)</td>
</tr>
<tr>
<td>Estimated Remaining Prior Grants</td>
<td>($3,753,930)</td>
</tr>
<tr>
<td><strong>Total Amount of Estimated Remaining Grant Payments</strong></td>
<td><strong>($5,413,226)</strong></td>
</tr>
</tbody>
</table>

Source: Massachusetts School Building Authority Audited Financial Statements for Fiscal Year 2007
MEETINGS, SITE VISITS, AND HEARINGS

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. To that end, the MSBA has made over 400 site visits to more than 140 school districts as part of the MSBA’s due diligence process in assessing the Statements of Interest. In addition, the MSBA has held over 100 meetings with local officials to answer questions about the new program and explain the next steps in the collaborative grant process.
IN THE NEWS

Salem News, August 2006
Editorial
Scrutinizing School Building Program

...“Closer state oversight—the price of continued state funding for school construction—is a welcome development. It should bring heightened attention to detail, better planning and the end of foolish fads like open-concept schools. And it should mean taxpayers will get a better return on their school construction dollars.”

Editorial
Elementary Schoolhouses

“Back to Basics is the message to cities and towns in the new draft regulations from the State’s School Building Authority ... Fairness dictates that available funds be used to ensure that the maximum number of communities be provided with modern classrooms, labs, gyms, and other essentials.”

Sharon Advocate, June 23, 2006
Opinion Editorial
Letter: A Better way to finance new schools

“The new School Building authority will be nothing like the program abandoned four years ago. Under the direction of State Treasurer Tim Cahill, drastic changes have been made—a breath of fresh air in a state known for the blind eye it turns to contractors who take advantage of this lack of oversight. The new program promises transparency and accountability.”

Berkshire Eagle, April 27, 2006
Editorial
Supersized Schools

“A study by the state School Building Authority has found that 90% of schools built in the past decade, during the fat years of state school construction funding—derisively known as the “Little Dig” by some—were bigger than state size limits. Regional school districts ... which are in various stages of planning significant new buildings must be honest with themselves and taxpayers about the future. It requires careful research and planning on enrollment and funding projections, and a frank discussion about what the community needs and expects from its school.”

Marblehead Reporter, June 22, 2006
Editorial
Better School Reimbursement

“Local officials mostly want to know how big a school they can build and how much of the cost the state will cover. But all who pay state taxes should care whether the new program is fair, encourages efficiency and provides accountability. On those grounds, it looks like a significant improvement.”

Worcester Telegram & Gazette
September 7, 2007

“Under the guidelines developed last year by the new Massachusetts School Building Authority, school planning/design is a collaborative process. Districts proposing to abandon existing schools and to build anew must show why that is necessary. No longer are state funds awarded to pay for architects’ fancies or amenities that have little to do with the quality of education.”

New Bedford Standard Times
February 9, 2007

“The new authority created by the Legislature in 2004 and established the following year, promises to give much greater scrutiny to proposed school building projects before approving large sums of state money for towns and cities. This is long overdue.”