MEMORANDUM

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
DATE: August 20, 2025
RE: Recommendation to Revise MSBA Project Funding Level Policy

---

In accordance with past practices, staff have completed an updated review of proposed project costs, grant data, and the MSBA's annual program funding cap. This memorandum presents revisions to MSBA funding levels for Core Program projects regarding fixtures, furniture, and equipment ("FF&E") and computer equipment; Owner's Project Management ("OPM") and Designer services; and construction costs, including building costs, sitework costs, and demolition and abatement costs. Revisions to MSBA's Funding Level Policies regarding eligible costs are recommended, as outlined in this memorandum, to be effective on or after January 1, 2026. Information regarding staff's recommendations were presented and discussed at the Facilities Assessment Subcommittee meeting on July 16, 2025.

Background

The MSBA's enabling statute places a limit upon the estimated amount of grants, the annual program funding cap ("Annual Cap"), that can be approved by the MSBA during a fiscal year. That limit is tied to the rate of growth, by percentage, of dedicated sales tax revenues. A limit of $500 million was set in 2008 and, for each fiscal year thereafter, that limit was revised by an amount that was proportional to the actual rate of growth in the dedicated sales tax up to a maximum increase of 4.5%.

For fiscal year 2020 ("FY20"), the Student Opportunity Act increased the limit on the amount of grants that could be approved by the MSBA to $800 million, resulting in an increase of approximately $175 million in the statutory limit for FY20. For FY23, the legislature, in the Commonwealth's FY24 Budget, increased the annual cap to $1.2 billion and removed grants related to the Accelerated Repair Program from the accounting of the Annual Cap retroactive to FY23, adding approximately $364 million combined to the MSBA's Annual Cap. Further, this legislative action also increased the allowable annual growth rate in the Annual Cap from a maximum increase of 4.5% to a maximum increase of 6.5%.

To most effectively meet the needs of districts across the Commonwealth, while ensuring a sustainable program within the Annual Cap, the MSBA has, throughout the course of its grant program, set funding levels on reimbursable costs, adjusting with the intent to help the most districts to the extent possible within the Annual Cap.

Among the MSBA's current reimbursable levels, the FF&E funding level is up to $1,200/student and the computer equipment funding level is up to $1,200/student. Both utilize the mutually agreed upon design enrollment. These funding levels were set early in 2009 and remain in effect today.

Historically the MSBA reimbursed eligible OPM basic services up to 3.5% and designer basic services up to 10% of the district's proposed construction costs. To promote parity in the distribution of grant dollars for consultant services, in June 2021, the MSBA implemented a funding level up to $500 per square foot ("/sf") for the applied construction costs. This funding level was raised to $550/sf in October of 2022 and remains in effect today.

For construction, the MSBA first set a reimbursable funding level of $275/sf plus demolition and abatement for eligible construction costs for Core Program projects early in 2009, which remained in effect until June 30, 2014. Between 2009 and 2018, staff increased the MSBA reimbursable construction level five times based on the growth rate of the dedicated sales tax. On June 23, 2021, the MSBA increased the reimbursable construction limit to $360/sf, based on a comparison of anticipated grant obligations and estimated Annual Cap, including the return of final audit savings.

Since June 2021, the MSBA has increased construction cost funding levels three times based on a review of anticipated grant obligations and the Annual Cap. Due to a temporary pause in the Accelerated Repair Program in 2022, the MSBA was able to increase the construction cost funding level by 20% on December 21, 2022, up to $432/sf ($393/sf for building costs, plus $39/sf for eligible sitework costs). Following the legislation authorized in the Commonwealth's FY24 Budget, the MSBA increased the construction cost funding level on October 25, 2023, by approximately 40% up to $605/sf ($550/sf for building costs, plus $55/sf for eligible sitework costs). Most recently, on August 28, 2024, the MSBA increased the construction cost funding level to $645/sf ($586/sf for building costs, plus $59 for eligible sitework costs), effective January 1, 2025.

Finally, within the construction budget, the MSBA reimburses districts for demolition and abatement costs, except for those related to asbestos containing floor and ceiling tiles as well as contaminated soil, a policy that has been in effect since 2009.

Discussion

This year's review, described below, includes an evaluation of funding levels related to FF&E and computer equipment; OPM and Designer services; and construction cost funding levels, including building costs, sitework costs, and demolition and abatement cost. The evaluation of funding levels is similar in its approach to the analysis performed previously in that it compares anticipated grant obligations for projects currently in the grant program to the estimated value of the MSBA's Annual Cap over time, to then plan for available Annual Cap space that could be applied to future SOI invitations.

<u>Fixtures, Furniture and Equipment, and Computer Equipment Funding Level Review</u>

In the Fall of 2024, a Fixture, Furniture, and Equipment Policies Committee ("the Committee"), consisting of MSBA staff from various departments, was established to review current funding levels associated with FF&E and computer equipment. FF&E generally refers to desks, seats, tables, storage shelves, and other non-permanent furniture and equipment. Computer equipment

generally refers to laptops, tablets, mobile charging carts, audio/visual equipment and other non-permanent technical equipment and devices.

The Committee reviewed budgeted and actual spending data for 28 projects that had received MSBA Board of Director ("Board") approval of their proposed project scope and budget in FY18 through FY20 and had submitted all costs related to FF&E and computer equipment. Staff also reviewed budgeted data for 18 projects that received Board approval for project scope and budget in FY24 and FY25 (actual spending data not yet available).

The evaluation of program specific FF&E and computer equipment needs associated with Regional Vocational Technical and Agricultural High Schools was beyond the scope of this review and was not considered as part of this review.

The Committee considered six options for FF&E and five options for computer equipment, discussed the options with leadership, and recommended increases to FF&E and computer equipment funding levels to the midpoint between the current funding levels and the average estimated budgets for projects approved in FY24 and FY25.

