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: April 17, 2026
Subject: Amendment to the Fiscal Year 2026 MSBA Capital Budget

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On May 28, 2025, the MSBA Board of Directors approved the fiscal year 2026 (FY2026) operating and capital budget totaling $790,954,568, of which $759,919,139 was allocated to fund the FY2026 capital pipeline payments to districts. Through April 10, 2026, the MSBA has received and paid reimbursement requests totaling $618,400,509, which represents approximately 81.38% of the FY2026 budget with 2 months remaining in the fiscal year.

The original FY2026 capital budget was developed based on review and analysis of cash flow projections prepared by Owner's Project Managers for each project in the MSBA's pipeline. The MSBA's Capital Planning Department reviewed 195 projects and staff compiled baseline projections for FY 2026 totaling $825,531,725 and $68,490,791 for 123 CORE projects and 62 ARP projects, respectively. Many factors can affect the actual payments made including changes in the timing of construction activities and the amount and timing of the reimbursement submittals from the districts. When finalizing the FY2026 capital budget, to account for this variability, staff have applied a historical payment factor of 85% to both baseline amounts to arrive at the total capital budget amount of $759,919,139.

Staff monitor the projected cash flow and the FY2026 budget on a monthly basis for the Core Program projects and note that the amount of reimbursements made to date are running slightly behind projections by approximately $6.9 million through April 10, 2026. Based on the total payment to date, the amount of payments projected through the end of FY 2026 would exceed the budgeted amount. In addition, staff have reviewed historical payments back to FY 2006 and note that historically the month of June is the largest variable in terms of monthly spending. Out of the past 20 completed fiscal years, June has represented the highest paying month of the fiscal year nine times, averaging more than $99 million in payments for that month. Last fiscal year, approximately $101 million was paid in June, alone.

Based on current average weekly payouts of $15,082,939 as of April 10, 2026, an estimated $165,912,332 could be paid during the remainder of FY2026. This could result in spending exceeding the budget by approximately $23.5 million, not considering the potential for significantly large payments in June.

Given the unpredictability of the amount of reimbursement requests through the remainder of FY2026 and to avoid any possibility of delays in reimbursements to districts, staff are recommending a budget increase of $100 million to the FY2026 capital budget. This additional budget would enable the MSBA to continue processing payments through June 30, 2026, if the total of requests were to exceed the estimated projections. Funds are currently available to fund this additional increase, through both current unrestricted funds and remaining new money proceeds from the 2025A bond issuance.