

## **Massachusetts School Building Authority**

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### *New MSBA Rules: How will the new state school building grant program work?*

Treasurer Tim Cahill, Chair  
Katherine Craven, Executive Director

### **The Independent Massachusetts School Building Authority Runs the Commonwealth's School Building Grant Program**

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**The MSBA was created to replace the former unsustainable school building assistance program:**

- 428 projects built up on a Waiting List
- 10-15 year wait for state funding
- Committed over \$11 Billion in state funding without a dedicated funding source
- Audit backlog of over 800 projects
- Little control or oversight

**Chapter 208 of the Acts of 2004 ended the former school building assistance program and created the MSBA, charged with:**

- Succeeding to the powers of the Department of Education, inheriting over \$11 billion in outstanding payments for 1,156 projects authorized under the former program;
- Achieving the effective management, planning and financial sustainability of a new program for school building construction grants;
- Revising regulations for a new program of grants for school construction
- Maintaining new Grant Program within a statutory cap and availability of funds.
- Ending moratorium and accepting applications for new Grant Program starting July, 2007

## Massachusetts' Version of the Marshall Plan for School Construction

**Massachusetts has expended over \$20B--\$15B in state tax dollars-- on  
local schoolhouse capital facilities over the past 20 years**

- Of the 1,817 schools in the Commonwealth, 1,156, or 63%, are currently or recently reimbursed for construction or renovation projects undertaken between 1986 and 2005 with an approximate MSBA cost of \$11 billion

**The condition of the 1,817 Massachusetts schools is generally good**

- Over 76% rated in generally good condition
- Only 3%, or 62 schools, rated in need of substantial work
- There was little correlation between the relative wealth of a school district and the general condition of the school buildings within that district

**Almost one-half of the current school facility square footage is new or recently renovated—are these projects being maintained?**

**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**

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City/Town/Regional School District	Students in District 2006	# of schools	# of Recent Projects	Estimated Total Cost of Recent Projects	Enrollment trend since 2003
Boston	57,349	139	176	\$ 869,651,224	-6.8%
Springfield	25,206	43	34	\$ 709,356,708	-5.2%
Lowell	14,096	23	26	\$ 436,381,608	-8.9%
Worcester	24,023	47	39	\$ 433,292,655	-6.6%
Lawrence	12,273	18	10	\$ 369,429,607	-2.5%
Fall River	10,989	30	16	\$ 294,739,347	-9.6%
Newton	11,567	22	19	\$ 272,726,539	1.8%
Taunton	6,245	16	26	\$ 261,438,030	-1.8%
Salem	4,638	10	14	\$ 231,001,024	-7.2%
Wachusett Regional	7,085	11	11	\$ 230,342,369	3.4%
Cambridge	5,803	13	20	\$ 221,620,331	-14.3%
Brockton	15,896	25	22	\$ 179,292,848	-4.8%
Somerville	5,136	12	13	\$ 173,861,105	-10.8%
Chelsea	5,495	9	7	\$ 187,686,446	-4.9%
Shrewsbury	5,873	9	6	\$ 155,974,088	10.4%
Westford	5,216	10	14	\$ 146,338,915	5.9%
Barnstable	4,728	11	4	\$ 132,403,988	-24.1%
Attleboro	6,196	10	12	\$ 131,237,451	-7.9%
Easton	3,875	7	4	\$ 127,002,735	0.7%
Holliston	2,971	4	10	\$ 107,056,431	-3.6%
Falmouth	4,144	7	17	\$ 105,649,413	-9.5%
Plymouth	8,451	14	8	\$ 100,440,436	-5.4%
Belchertown	2,602	5	4	\$ 83,236,280	6.6%
Danvers	3,592	7	9	\$ 77,641,557	-2.6%
Norwell	2,217	4	5	\$ 64,735,401	9.8%
Gateway Regional	1,391	7	12	\$ 47,634,837	-4.6%
Mohawk Trail	1,314	5	6	\$ 41,070,322	-15.9%
Wayland	2,925	5	4	\$ 26,924,364	0.1%
Burlington	3,551	6	6	\$ 24,106,576	1.1%
Norwood	3,616	8	24	\$ 20,979,888	-3.3%

