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Media Release

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**TREASURER CAHILL, HOUSE SPEAKER FINNERAN & SENATE
PRESIDENT TRAVAGLINI ANNOUNCE REFORM PLAN FOR SCHOOL
BUILDING ASSISTANCE**

State Treasurer Timothy P. Cahill announced a major reform plan designed to address the growing School Building Assistance problem facing the Commonwealth. The Treasurer has worked closely with Senate President Travaglini and Speaker Finneran to craft a reform plan that deals with the state's liability under the current system.

"I am proud to unveil the details of a school building assistance reform plan that will build a better tomorrow for our children," stated Treasurer Cahill. "I am honored to stand with both the Senate President and the Speaker of the House as I unveil this reform plan. This plan will literally build our children's future in a fiscally responsible manner. It will pay off current school building contract obligations as well as fund all projects currently on the waiting list in three and a half years with no cut in subsidy levels. Additionally, under a reformed authority, this plan will accommodate new demand in future years."

Existing contract assistance commitments total \$5.5 billion over the next twenty years including close to \$400 million in this year's budget. The Commonwealth's outstanding liability on school building assistance exceeds \$14 billion, which places it in the same league as the Big Dig. The Commonwealth's share of construction costs is \$4.1 billion and its share of interest costs could add another \$4.8 billion. The waiting list now stands with 420 projects and stretches out ten to fifteen years. One-third to one-half of communities have already issued short-term notes to begin construction.

The reform plan will dedicate a penny of the sales tax, phased in over 7 years and will issue \$1 billion Commonwealth general obligation bonds - \$500 million in FY05 and \$500 million in FY06. Additionally, \$150 million in cash is needed from surplus or reserves.

The reform plan will set up an independent School Building Assistance Authority that will allow the Commonwealth to finance new schools beginning in July of 2007. "Under this

authority, all projects currently receiving reimbursement will get their funds on time and at the expected rates,” said Cahill. “The current moratorium will be lifted in fiscal year 2007 and our plan accommodates the demand for future projects within this new financial paradigm.”

“The Treasurer, the House, and the Senate have worked together to establish a new foundation for the state’s School Building Assistance program using equal parts fiscal reform, reality, and foresight,” said Speaker Finneran. “Our goal in this effort was to craft a fiscally responsible program that would not impoverish our children and our grandchildren. While we all realize there is a tremendous need to replace and modernize our public school buildings, we have a duty to reform this program so it is financially sustainable and can address the needs of all the communities of the Commonwealth. I commend Treasurer Cahill and his staff, Senate President Travaglini and his staff, and the members of the House who have worked so diligently on this issue.”

"For far too long, the SBA program has spiraled out of control," stated Senate President Robert Travaglini. "This reform package will reign in the costs of the program, while allowing the state to speed up the construction of new schools across the state. More importantly, these sensible reforms will also provide important jobs to kick-start our local economy. I am pleased to work hand in hand with Treasurer Cahill and Speaker Finneran to help ensure that this proposal is implemented."

In the next five years under this plan, the Commonwealth will build over \$1 billion of new schools in addition to clearing the waiting list. Under the Governor’s plan, the Commonwealth will not finance any new school in the next five years. The plan will utilize 25-year bonds versus the 40-year bonds in the Governor’s plan. This will save over \$2.5 billion in interest costs.

“It is imperative that we address this growing problem in a timely manner,” said Cahill. “I truly believe that this plan speaks to this complex problem, offers a fiscally responsible solution and provides a foundation for our children’s future.”

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