# 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:** June 16, 2026
**RE:** MSBA Guidelines for Use of Unrestricted Funds

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As part of the development of the new cash flow model with PFM, the Guidelines for Use of Unrestricted Funds and best practices around reserves have also been reviewed and updated. This memorandum serves to recommend that the Board of Directors vote to authorize the update to the Guidelines as shown in Attachment A.

Among the factors considered, the increase to the grant program and the draw down of the debt service funds since the last update. The annual grant cap has increased from $563 million in FY17 to $1.295 billion in FY26 due to two statutory changes and SMART Fund growth. The Debt Service Reserve Fund Balances ("DSRF") of $540 million in 2017 have been almost fully utilized for debt service or as a source for refundings and defeasance. There is $38 million in the 2009 Series B Build America Bonds DSRF account which is scheduled to be utilized in FY 40. A reserve held separately will be more efficient, since DSRF accounts are subject to arbitrage rebate or yield restrictions.

The updates include:

- Opening a separate account to be held initially at MMDT.
- Defining the required amount as 25% of annual operating expenditures and grant payments
- Establishing a replenishment requirement of 3 years and adding it to the priorities for unrestricted funds behind debt service, rebate payments, and operations.
- The Flow of Funds table from the Trust Agreement has also been added for reference.

Attachments

- Attachment A: Final version of Guidelines for the Use of Unrestricted Funds
- Attachment B: Red-lined version of Guidelines for the Use of Unrestricted Funds