- FF&E: Increase funding from $1,200/student to $1,915/student; and
- Computer Equipment: Increase funding from $1,200/student to $1,570/student

For additional information regarding this analysis, refer to Attachment A - Fixtures, Furniture and Equipment, and Computer Equipment Funding Level Review.

The recommended funding level increases for FF&E and computer equipment are considered a one-time increase, although subject to annual review. The recommended funding levels are assumed to remain constant in the modeling used to inform this year's funding alternatives.

Owner's Project Management and Designer Services Funding Level Review

Staff compared the estimated budget for OPM and designer fees for basic services to MSBA's reimbursable funding levels for 56 Core Program projects approved for project scope and budget since June of 2021, when the first funding level on OPM and designer fees was implemented. Fees included in estimated budgets for both have continued to grow with construction costs, generally in line with 3.5% and 10% of the district's proposed construction costs respectively.

For additional information regarding this analysis, refer to Attachment B - Owner's Project Management and Designer Services Funding Level Review.

Staff is recommending that the MSBA funding level for OPM and designer fees be increased to a funding level up to the sum of the MSBA's Building Construction Cost and Sitework funding levels. In the modeling used to inform this year's funding level review, the recommended funding levels for OPM and Designer services are assumed to escalate at the same rate as the assumed escalation of the MSBA's Building Construction Cost and Sitework funding levels.

Sitework Cost Review

In FY25, staff considered five years of estimated sitework costs as established at the conclusion of schematic design (when the project is approved by the MSBA Board of Directors for project scope and budget) and sitework costs included in the schedule of values received with General Contractor Bids or Guaranteed Maximum Price Contracts (See: "Recommendation to Revise MSBA Project Funding Limits Policy", August 21, 2024).

Based on the FY25 staff review, significant changes in sitework costs per building square foot were noted, likely the result of increasing construction costs rather than a separate trend specific to sitework costs, and sitework costs exceeded 10% of the district's construction budget for a majority of the projects. To explore the potential to provide additional financial support to districts for increasing sitework costs, staff considered alternatives with sitework funding levels beyond the current 10% of MSBA's Building Cost Funding Level.

For additional information regarding this analysis, refer to Attachment C - Updated Site Cost Funding Review.

In the modeling used to inform this year's funding level review, sitework cost funding levels are assumed to escalate at the same rate as the assumed MSBA's Building Construction Cost funding levels.

Evaluating Potential Funding Levels and Potential Future Project Invitations

Similar to FY25, staff analysis includes projects currently in the grant program and potential future SOI invitations, based on a typical project reflecting the average enrollment, eligible building size, and reimbursement rate as described below. MSBA staff applied its funding policies and project averages to estimate a maximum total facility grant for each potential project. The potential grant obligation for future SOI invitations and the available Annual Cap is estimated based on the assumptions in Table 1 – Cost Review Assumptions, below. For comparison, the assumptions from FY25 and FY26 are provided.

Table 1 – Cost Review Assumptions

Factor	**FY25 Assumptions**	**FY26 Assumptions**
Feasibility Study Agreement Maximum Total Facility Grant	$600,000 obligated 2 fiscal years after SOI submittal	$1,117,000 obligated 2 fiscal years after SOI submittal
Average Enrollment	757 students	740 students
Eligible Building Area	160,000 sf	155,000 sf
Average Demolition & Abatement (proposed eligible building area)	$16/sf	$34/sf
Consultant Fee Funding Level OPM – 3.5% of Funding Level Designer – 10% of Funding Level	$550	Variable (Building + Site)
Fixtures, Furniture & Equipment (FFE)	$1,200/student	$1,915/student

Factor	FY25 Assumptions	FY26 Assumptions
Computer Equipment	$1,200/student	$1,570/student
Reimbursement Rate with Incentive Points	63.18%	62%
Project Obligation of District's Proposed Project Scope and Budget	100% approved 4 fiscal years after SOI submittal	90% approved 4 fiscal years after SOI submittal
Escalation in Future Construction Costs	6.5%	3.25%
Growth Rate in Annual Cap	6.5%	3.25%
SOI Invitations (FY25-FY34)	Short term increase then stabilize	Stable Level of Invitations

For each potential funding level option, staff estimated the maximum total facilities grant for projects currently in the grant program that have not yet secured Board approval of a proposed project scope and budget, and a number of future SOI invitations. The total of the projected grants in each year were then compared to the estimated Annual Cap. This process was repeated iteratively for each option to assess potential numbers of future SOI invitations that could be financially supported within the estimated Annual Cap. The results are summarized in Table 2, below.

Table 2 – MSBA Funding Level Options

Option	Funding Levels	Estimated Average 2025-2027 SOI Invitations	Estimated Average Sustainable Level of Invitations
1-No Change	FF&E: $1,200/student Computer Equipment: $1,200/student OPM & Designer: $550[1]/sf Site: $59 (10%[2]) Building: $586	17.7	17.0
2	FF&E: $1,915/student Computer Equipment: $1,570/student OPM & Designer: $666[1]/sf Site: $61 (10%[2]) Building: $605 (+3.25%)	15.0	15.9
3	FF&E: $1,915/student Computer Equipment: $1,570/student OPM & Designer: $686[1]/sf Site: $62 (10%[2]) Building: $624 (+6.5%)	15.0	15.0
4	FF&E: $1,915/student Computer Equipment: $1,570/student OPM & Designer: $678[1]/sf Site: $73 (12%[2]) Building: $605 (+3.25%)	15.0	15.4

1. OPM funding level is 3.5% of OPM & Designer funding level and designer funding level is 10% of OPM & Designer funding level.
2. Percentage of MSBA Building Cost Funding Level

Demolition and Abatement Funding Level Review

Within the construction budget, the MSBA currently reimburses districts for demolition and abatement costs, except for costs associated with asbestos containing floor and ceiling tiles as well as contaminated soil.

