



September 23, 2009

The Honorable Michael Sullivan
City Hall
200 Common Street
Lawrence MA 01840

Re: School Building Assistance Grants
Our File No. 2009-1205

Dear Mayor Sullivan:

Deputy Commissioner Nunes asked me to address the city's use of grant monies from the Massachusetts School Building Authority (MSBA) to support the fiscal year 2010 budget. I understand the city may receive a distribution of approximately \$6 million in addition to the grant proceeds already received for the construction of your new high school.

These monies are not general revenue available for use to support the budget. By law, grants received by municipalities are accounted for separately and dedicated solely to the purposes of the grant. See G.L. c. 44, §§ 6A, 53A and 53B. Their use is restricted to the specific purposes of the grant. School building assistance grants are distributed by the MSBA to pay costs of an approved school construction project or to reduce the amount of permanent debt issued to finance the costs of a project. Therefore, all grant funds received by the city for the high school or any other school construction project must be used to pay project costs. See Informational Guideline Release (IGR) No. 06-101, *Guidelines for the Application of School Building Assistance Grants*. In this case, that would include covering any deficit in the project account that resulted from not issuing short term debt to finance ongoing construction costs. Any monies remaining after the deficit is funded must be reserved to pay the debt service payments on the bonds issued to cover the city's share of the project costs, as set forth in our guidelines.

We will continue to work with the city with respect to its financial situation. If you have any further questions, please feel free to contact us.

Very truly yours,

A handwritten signature in cursive script that reads "Kathleen Colleary".

Kathleen Colleary, Chief
Bureau of Municipal Finance Law

KC
CC: Mark Andrews, Budget and Finance Director