

Dollars & Sense

A Look at the State's Revised School Building Assistance Program.....

Highlights of The New Law.....

The following information was received from the State Treasurer's Office.

On July 28, 2004 Governor Romney signed legislation to restructure and bring financial stability to the state's school building assistance program (SBA).

Using mainly a combination of long-term state-level borrowing and a dedicated portion of the sales tax, the revitalized SBA program will meet its obligations in full for projects already receiving payments and for current waiting list projects (of which Westwood has 3). The new law provides an "off budget" revenue stream for future projects after the new project moratorium expires in July, 2007. For post-moratorium projects, the state's reimbursement rate has been reduced by 10 points.

The new law creates an independent state authority known as the *Massachusetts School Building Authority* (MSBA). The Authority is comprised of seven members, chaired by the State Treasurer. Other members include the Secretary of Administration & Finance, the Commissioner of Education, and four members appointed by the State Treasurer. Of the four Authority members appointed by the Treasurer, two must have "practical experience in educational facilities planning, school building construction, or architecture and school design." The two other members must have "demonstrated knowledge of Massachusetts curriculum frameworks and other relevant federal and state educational standards."

A *School Building Advisory Board* (18 members) is charged by statute with assisting the MSBA in areas such as the development of general policy regarding school building construction, thoughtful community development and technical advice. This Board includes the state auditor and the inspector general, or a designee for each officer. The Board also includes representatives from 15 groups with an interest in school construction and finance.

For more information, see:
www.mass.gov/msba/

Financing Existing State Obligations.....

The new law pays in full the state's share of projects already receiving payments and projects on the current waiting list.

The funds to pay for the state's outstanding obligations will come from \$150 million in current revenues from fiscal 2004, proceeds from \$1 billion in 20-year state borrowing and from long-term borrowing by the new SBA supported by a dedicated portion of the sales tax.

Future Rules and Reimbursement Rates....

The new law reduces the maximum state reimbursement rate from 90 percent to 80 percent, and increases the maximum local contribution from 50 percent to 60 percent. The law forbids the SBA from approving new school building cost and size standards needed to design and determine the cost of a project or approve any new regulations before January 1, 2006. The Authority is required to have new regulations in place by July 1, 2006.

For Westwood.....

Westwood is currently owed significant money from the state for the state's 59% share of the school bonds:

- Downey School \$560,869 per year for 10 years.
- Martha Jones School \$645,696 per year for 10 years.
- High School \$1,859,412 per year for 20 years.

This sizable state revenue will be directly applied to the principal and interest payments. Specifically, when the money is received from the state, it directly reduces the taxes collected for the projects. The funds cannot be used for operating budgets.

The Town looks forward to receiving its substantial reimbursements as outlined above.

We welcome your comments and/or suggestions for future articles.

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