Staff reviewed demolition and abatement costs, as estimated at the conclusion of schematic design, for 37 projects that received Board approval for project scope and budget in FY23-FY25 and noted the following:

- Five had no demolition and abatement costs as demolition of the existing school was not required because the proposed school is located on a different site;
- Estimated costs ranged from $18.62/sf to $77.44/sf with an average cost of $36.61/sf for the schools being demolished;
- Estimated costs related to demolition and abatement of asbestos containing floor and ceiling tiles ranged from $0.34/sf to $11.97/sf with an average cost of $4.84/sf for existing schools being demolished; and
- Ineligible costs associated with demolition and abatement of asbestos containing floor and ceiling tiles represented less than 1% of current construction funding levels.

To participate in most of the costs for most of the districts, staff considered a reimbursement funding level of up to $42/sf (75th percentile of demolition and abatement costs for the 32 of 37 schematic design submittals received over the last three fiscal years that include demolition and abatement costs) applied to the existing school building being demolished. Staff also considered changing the current policy to allow for reimbursement for costs associated with demolition and abatement of asbestos containing floor and ceiling tiles.

To assess the impact implementing these two policy recommendations would have had on district grants and the Annual Cap, staff applied the recommendations to the 37 schematic design submittals submitted to the MSBA over the last three fiscal years.

- Eight would not be impacted by the proposed changes in policy either because the projects were built on a new site and did not include demolition and abatement costs, or the existing building did not include asbestos containing tiles and overall demolition and abatement costs were below the $42/sf funding level.
- Fifteen districts would realize the full value of the asbestos tile abatement as being eligible within the basis of grant resulting in an increased grant of $373,982 on average.
- Six districts would realize an increased grant of $222,747 on average but not all of their demolition and abatement costs would be eligible for reimbursement because the overall cost of demolition and abatement increased beyond the maximum $42/sf funding level.
- Eight districts would see a decrease averaging $557,225 because the overall cost of demolition and abatement increased beyond the maximum $42/sf funding level; and

- The total increase in grants was estimated to be $2,488,408, which would have represented 0.11% of the total $2,185,141,399 in approved grants for the 37 projects.

These two policy recommendations will promote parity in the distribution of grant dollars, bring the reimbursement of demolition and abatement costs more in line with other cost reimbursement policies, and support most of the cost for most of the districts.

For additional information regarding this analysis, refer to Attachment D - Updated Demolition and Abatement Funding Review.

In the modeling used to inform this year's funding level review, the recommended funding levels for demolition and abatement are assumed to escalate at the same rate as the assumed escalation of construction costs and are included in each of the funding level options in this year's review.

Recommendations

Based on this review, the findings described above, and discussions during the Facilities Assessment Subcommittee meeting on July 16, 2025, staff recommend the following changes to the MSBA's project funding limits policy:

- Adjust the current policy of funding from $1,200/student for FF&E to $1,915/student.
- Adjust the current policy of funding from $1,200/student for computer equipment to $1,570/student.
- Adjust the current policy of funding from $586/sf for building costs, plus eligible demolition and abatement (exclusive of eligible sitework costs), to $605/sf for building costs, plus eligible demolition and abatement (exclusive of eligible sitework costs);
- Adjust the current sitework cost allowance guidelines from 10% of building cost for otherwise eligible sitework costs to 12% of the MSBA's building cost funding limit for otherwise eligible sitework costs;
- Apply MSBA's updated sitework cost allowance guidelines to include up to $73/sf for otherwise eligible sitework costs in addition to the proposed building cost increase of $605/sf, plus eligible demolition and abatement;
- Adjust the current policy of funding up to 3.5% of a maximum funding level of $550/sf, or the construction budget, whichever is less, to funding up to 3.5% of a maximum funding level that is equal to the sum of MSBA's building cost funding level ($605/sf) and MSBA's sitework costs allowance ($73/sf), or $678/sf, or the construction budget, whichever is less, for otherwise eligible Owner's Project Management basic services;
- Adjust the current policy of funding up to 10% of a maximum funding level of $550/sf, or the construction budget, whichever is less, to funding up to 10% of a maximum funding level that is equal to the sum of MSBA's building cost funding level ($605/sf) and MSBA's sitework costs allowance ($73/sf), or $678/sf, or the construction budget, whichever is less, for otherwise eligible Designer basic services;
- Adjust the current policy that deems costs associated with the demolition and abatement of asbestos containing floor and ceiling tiles as ineligible for reimbursement to allow for reimbursement of costs associated with the demolition and abatement of asbestos containing floor and ceiling tiles;

- Implement a maximum funding level on potentially eligible demolition and abatement of $42/sf of the existing school building, inclusive of costs associated with the demolition and abatement of asbestos containing floor and ceiling tiles; and
- Make all policies effective for districts receiving Board approval of a Project Scope and Budget on or after January 1, 2026.

In summary, Table 3 - Funding Level Impact of Recommended Adjustments presents the current and recommended funding levels and the estimated impact for a typical project of each recommendation based on the assumptions included in the funding level review model.

