

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
 SUBJECT: MSBA Accelerated Repair Program Recommendations
 DATE: October 18, 2023

This memorandum is provided to seek the Board of Directors of the Massachusetts School Building Authority (the “MSBA”) approval of staff recommendations for the Accelerated Repair Program. At the October 26, 2022 Board of Directors meeting, a temporary pause in the Accelerated Repair Program was approved, resulting in no new Accelerated Repair Program Statements of Interest in 2023. Subsequent to this pause, MSBA staff have reviewed the scope and the administration of the Accelerated Repair Program to consider possible changes. The information and recommendations below were also presented at the Facilities Assessment Subcommittee meetings on August 2, 2023 and September 6, 2023.

Discussion

The Accelerated Repair Program has provided grants for key, stand-alone systems, including roofs, windows and boilers, that prolong the longevity of the building and offer improvement to the educational environment. Based on the popularity of the Green Repair Program, created in 2010 through Qualified School Construction Bonds, the MSBA introduced the Accelerated Repair Program, starting in 2012 with an estimated budget within the Annual Cap of \$50 million and later increasing the estimated budget in 2021 to \$75 million. The Green Repair Program and the Accelerated Repair Program have supported projects totaling over \$1.4 billion over the last 11 years with grants of over \$830 million.

The number of Statements of Interest (“SOIs”) for the Accelerated Repair Program has remained strong year after year. As the number of SOIs filed and the cost of construction have increased, the MSBA has had to limit the number of invitations to stay within the statutory Annual Cap, and to increase the system age thresholds on which district invitations are based.

Since 2018, the MSBA has only been able to accept approximately half of the SOIs received based on the Accelerated Repair Program budget allowance set within the Annual Cap.

SOI History	2018	2019	2020	2021	2022
Advertised Age Thresholds (Roofs / Windows / Boilers)	20 / 30 / 20	20 / 30 / 20	25 / 30 / 25	25 / 30 / 25	25 / 30 / 25
SOIs Received	60	83	90	60	67
Age Thresholds After Review (Roofs / Windows / Boilers)	25 / 30 / 25	27 / - / 20	30 / 35 / 35	29 / 30 / 29	30 / 35 / 25
SOIs Invited	34	42	25	28	33
Roofs / Windows / Boilers	17 / 11 / 15	24 / 0 / 21	14 / 9 / 4	14 / 11 / 8	10 / 7 / 16

In addition, using data from the 2016 School Survey and excluding schools over 60 years old with the highest of building needs, staff have estimated the amount needed to support existing roofs, windows and boilers that are over the system ages of 25 years for roofs and boilers and 30 years for windows. Staff estimate that the current estimated existing need for this group of systems represents 1,150 system replacements and approximately \$3 billion in grants.

The MSBA appreciates the changes that the Legislature has granted providing further resources and flexibility for projects partnering with the MSBA. Section 36, approved as part of the Commonwealth's FY 24 Budget, provides that grant amounts related to the MSBA's Accelerated Repair Program shall not count against the Annual Cap limit set forth in Section 7 of Chapter 70B of the General Laws, as revised in this same section to \$1.2 billion commencing July 1, 2022 (See Attachment A).

Staff have been reviewing the effect of this change as well as proposed funding limit changes and are recommending re-opening the Accelerated Repair Program in January 2024 with an annual estimated budget of \$150 million. While this doubles the previous budget, the MSBA understands that the existing need is still greater. Staff will continue to analyze and assess the budget and the scope for the Accelerated Repair Program. Meanwhile, staff will also look to further understand the MSBA's financial capacity as well as the impact of doubling system replacements in a challenging construction market. In addition, the MSBA will need to perform an assessment of its staffing and structure to properly manage this expanded program.

Recommendations

With the proposed increase to the estimated budget for the Accelerated Repair Program, staff recommend the following:

- The Accelerated Repair Program annual opening in January 2024, budgeted at \$150 million, will continue to offer consideration for windows and roofs. The qualifying age criteria for windows will be 30 years and the qualifying age criteria for roofs will be 25 years. Replacement of exterior doors will remain within the scope of window projects. The advertised qualifying ages may need to be adjusted after the opening based on the volume of qualifying Statements of Interest. The feasibility study for each roof invited to the Accelerated Repair Program will consider roof replacement as well as roof restoration. Although not the right fit for every school, roof restoration may allow a more economical solution and thereby a more affordable project for some districts. Supporting roofs and windows will continue to prolong the longevity of the building and improve the environment of the school.
- To facilitate schools moving toward Massachusetts' goal for net-zero carbon emissions by 2050, the MSBA plans to develop a study for public school facilities that could offer heat pump conversion for existing buildings. This study will be done in lieu of offering boiler replacement as part of the Accelerated Repair Program annual opening in January 2024. Staff anticipate procuring the services of a consultant for the study in 2024 in preparation for including this option as part of the January 2025 Statement of Interest opening.
- Given the proposed budgetary growth of the Accelerated Repair Program and the introduction of the new scope for heat pump conversion, staff are recommending a

biennial Statement of Interest opening (every two years) for the Accelerated Repair Program, commencing in January 2025. Districts will file SOIs biennially and staff will review invitations for windows and roofs based on a budget of \$300 million (representing 2 years' worth of projects). The biennial budget for heat pump conversion projects will be determined in consultation with the heat pump study and the MSBA's financial capacity. The start date for the projects invited would be spaced similar to the roll-out of Core Program invitations. Staff believe that pacing the start dates will not only help mitigate the impact of introducing so many projects into the construction market but will also help districts who need longer preparatory time than the current Accelerated Repair Program allows. The biennial opening will be more efficient than performing the due diligence every year and will help to balance staff workload. Staff believe that a biennial opening will not only introduce critical efficiencies for MSBA staff in offering this larger program but also provide more predictability and flexibility for districts who are administering facilities improvements in their districts.

As noted above, MSBA staff recommend its annual opening for the Accelerated Repair Program in January 2024 and commencing the biennial opening in January 2025 and after.

Attachment A

Full language from the Commonwealth's FY 24 Budget

Section 36 Massachusetts School Building Authority Cap

Chapter 70B of the General Laws is hereby amended by striking out section 7 and inserting in place thereof the following section:-

Section 7. There shall be a limit on the estimated amount of grants approved by the authority during a fiscal year. For fiscal year 2023, the limit shall be \$1,200,000,000; provided, however, that grant amounts relating to the authority's accelerated repair program shall not count against the limit set forth in this section. For each fiscal year thereafter, the limit shall be the limit for the previous fiscal year plus the lower of: (i) the rate of growth in the dedicated sales tax revenue amount as defined in subsection (a) of section 35BB of chapter 10; or (ii) 6.5 per cent.