MEMORANDUM

TO: Board of Directors
FROM: James MacDonald, First Deputy Treasurer, and Chief Executive Officer
John K. McCarthy, Executive Director and Deputy Chief Executive Officer
DATE: December 6, 2017
RE: Cape Cod Regional Vocational High School
Reimbursement Rate and Poverty Factor Points

Pursuant to G.L. c. 70B, § 10, the Massachusetts School Building Authority ("MSBA") calculates grant percentages for approved school projects based on a formula using several factors, one of which is the Community Poverty Factor. The Community Poverty Factor is the proportion of low income students, as determined by federal eligibility for free or reduced price lunch, for the district as a percent of the statewide average proportion of low income students. As the MSBA prepares to calculate reimbursement rates for each fiscal year, it obtains information from the Department of Elementary and Secondary Education ("DESE") to use in determining the Community Poverty Factor. With increased district participation in the US Department of Agriculture's Community Eligibility Program, a provision from the Healthy, Hunger-Free Kids Act of 2010 that allows schools with high poverty rates to provide free breakfast and lunch to all students and which eliminates a district's need to collect free or reduced-price school lunch eligibility information directly from families, DESE has recently implemented a new methodology to calculate the percentage of low income students.

This change in methodology was discussed at the September 30, 2015 Board meeting. It was determined that for affected projects, staff would use the Calendar Year 2015 Poverty Factor points if the Calendar Year 2016 Poverty Factor points, under the new methodology, are lower. Several projects in the grant program were identified to be affected by this change and the change in the reimbursement rate has been identified and approved by the Board as each project was authorized for project scope and budget. To date, the Reay E. Sterling Middle School in Quincy and Somerville High School in Somerville have been approved to use the Calendar Year 2015 Poverty Factor Points for the calculation of the project's reimbursement rate.

On November 3, 2017, legislation was approved that requires "in determining the grant percentage for the fiscal year 2018 approved school projects, the Massachusetts School Building Authority shall calculate the community poverty factor by examining the proportion of economically disadvantaged students from calendar year 2015 to the present and assigning whichever year's factor is the highest as determined by the department of elementary and secondary education." Staff have reviewed projects that have been approved by the MSBA in fiscal year 2018 to date and are recommending that the Estimated Maximum Total Facilities Grant approved at the August 23, 2017 Board Meeting for the Cape Cod Regional Technical High School be increased from $42,545,193 to $46,371,387based on the base rate as adjusted by the Community Poverty Factor increasing to 47.87% from 42.20% and that the Maximum Total Facilities Grant be concomitantly increased to $47,862,015.

Project Scope and Budget Agreement	
Enrollment: 650 Proposed Total Square Feet: 220,880	District's Proposed Project Budget
Project Budget[1]	$123,062,481
Scope Exclusions/Ineligible Costs	-$32,207,304
Estimated Basis of Total Facilities Grant	$90,855,177
Reimbursement Rate – Base Rate of 47.87% plus incentive points	51.12%
Estimated Maximum Total Facilities Grant before Recovery[2]	$46,445,166
Cost Recovery	-$73,779
Estimated Maximum Total Facilities Grant[2]	$46,371,387
Potentially eligible owner's and construction contingencies	$2,915,938
Potential additional grant funds for eligible owner's and construction contingency expenditures	$1,490,628
Total Project Budget	$128,062,881
Maximum Total Facilities Grant[3]	$47,862,015

[1] *Does not include owner's or construction contingencies.*

[2] *Does not include any grant funds for potentially eligible owner's or construction contingency expenditures; subject to MSBA review and audit.*

[3] *Includes maximum possible owner's and construction contingency grant funds, the final amount of which, if any, shall be determined by the MSBA in its sole discretion. The MSBA does not anticipate that the District will expend all of its contingency funds on expenses that are eligible for MSBA reimbursement.*

MSBA staff recommends an Estimated Maximum Total Facilities Grant of $46,371,387; however, the District may be eligible for up to an additional $1,490,628 in grant funds, subject to the MSBA's review and audit of the District's owner's and construction contingency expenditures. Accordingly, staff recommends a Maximum Total Facilities Grant of $47,862,015 for the Project Scope and Budget Agreement and the Project Funding Agreement to replace the existing Cape Cod Regional Technical High School with a new facility on the existing site.