Table 3 - Funding Level Impact of Recommended Adjustments

Funding Level	**Current Funding Level**	**Recommended Funding Level**	**Estimated Grant Increase per Project**
FF&E	$1,200/students	$1,915/student	$328,042[1]
Computer Equipment	$1,200/students	$1,570/student	$169,756[1]
OPM Basic Services	$19.25/ sf (3.5% of $550)	$23.73/eligible sf (3.5% of $678)	$430,528[2]
Designer Basic Services	$55.00/ sf (10% of $550)	$67.80/eligible sf (10% of $678)	$1,230,080[2]
Site Work	$59/sf (10% of $586)	$73/eligible sf (12% of $605)	$1,345,400[2]
Building Cost	$586/eligible sf	$605/eligible sf	$1,825,900[2]
Demolition & Abatement -Asbestos floor & ceiling tile -Overall reimbursement	Ineligible No limit	Eligible Up to $42/sf of existing school	Grants will vary based on existing conditions

1. Based on an enrollment of 740 students; reimbursement rate, with incentives, of 62%; and district line item estimated budgets that equal or exceed MSBA funding levels.
2. Based on an eligible building area of 155,000 square feet; reimbursement rate, with incentives, of 62%; district line item estimated budgets that equal or exceed MSBA funding levels; and Project Scope and Budget approval between January 1, 2026 and December 31, 2026.

Staff have also prepared updated guidance to share with districts regarding the recommended sitework cost funding limit as well as the demolition and abatement cost funding limit. Refer to Attachment E - Updated Sitework and Demolition & Abatement Cost Allowance Guidance.

Implementation of these recommendations will provide additional financial support for districts seeking MSBA approval of their proposed Project Scope and Budget, connect OPM and designer reimbursement levels to MSBA construction cost funding levels, and increase parity in the distribution of grant dollars associated with demolition and abatement costs. Annually, staff will continue to monitor the growth rate in the dedicated sales tax, review funding levels, and note the level of construction costs of projects in the grant program. Should staff continue to see lower levels of sales tax revenue, funding levels could be held constant, the number of SOI invitations reduced, or both. The MSBA's administrative procedures may also be implemented, as done in the past, to bridge the gap in those years when approved Core Program Project Grants exceed the Annual Cap.

Attachment A - Fixtures, Furniture and Equipment, and Computer Equipment Funding Level Review

In the Fall of 2024, a Fixture, Furniture, and Equipment ("FF&E") Policies Committee ("the Committee"), consisting of MSBA staff from various departments, was established to review current funding levels associated with FF&E and computer equipment. FF&E generally refers to classroom desks, classroom seats, cafeteria tables, cafeteria stools, trash and recycling bins, library bookshelves, storage shelves, music stands, collaboration group tables, mobile white boards, teacher desks, library book carts, and other non-permanent furniture and equipment. Computer equipment generally refers to computers, laptops, tablets, cell phones, mobile charging carts, interactive projectors/presentation display boards, tv monitors, removable speakers/sound systems, printers, document cameras/scanners, fax machines, audio/visual equipment and other non-permanent technical equipment and devices.

The Committee reviewed available historical FF&E and computer equipment budgeted and spending data and selected 28 projects that had submitted all costs related to FF&E and computer equipment and had received MSBA Board of Director ("Board") approval of the proposed project scope and budget in FY18 through FY20 to better understand actual spending. The Committee also reviewed 18 projects that received Board approval for project scope and budget in FY24 and FY25 to better understand more recent trends in budgeting for FF&E and computer equipment.

An evaluation of program specific FF&E and computer equipment needs associated with Regional Vocational Technical and Agricultural High Schools was beyond the scope of this review and was not considered as part of this review.

The Committee reviewed submitted cost (based on district purchases) and estimated budget costs (schematic design submittals) for both FF&E and Computer Costs as shown below.

Table A-1A: FF&E Estimated Budget and Submitted Costs for FY18-FY20

Project Scope and Budget Approval	Average Estimated Budget ($/student)	Average Submitted Costs ($/student)	Number of Projects
FY18	$1,661	$1,903	9
FY19	$1,568	$2,272	11
FY20	$1,590	$1,871	8
Average:	**$1,610**	**$2,025**	

Table A-1B: FF&E Estimated Budget and Submitted Costs for FY24-FY25

Project Scope and Budget Approval	Average Estimated Budget ($/student)	Average Submitted Costs ($/student)	Number of Projects
FY24	$2,373	Unavailable	8
FY25	$2,867	Unavailable	10
Average:	**$2,629**		

Table A-2A: Computer Equipment Estimated Budget and Submitted Costs for FY18-FY20

Project Scope and Budget Approval	Average Estimated Budget ($/student)	Average Submitted Costs ($/student)	Number of Projects
FY18	$1,611	$1,180	9
FY19	$1,470	$1,120	11
FY20	$1,452	$1,522	8
Average:	**$1,522**	**$1,248**	

Table A-2B: Computer Equipment Estimated Budget and Submitted Costs for FY24-FY25

FY24	$1,747	Unavailable	8
FY25	$2,110	Unavailable	10
Average:	**$1,935**		

Review of the cost data for projects approved in FY18 through FY20 indicated that on average actual costs for FF&E were 26% greater than the estimated budget cost and that on average actual costs for computer equipment were 18% lower than the estimated budget costs. These average differences were applied to the average FF&E and computer equipment estimated budgets to inform Options 5 and 6 in the tables below.

The Committee developed six options for FF&E funding levels. For each option, the Committee estimated the grant value, the percent of estimated Annual Cap (assuming Annual Cap of $1.3 billion), and dollars per student for FY26 as shown below.

