MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: James A. MacDonald, First Deputy Treasurer, Chief Executive Officer
John K. McCarthy, Executive Director, Deputy Chief Executive Officer
DATE: June 19, 2019
RE: Reconciliation of Approved Projects to the Annual Program Funding Cap

In accordance with the administrative procedures presented at the May 12, 2017 Board of Directors (the "Board") meeting, and later presented and approved at the August 29, 2018 Board meeting, this memorandum summarizes the annual reconciliation that compares the total grants for projects approved by the Board to the calculated annual program funding cap for each fiscal year. This memorandum provides the reconciliation for fiscal year 2019 ("FY19").

Discussion

The MSBA statute places a limit upon the estimated amount of grants that can be approved by the MSBA during a fiscal year. That annual estimated grant limit ("grant cap") is adjusted each year by an amount that is equal to the lesser of the rate of growth, by percentage, of dedicated sales tax revenues or 4.5 per cent. In May 2017, the MSBA implemented grant cap reconciliation procedures which enable the MSBA to annually reconcile Board approved projects to the annual funding cap, allocate project grants (whole or in part) to future available Grant Cap Space, and capture unallocated grant cap space associated with failed local votes, projects removed from the Capital Pipeline, or additional savings realized in the Final Audit Grant determination or should the total value of approved projects in a given fiscal year be less that the annual cap as determined at the close of each fiscal year. Please note that for all Core Program Project Scope and Budget Agreements approved in FY19 the Maximum Total Facilities Grant was allocated in part to FY19 Grant Cap, and in part to future available Grant Cap Space.

Changing district schedules, variations in proposed project scope and the timing of local approvals contribute to the challenge of predicting in which fiscal year the district will be ready for MSBA Board authorization. In addition to the variability of the timing for proposed projects, the estimated grant amount authorized by the Board can vary depending upon eligibility determinations, annual updates to a district's reimbursement rate and the district's ability to secure local authorization and funding. The MSBA administrative procedures described in the May 12, 2017 Memorandum allow for reconciliation of the approved estimated grants and the annual cap to maximize the amount of funds available to support school construction grants and minimize the impact of changing district schedules and scope, that vary from project to project.

In accordance with the above procedures, staff have completed the annual reconciliation for projects approved in FY19. Summaries of available cap space and approved estimated grants are presented below:

SUMMARY OF CAP SPACE
FISCAL YEAR 2019

Source	Amount
Pre-Authorized FY 18 Grant Funding Cap June 2018 Board Meeting	$21,948,007
Annual Grant Funding Cap Space for FY 19	$602,203,640
Savings in Final Audit Grants for Cap Reconciliation August 2018 Board Meeting	$6,820,748
Savings in Final Audit Grants for Cap Reconciliation October 2018 Board Meeting	$9,821,930
Savings in Final Audit Grants for Cap Reconciliation December 2018 Board Meeting	$3,135,348
Savings in Final Audit Grants for Cap Reconciliation February 2019 Board Meeting	$3,519,911
Savings in Final Audit Grants for Cap Reconciliation April 2019 Board Meeting	$4,546,637
Savings in Final Audit Grants for Cap Reconciliation June 2019 Board Meeting	$14,485,067
Allocated Grant Funding Cap Space for FY19	**$666,481,288**

SUMMARY OF APPROVED ESTIMATED GRANTS
FISCAL YEAR 2019

	Approved Project Obligations
Core Program Feasibility Study Invitations (Refer to Attachment A for more information)	$9,959,725
Accelerated Repair Program Project Scope and Budget Approvals (Refer to Attachment B for more information)	$42,086,538
Core Program Project Scope and Budget Approvals (Refer to Attachment C for more information) • Board Authorized Max Total Facilities Grant: $942,115,371 • Max Total Facilities Grant Allocated to FY19 Cap Space: $614,435,025 • Max Total Facilities Grant Allocated to future Cap Space: $327,680,346	$614,435,025
Allocated Estimated Grant for FY19	**$666,481,288**

In accordance with the Policy Recommendations for Administering Estimated Grants Memorandum presented at the May 12, 2017 Board meeting and the Implementation of MSBA Policy for Administering Estimated Grants Memorandum presented and approved at the August 29, 2018 Board meeting, $327,680,346 of Board Authorized Maximum Total Facilities Grant is allocated to future available cap space.