## Problems Inherited – Efficient Solutions Implemented

Inherited Problem	Implemented Solution
428 Waiting List projects with no certain funding date for reimbursement	250 projects fully paid; most projects have received payments
\$5.5 billion Waiting List projects with no funding solution	\$3.5 billion already paid for Waiting List projects; funding solution in place for balance
10-15 year wait for first payment of state funding led to local uncertainty	MSBA provides funds promptly under Progress Payment system
Over \$11 billion in state funding for 1,156 locally owned school projects without a dedicated funding source	One Cent of statewide sales tax dedicated to the MSBA. MSBA cannot expend funds in excess of statutory spending cap.
Audit backlog of over 800 projects; Commonwealth did not know what it actually owed to communities	Over half of the auditable projects have been audited, and nearly all remaining audits in progress. Audits have identified \$359 million in savings to MSBA
Little centralized state oversight	MSBA statute and new regulations provide accountability over local school construction spending decisions

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## Old Process Unsustainable – New Process Measured

Programmatic Problem	MSBA Solution
Local Communities developed project scope; little room for State input in local decisions	MSBA reviews designs, scope and cost decisions at designated benchmarks during process
State did not exercise consistent policy of distribution of resources	MSBA grant distribution based upon need (building condition) and urgency (enrollment)
State did not live within an annual budget for grant distribution	MSBA must adhere to \$500M annual project cost cap
State did not have any way to benchmark projects submitted by locals	MSBA has already completed first Needs Survey, more thorough Facilities Assessments to follow.
Locally derived enrollment estimates were significantly overstated in many cases	MSBA will have process in place for districts to double check enrollment figures
Many districts have problems maintaining, operating, even opening new buildings due to local funding constraints	MSBA asks for your district's facility problem, then may assist in finding an affordable, equitable, and educationally sound solution

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## Significant Progress Made in Short Time Frame

### *FINANCE & MUNICIPAL AID INITIATIVES:*

- Developed an accelerated payment system to distribute nearly \$5B since 2004
- Bond rating upgrade for Authority to AA+ (S&P, 9/06)
- Issued \$4B in bonds in 2 years to fund Waiting List projects
  - Largest bond deal in MA history, 2005
  - Initiated a \$500M Commercial Paper program, 2007
- Developed and implemented a Progress Payment System for projects under construction: Pay as you Build
- Cities and towns have saved millions of dollars in interest costs related to school construction
- More efficient financing through the Authority has freed up over \$1B in municipal resources which otherwise would have been issued for school construction

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## New Regulations: Highlights

### ***Completed first major redraft in 60 years ... with help of MASS and MASC!***

#### **Created logical application process**

- Process begins with local identification of a problem, not a solution
- MSBA validates the problem through independent facility/maintenance assessment and enrollment projection
- MSBA works in collaboration with local districts on formulating a solution that is in best interest of both the MSBA and the local district
- MSBA works in collaboration with local districts on implementing agreed upon solution – clearly defined scope and budget, MSBA change-order review process
- MSBA and local district agree on an itemized construction budget, schedule and scope prior to MSBA approval

#### **Building Prototype Guidelines:**

##### **Sliding scale for school sizes based upon enrollment**

- New size standards are more sensitive to actual building layouts, and they remove bias toward larger and more costly facilities

##### **"Pay as you Build" Payment System**

- Approved projects reimbursed monthly based on submitted project invoices
- Approved projects will not wait indefinitely for state funding

##### **"Audit as you Build" Audit System**

- Monthly submissions of invoices are audited as they are submitted
- No longer years of delay between project completion and final audit results

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## Finishing the Wait List Projects

- Many communities were not ready for funding when we are ready to pay 100%
- MSBA initiated \$150M loan program at 2% to help further fund the Wait List projects
- Many communities dropped projects that they didn't even need/want/could afford any more in favor of projects that were over-budget...