Table A-3: FF&E Funding Level Options

Option	Proposed Funding Level/Student	Total Grant	Total Grant % of Cap	Grant $/Student
Current Funding Levels	$1,200	$8.4M	0.64%	$640
Option 1 – Average of Historical Spending (FY18-FY20)	$2,025	$14.2M	1.08%	$1,080
Option 2 – Midpoint between Option 1 and Current Funding	$1,615	$11.3M	0.86%	$861
Option 3 – Average of Forecasted Budget (FY24-FY25)	$2,630	$18.4M	1.41%	$1,402
Option 4 – Midpoint between Option 3 and Current Funding	$1,915	$13.4M	1.03%	$1,021

Option	Proposed Funding Level/Student	Total Grant	Total Grant % of Cap	Grant $/Student
Option 5 – Adjusted Average of Forecasted Budget (FY24-FY25)	$3,305	$23.2M	1.77%	$1,762
Option 6 – Midpoint between Option 5 and Current Funding	$2,255	$15.8M	1.21%	$1,202

The Committee assessed five options for computer equipment funding levels. For each option, the Committee estimated the grant value, percent of estimated Annual Cap (assuming Annual Cap of $1.3 billion), and dollars per student for fiscal year 2026 as shown below.

Table A-4: Computer Equipment Funding Level Options

Option	Proposed Funding Level/Student	Total Grant	Total Grant % of Cap	Grant $/Student
Current Funding Levels	$1,200	$8.4M	0.64%	$640
Option 1 – Average of Historical Spending (FY18-FY20)	$1,250	$8.8M	0.67%	$666
Option 2 – Midpoint between Option 1 and Current Funding	$1,225	Option so close to current funding level, not advanced for development & consideration		
Option 3 – Average of Forecasted Budget (FY24-FY25)	$1,935	$13.6M	1.04%	$1,032
Option 4 – Midpoint between Option 3 and Current Funding	$1,570	$11M	0.84%	$837
Option 5 – Adjusted Average of Forecasted Budget (FY24-FY25)	$1,585	$11.1M	0.85%	$845
Option 6 – Midpoint between Option 5 and Current Funding	$1,395	$9.8M	0.75%	$744

Based on Committee review and Executive Leadership feedback, for both FF&E and computer equipment, the Committee recommends Option 4 – Midpoint between Option 3 and Current Funding Levels.

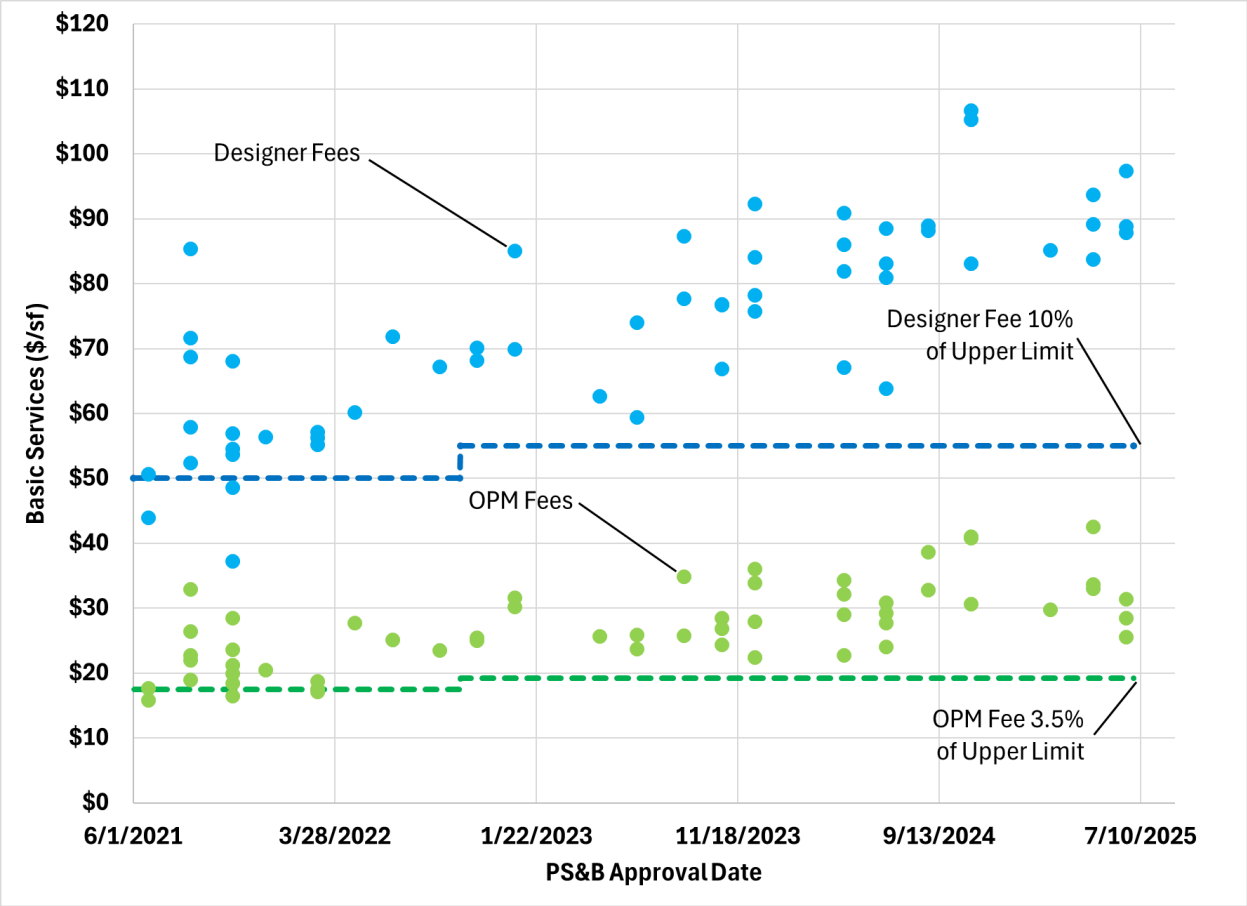
Attachment B - Owner's Project Management and Designer Services Funding Level Review

Since 2009, as with construction costs, the MSBA applied a funding limit on reimbursable Owner's Project Manager ("OPM") and designer fees for basic services up to 3.5% and 10% of construction costs, respectively. To promote parity in the distribution of grant dollars for consultant services, staff recommended applying an upper limit to base reimbursable OPM and designer fees for basic services up to $500 per square foot of construction, which would be more consistent with the approach used for reimbursement on construction costs (See: "Recommendation to Revise MSBA Funding Policy", June 16, 2021).

To provide additional financial support to districts seeking MSBA approval of their proposed projects, the MSBA increased the upper limit from $500/sf to $550/sf, applicable to projects receiving Board approval of a Project Scope and Budget on or after October 1, 2022 (See: "Recommendation to Revise MSBA Funding Limits Policy", December 14, 2022).

Staff compared the estimated budget for OPM and designer fees for basic services to MSBA's reimbursable funding levels for 56 Core Program projects approved for project scope and budget since June of 2021, when the first upper limit on the basis of OPM and designer fees was implemented. In the following Chart B-1: OPM and Designer Fee for Basic Services, OPM fees are shown in green and Designer fees are shown in blue. Fees for both have continued to grow with construction costs, generally in line with historic MSBA funding levels of 3.5% and 10% of the district's proposed construction costs, and beyond current MSBA funding levels for basic services for OPM and designer services.

Chart B-1: OPM and Designer Fee for Basic Services



Based on this review, staff is recommending that the MSBA funding level of $550/sf, or the construction budget, whichever is less, be increased to the sum of the MSBA's Building Construction Cost and Sitework funding levels, or construction cost, whichever is less, as the basis for determining future reimbursement levels for OPM and designer services.

Attachment C - Updated Site Cost Funding Review

Staff reviewed how site costs have changed over time as part of the FY25 Funding Level review (See: "Recommendation to Revise MSBA Project Funding Limits Policy", August 21, 2024). The review noted significant changes in sitework costs per building square foot over time, likely the result of increasing construction costs rather than a separate trend specific to site costs, and recommended that MSBA continue to reimburse districts for eligible site cost at 10% of MSBA's Building Cost Funding Limit. Charts C-1 and C-2, from the "Recommendation to Revise MSBA Project Funding Limits Policy" memorandum, show site costs as a percentage of building costs as estimated at schematic design and upon receipt of general contractor bids or when the GMP is established, respectively. The red nodes indicate projects that include geothermal wells in the proposed project.

Chart C-1: Percent Site by Building Cost as Estimated at Schematic Design

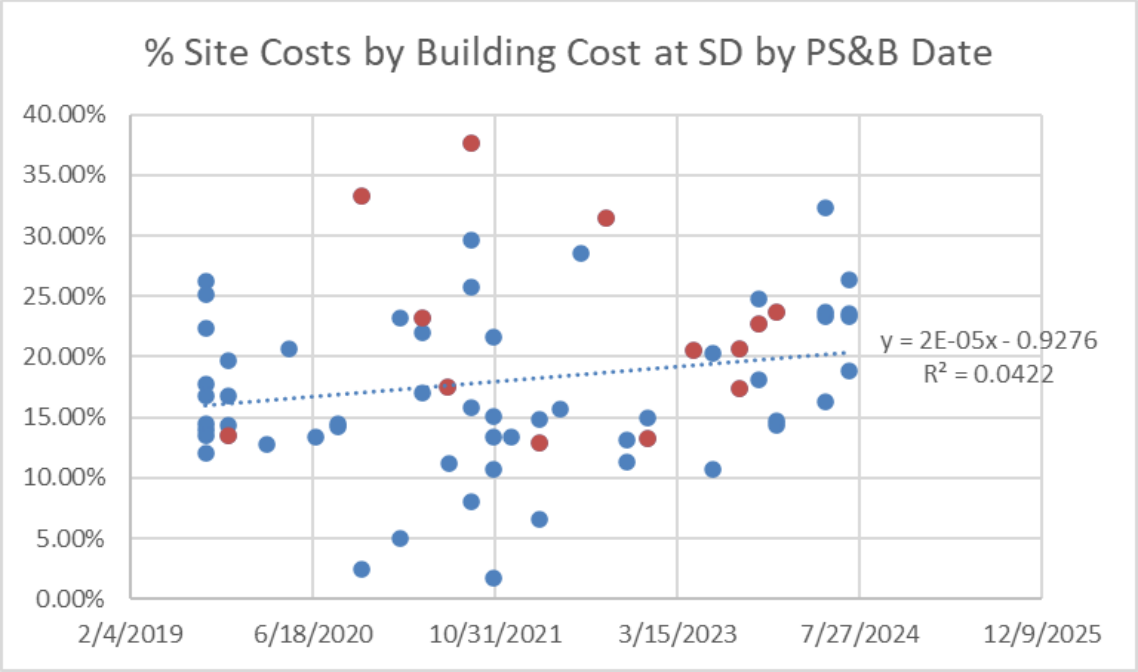
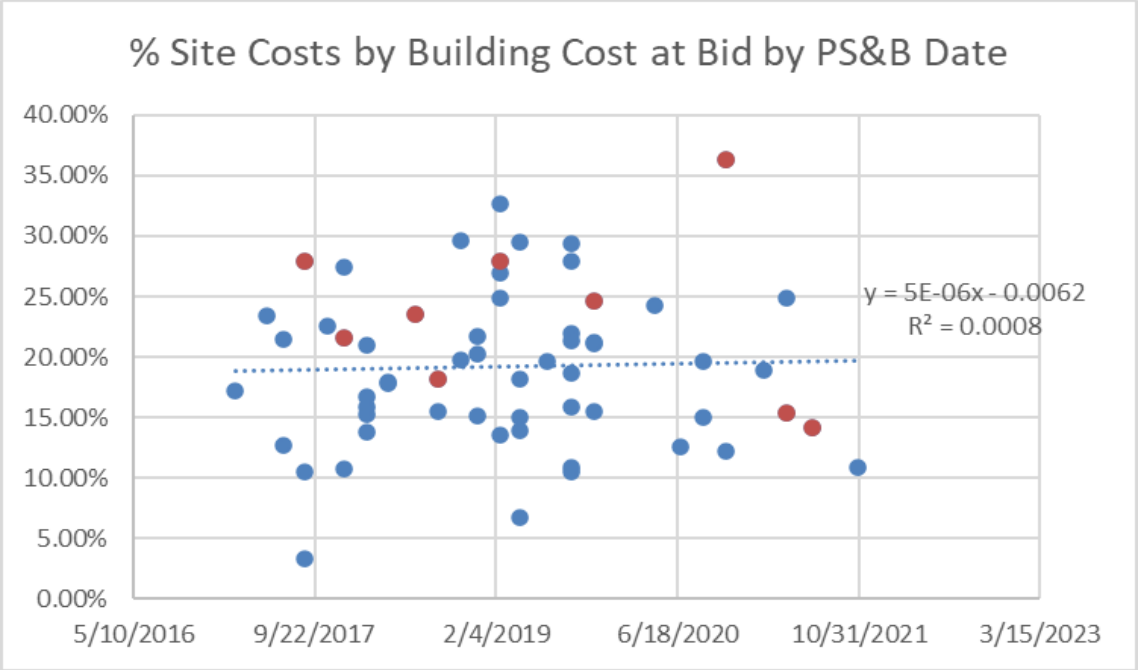