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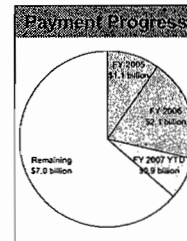
## MSBA Has Made Significant Progress in 2 Years

### Payments

Paid approximately \$4.5 billion to cities, towns, and school districts, for 350 of 428 Waiting List projects

#### "Pay as you Build" Payment System

- Approved projects reimbursed monthly based on submitted invoices
- Approved projects will not wait indefinitely for state funding

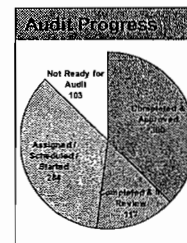


### Audits

- Significantly reduced the 804 project audit backlog inherited from the Department of Education

#### "Audit as you Build" Audit System

- Monthly submissions of invoices are audited as they are submitted
- No longer years of delay between project completion and audit results



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## Sales Tax Performance

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- FY2007 sales tax dedicated to MSBA has experienced little growth.
- For FY2008, the MSBA anticipates receiving the sales tax guaranteed minimum amount of \$634.7M
- Legislature and Governor have committed an increase of 14% to cover losses in sales tax—only until guarantee runs out in FY2009
- Sales tax revenues received each month in accordance with the MOU

Fiscal Year	Percentage of DSTR	Guaranteed Minimum
2006	70%	\$488.7
2007	78	557.4
2008	85	634.7
2009	90	702.3
2010	95	NA
2011 and thereafter	100	NA

\* Note: tax on meals and sales in convention center areas are not included in the MSBA Dedicated Sales Tax Revenue

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## NEW PROGRAM APPROVAL PROCESS

October 2007-January 2008

## New MSBA Approval Process

- Rolling Capital Pipeline
- \$500M/year annual MSBA grant cap
- State match leverages \$800M+ total school facilities spending annually
- Projects will be selected on the basis of need and urgency as compared to other communities—not every community may get a project
- Approved Projects will be reimbursed as communities build them

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## \$500M in FY2008 is cause to rejoice!

- \$2.5B over 5 years for local schools is more capital funding than the Commonwealth gives to its highways, higher education facilities, or its own infrastructure
- Wait list experience tells us that matching our funds to local readiness is important
  - Out of 428 projects on the “list” before 2003, almost 70 remain in early construction stage years later
  - Some districts will not be able to make substantial completion date of July, 2009

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## Stretching our resources....



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## Timeline for New Program

- October, 2007 Board Meeting
- \* • November, 2007 Board Meeting:  
Preliminary Rolling Prioritizations
- Background work for Feasibility Studies
- Pace will vary by community depending upon unique community factors once the MSBA Board votes to move a project towards funding

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## The New Process Overview

### 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

### 3. Evaluation of potential solutions

- MSBA and local community work in collaboration to identify potential solutions

### 4. Confirm the solution

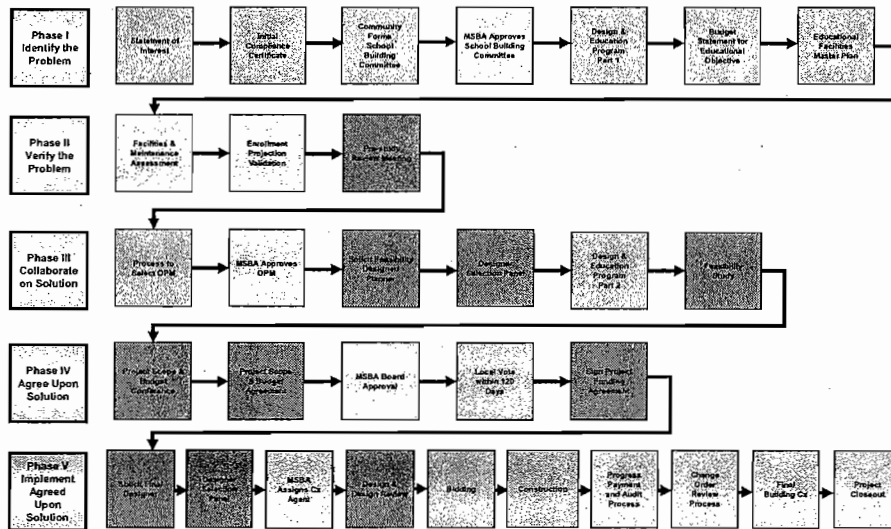
- MSBA and local community agree on solution and appropriate course of action

### 5. Implement the agreed upon solution

- MSBA and local community continue collaboration through design and construction

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## MSBA New Project Process Flow



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The eight (8) statutory funding priorities are listed on the first page of the Statement of Interest. They are:

1. Replacement or renovation of a building which is structurally unsound or otherwise in a condition seriously jeopardizing the health and safety of school children, *where no alternative exists, as determined in the judgment of the Authority;*
2. Elimination of *existing severe overcrowding, as determined in the judgment of the Authority;*
3. Prevention of loss of accreditation, *as determined in the judgment of the Authority;*
4. Prevention of severe overcrowding expected to result from increased enrollments, which must be substantiated, *as determined in the judgment of the Authority;*
5. Replacement, renovation or modernization of the heating system in any schoolhouse to increase energy conservation and decrease energy related costs in the schoolhouse, *as determined in the judgment of the Authority;*
6. Short term enrollment growth, *as determined in the judgment of the Authority;*
7. Replacement or addition to obsolete buildings in order to provide a full range of programs consistent with state and approved local requirements, *as determined in the judgment of the Authority;* and
8. Transition from court-ordered and approved racial balance school districts to walk-to, so-called, or other school districts, *as determined in the judgment of the Authority.*

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## Statements of Interest Received

- 422 statements submitted
- 161 different districts represented
- 91 of the SOI's are related to buildings that were rated 1 or 2 in MSBA Needs Survey (pretty good shape to brand new schools)
- Over half the requests relate to Elementary Schools
- Many requests are for roofs, boiler renovations, and other moderate repairs
- Include everything from overcrowding to obsolescence

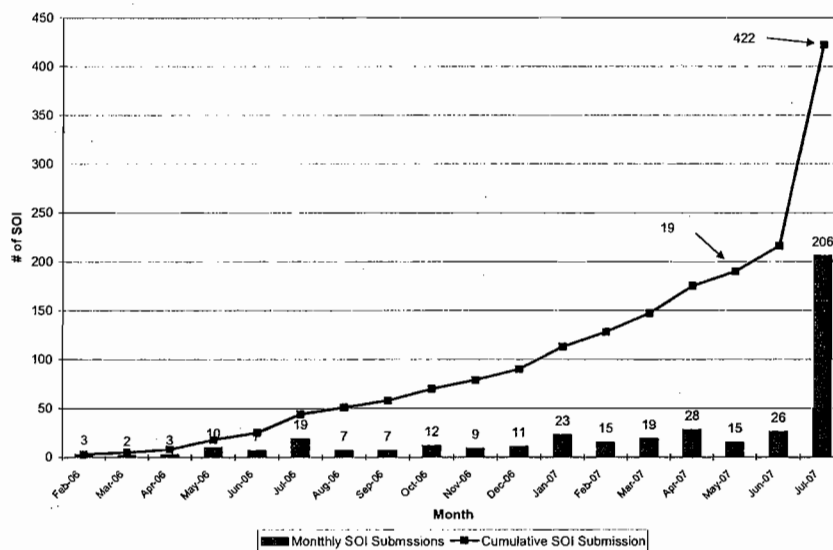
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## MSBA Types of SOI

- 127 Prioritized by District (not including Vo-tech)
- 9 Vocational Schools
- 14 Repairs
- 272 Future Review SOI
  
- GOAL: work within each category to advance projects through MSBA pipeline

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Statement of Interest Submissions by Month



## MSBA Criteria for Need and Urgency

- Building Condition
- Crowdedness
- Ability to Deliver Education Program
  - General Environment
  - Good or Terrible Maintenance Practices
  - Local Financial Support for Maintenance and Capital but also General Education

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## NEXT STEP: STATUS REVIEW MEETINGS

- Each of the 127 Priority SOI districts will receive a call within the next 10 days to schedule with MSBA
- Regional Meetings TBD
- Consist of Superintendents, Town Finance, School Committee Officials with MSBA staff
- Voc School discussion with DOE and volunteer council

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## Status Meeting Discussion Points

- Review of SOI and Senior Study or other MSBA assessments
- Discussion of Local Educational Budgets
- Enrollment Trends
- District Maintenance Practices
- General Educational Goals
- Discussion of Local Master Plans, if any
- Local Consolidation Plans
- Plans for New Buildings
- Baseline potential MSBA reimbursement percentage
- DISCUSSION of next steps: Owner's Project Manager and Feasibility Study

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## Projecting Enrollment

### Goals

- To determine the adequacy of the size and number of K-12 school facilities pursuant to our statutory mandate
- To create a web-based tool for use by school districts to save districts from having to contract out this work
- To create a consistent methodology for projecting school enrollment at state, local and regional district levels through 2016