Chart C-2: Percent Site by Building Cost in the GC Bid / GMP



The charts show that the majority of site costs exceeded 10% of the district's construction budget. To explore the potential to provide additional financial support to districts in covering site costs that exceed MSBA funding levels, staff included options with sitework funding levels beyond the current 10% of MSBA's Building Cost Funding Limit.

Attachment D - Updated Demolition and Abatement Funding Review

Since 2009, MSBA has reimbursed districts for demolition and abatement costs when necessary for the proposed project, except for costs related to asbestos containing floor and ceiling tiles, or contaminated soil.

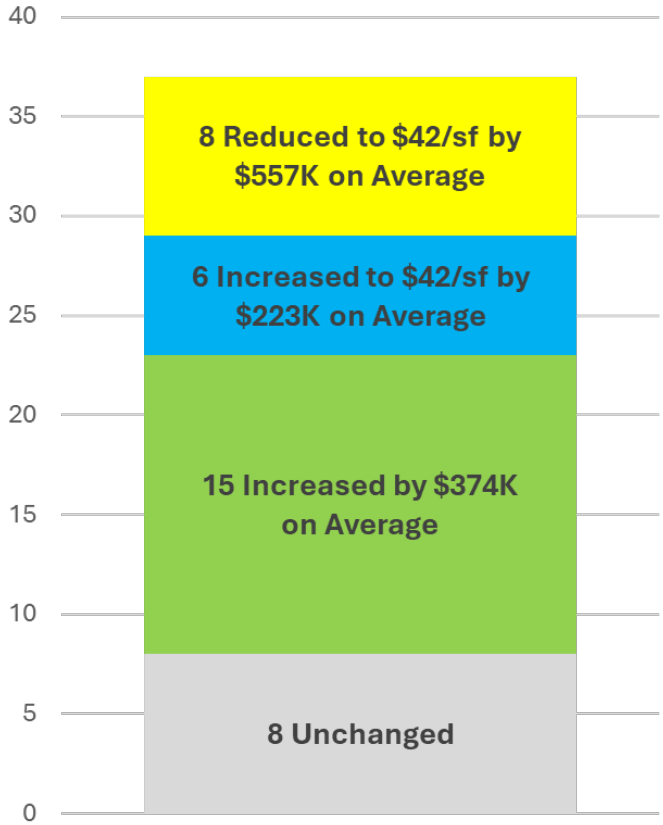
Staff reviewed demolition and abatement costs, as estimated at the conclusion of schematic design, for 37 core program project schematic design submittals received over the last three fiscal years. Five of the 37 projects had no demolition and abatement costs as demolition of the existing school was not required because the proposed school was located on a different site. Costs for the 32 projects with demolition and abatement ranged from $18.62/sf to $77.44/sf, averaging $36.61/sf for the schools being demolished, resulting in different levels of reimbursement for construction costs. Estimated costs related to demolition and abatement of asbestos containing floor and ceiling tiles ranged from $0.34/sf to $11.97, averaging $4.84/sf for existing school building being demolished, representing less than 1% of current construction funding levels.

To promote parity in the distribution grant dollars, staff considered a reimbursement funding level to bring the reimbursement of demolition and abatement costs more in line with other cost reimbursement policies. To support most of the cost for most of the districts, staff considered an upper limit equal to the 75th percentile of demolition and abatement costs, or $42/sf ($41.93) for the school building to be demolished.

Staff also considered changing the current policy and allowing reimbursement on costs associated with demolition and abatement of asbestos containing floor and ceiling tiles given the relatively low cost compared to other construction costs.

To assess the potential impact implementing these two policy adjustments would have on district grants and the Annual Cap, staff applied the adjustments to the 37 schematic design submittals submitted to the MSBA over the last three fiscal years. The results are summarized in Chart D-1: Grant Impact of Demolition and Abatement Policy Adjustments.

Chart D-1: Grant Impact of Demolition and Abatement Policy Adjustments



Eight of the 37 districts would not be impacted by the proposed changes in policy either because the projects were built on a new site and did not include demolition and abatement costs, or the existing building did not include asbestos containing tiles and overall demolition and abatement costs were below the $42/sf funding level. 21 districts would realize an increased grant. Fifteen of the 21 districts would realize the full value of the asbestos tile abatement if eligible within the basis of grant with an increased grant of $373,982 on average. Six of the 21 districts would realize an increased grant of $222,747 on average but not all of their demolition and abatement costs would be eligible for reimbursement because the overall cost of demolition and abatement would have exceeded the $42/sf funding level. Eight districts would see a decrease averaging $557,225 because the overall cost of demolition and abatement would have exceeded the $42/sf funding level.

The maximum total facilities grant for the 37 projects included in this review totaled $2,185,141,399 while the net impact of these two policy adjustments is estimated to result in a decrease of $131,541,640 overall, or a decrease of about 6 percent.

To bring MSBA's funding level policies for reimbursement of construction costs related to demolition and abatement more in line with the approach used for reimbursement of other construction costs, and to promote parity in the distribution of MSBA's limited grant dollars, staff is recommending that MSBA update its reimbursement policies for demolition and

abatement to consider costs related to asbestos containing floor and ceiling tile be considered eligible for reimbursement and to implement a reimbursement level of up to $42/sf applied to the area of existing school building that is being demolished. The application of these two policy recommendations are expected to have little impact on the Annual Cap.

Funding Level Model Assumption

The funding level review model is based on estimated eligible building area of the proposed project, both for projects in the grant program and future project invitations. To incorporate these costs into the funding level model, staff determined demolition and abatement costs based on eligible square feet of the proposed building area indicating costs that ranged from $13.81/sf to $78.29/sf, averaging $29.22/sf based on the proposed eligible building area. To assess the potential impact on projects currently in the grant program and future SOI invitations, staff assumed the 75th percentile, or $34/sf ($33.96), in the funding level model to simulate the application of the two recommended funding level adjustments.

Attachment E - Updated Sitework and Demolition & Abatement Cost Allowance Guidance

SITEWORK AND DEMOLITION & ABATEMENT COST ALLOWANCE GUIDANCE

General Description

The MSBA sitework cost allowance is for basic site development costs related to an approved Core Program project. The sitework cost allowance may cover a portion of site costs related to basic sitework such as excavation, earthwork and site preparations, pedestrian walkways, site utilities, site drainage, playgrounds/yards for elementary schools, fields for physical education and general student use, and landscaping. The cost of building demolition and/or abatement is reviewed separately from the sitework costs, including the sitework cost allowance. The goal of MSBA partially funding any sitework allowance is to fund basic, standard and common site needs for any school project pursuant to a building plan that the district and the MSBA agree upon in the Project Scope and Budget Agreement.

Allowance

The MSBA provides a sitework cost funding level allowance not to exceed a percentage of the MSBA's building cost funding level, as determined by the MSBA, for otherwise eligible sitework costs. The MSBA will not reimburse for site costs that: (1) exceed the sitework cost funding level allowance as a percentage of the MSBA's building cost funding level, (2) are categorically ineligible, (3) are not included within or are in excess of the MSBA agreed upon scope and budget document, and/or (4) are determined to be ineligible at any time by the MSBA including upon final audit pursuant to MSBA audit procedures.

Generally Eligible Sitework Costs, subject to submission of detailed budget/scope and approval by MSBA:

- Costs associated with basic landscaping.
- Costs associated with basic excavation and earthworks.
- Costs associated with basic site utilities.
- Cost associated with pedestrian walkways on the site.
- Costs associated with basic playgrounds/yards for elementary schools.
- Costs associated with fields for physical education classes and general student use.

Potentially Ineligible Sitework Costs:

The following costs may be considered as eligible for reimbursement within the sitework cost funding level allowance as part of a Project Scope and Budget Agreement. The MSBA shall not consider any costs relative to the following sitework development items as reimbursable expenses if such items exceed the sitework cost funding level allowance:

- All costs associated with water/wastewater treatment and water/wastewater disposal systems including, but not limited to, septic systems, leaching facilities, treatment plants, water/wastewater lift stations, or water or sewer pumping stations.
- All costs associated with non-hazardous site earthworks, including but not limited to, removal of rock or ledge.
- All costs associated with equipment for outdoor athletic facilities or outdoor athletic use.

Categorically Ineligible Sitework Costs:

- All costs associated with athletic stadiums, including costs associated with excavation, earthworks, and pedestrian walkways within the stadium.
- All costs associated with off-site traffic improvements.
- All costs associated with spectator amenities such as concession stands, press boxes, and/or toilet facilities for outdoor athletic facilities.
- All costs associated with special waste and hazardous or contaminated materials remediation, removal and disposal.

Demolition and Building Abatement

In order for the MSBA to consider any potential reimbursement for building demolition or abatement to be included in a Project Scope and Budget Agreement, the Eligible Applicant who is seeking approval of a portion of demolition and building abatement costs must submit a written description of:

(1) a detailed scope of work, cost estimate, budget and schedule for any proposed demolition, abatement, or both, for which approval is sought;
(2) an assessment done by a registered professional on the type, amount, costs and schedule of abating hazardous materials contained within the building;
(3) a written description of the local decision making process that resulted in the decision to demolish an existing school facility, including minutes of meetings and votes of the appropriate local governing bodies, and the reasons why demolition is the highest and best use of that facility;
(4) a vote of the local governing body approving any substantial demolition of a school building;
(5) any other information, reports or materials that may be requested by the MSBA to make a determination that demolition of the exiting school facility is the most cost effective and educationally sound alternative.

Depending upon the agreed upon scope of work for a project as outlined in the Project Scope and Budget Agreement, the MSBA will implement a maximum funding level on potentially eligible demolition and abatement of $42/sf of the existing school building, inclusive of costs associated with the demolition and abatement of asbestos containing floor and ceiling tiles, effective January 1, 2026.