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## Projecting Enrollment

### **Approach**

- Use a modified Cohort Survival Method
- Take into account historic birth to kindergarten ratios and fertility rates of women of child-bearing age
- Take into account demographic factors that will potentially influence enrollment change

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## Projecting Enrollment

### **Factors to be considered**

- Immigration factors including both inter-state and intra-state migration patterns and their effect on public school enrollment in Massachusetts
- Housing starts and housing turnover
- Other regional factors such as improvements to transit and transportation systems

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## Projecting Enrollment

### **Next Steps**

- Test methodology on 3 districts (Naragansett, Tewksbury, Grafton) having different enrollment patterns and school facility conditions
- Get feedback on methodology from stakeholders in the education community and MAPC
- Refine methodology
- Engage web designer to convert methodology into an accessible tool on MSBA website

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## Senior Study Visits

- 233 schools in 93 districts since June, 2007—some multiple visits to a single school
- Plan to complete by end of October
- Study includes:
  - General summary of Building Condition
  - Site analysis
  - Building Enclosure analysis
  - MEP
  - Interiors
  - Programs and Operation
  - Capacity and Utilization
  - Maintenance/Capital Repair

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## Building Condition

- Building Structure: open floor plan classrooms
- Traditional Classroom review: size, attributes, lighting
- Science Lab review: description of how they fulfill educational program
- Non-traditional Classroom: converted spaces
- Multipurpose rooms
- Sped: where does it take place? Hallways? Dedicated classrooms?
- Vocational Spaces: quality, equipment
- Auditorium: seating, size, equipment
- Cafeteria: number of seatings, equipment
- Gymnasium: general condition

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## Reimbursement Rates, per C70B

- Base rate of 31%
- Ability to Pay Factors:
  - EQV Property Wealth 0-28% (Source:DOR)
  - Median Income Comparison 0-12% (Source:DOR)
  - % of Students in Federal Free/Reduced Lunch 0-17% (Source: DOE)

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## Reimbursement Rates (continued)

- INCENTIVE POINTS:
  - 3% Innovative Community Use
  - 2% Energy Efficiency
  - 0-8% Maintenance of Other Buildings
  - .5% match for every 1% privately raised....
  - 4% “Alternatives to Construction”: CM at Risk?
  - 0-5% for Renovations:
    - 5% Reno
    - 4% Major Reconstruction
    - 0% New

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## Community-MSBA Involvement at Each Step of Process

- ✓ Eligible Applicant and School Building Committee roles: definition and communication
- ✓ Statement of Interest: voted on locally
- ✓ Pre-Study Review conference: agreement between MSBA and Community
- ✓ Educational Goals and Budget Review: formulated locally with community participation and discussed with MSBA
- ✓ Feasibility Study: Community controls the process within MSBA parameters
- ✓ Project Scope, Cost and Timeline: Need to be discussed locally once agreement with MSBA is reached on these items

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## Intensive Pre-Design Planning Process Yields Better Results

- Goal: Feasibility Studies should be informed by educational goals, available operating resources to achieve those goals, realistic enrollments, realistic site assessments.
  - *“Defining exact need*
  - *Coordinating the project with institutional policy*
  - *Creating a project program, a project budget and a project schedule”*
    - » *From the Society for College and University Planning*

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## MASS requested “10 commandments”



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## MSBA 10 Commandments

1. Follow MSBA Process: Progress during Moratorium will be individually negotiated, but after July 1, 2007 all districts should work within our new process
2. Maintain thy buildings!
3. Projects that are categorically ineligible (admin space, 10 year rule) will be enforced

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## 10 Commandments (continued)

4. MSBA will not violate the budgetary constraints placed upon us
5. Have realistic expectations of scope which we can fund
6. Love thy neighbor...their school may be worse than yours
7. If you hire professionals (architects, Project Managers) without MSBA agreement to pay, caveat emptor!

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## *Other Initiatives*

How else can we help become a central resource  
for you?

- Science Labs
  - Modernization
  - Impact of testing/curriculum
- Classroom technology
  - Apple/Microsoft wireless learning
  - Federally sponsored E-Rate improvements
- Capital Planning and Maintenance Workshops (MASS assistance)



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**Questions?**

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