

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Melissa Mark-Viverito  
Speaker of the Council

Hon. Daniel Dromm  
Chair, Committee on Education



## Hearing on the Fiscal 2015 Preliminary Capital Budget & the Fiscal 2014 Preliminary Mayor's Management Report

Department of Education – School Construction Authority

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# Table of Contents

Department of Education and School Construction Authority Overview .....	1
Preliminary Capital Budget and Commitment Plan.....	1
Current Five-Year Capital Plan for Fiscal 2010-2014 .....	2
Fiscal 2015-2019 Proposed Five-Year Capital Plan .....	3
Capacity.....	5
New Capacity.....	5
Pre-Kindergarten Initiative .....	11
Class Size Reduction Program .....	11
Facility Replacement Program .....	11
Capital Investment.....	12
Capital Improvement Program .....	12
School Enhancement Projects .....	14
Mandated Programs.....	15
Appendix.....	18
Development and Structure of Capital Plan .....	18



## Department of Education and School Construction Authority Overview

The Department of Education (DOE) provides primary and secondary education to over 1 million pre-kindergarten to grade 12 students in 32 school districts and 1,818 schools. The School Construction Authority (SCA) is the DOE's capital planning and construction agent; it is the one agency responsible for new school construction and major renovations to schools. The SCA is responsible for all capital planning, budgeting, design and management of capital projects. The SCA coordinates the development of the Department of Education's Five-Year Capital Plan, selects and acquires sites for new schools, leases buildings for schools and supervises facility restructuring. For a discussion of how the DOE and SCA develop the Capital Plan and an overview of the plan's structure, refer to the Appendix.

This report will provide an overview of the February 2014 Proposal for the Fiscal Year 2015-2019 Five-Year Capital Plan (the February Plan) as well as the Fiscal 2014 Preliminary Mayor's Management Reports for the SCA and DOE as they relate to the capital program. After a brief discussion of how the Five-Year Capital Plan ties into the City's Capital Budget, the report will provide a recap of the Current Capital Plan for Fiscal 2010-2014. The focus of the report will follow with a presentation of the February 2014 Proposal for the Fiscal 2015-2019 Five-Year Capital Plan, including highlights of the February Plan followed by more detailed descriptions of the Capacity, Capital Investment, and Mandated Programs categories of the plan.

## Preliminary Capital Budget and Commitment Plan

Like other City agencies, the DOE has a Ten-Year Capital Strategy and a four-year Capital Commitment Plan that is funded by the City's Capital Budget. These plans show capital funding projections for the DOE and guide the funding level for the Five-Year Capital Plan. As shown in Table 1 below, the proposed level of funding in the Five-Year Capital Plan does not directly match the Capital Commitment Plan. The Fiscal 2015 Preliminary Capital Commitment Plan covers Fiscal Year 2014-2017, while the Five-Year Capital Plan covers Fiscal Year 2015-2019.

Table 1 – Preliminary Capital Budget, Commitment Plan, and Ten-Year Strategy							
<i>Dollars in Thousands</i>	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	TOTAL FY 2015-2019
<b>Five-Year Capital Plan for FY 2015-2019</b>	N/A	\$2,400,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	\$12,800,000
<b>Fiscal 2015 Preliminary Capital Budget</b>	N/A	2,903,017	3,000,528	2,552,476	2,337,855	N/A	10,793,876
<b>Ten-Year Capital Strategy</b>	2,643,674	1,685,509	1,744,343	1,801,463	1,824,629	1,847,975	8,903,919
<b>Preliminary Capital Commitment Plan for FY 2014-2017</b>	3,112,918	1,713,009	1,744,343	1,801,463	N/A	N/A	8,371,733

The Fiscal 2015 Preliminary Capital Budget totals \$10.79 billion from Fiscal 2015-2018, including \$2.9 billion in Fiscal 2015. Although the Capital Budget does not include an estimate for Fiscal 2019, based on the funding level in Fiscal 2015-2018 and the Ten-Year Capital Strategy projection for Fiscal 2019, it is reasonable to assume there will be enough funding in Fiscal 2019 to meet the Five-Year Plan's \$12.8 billion total funding level. Also, it is important to note that the Five-Year Plan includes \$800 million in funding from the State's Smart Schools Bond Act, which has not yet been approved. The Capital Budget does not recognize these funds. In order to proceed with the Five-Year Plan, the Capital Commitment Plan will require a higher level of planned commitments in each year.

## Current Five-Year Capital Plan for Fiscal 2010-2014

The Fiscal 2010-2014 Capital Plan ("Current Plan") will end on June 30, 2014, and the Fiscal 2015-2019 Capital Plan will begin on July 1. The Current Plan totals \$11.22 billion, exclusive of approximately \$757.4 million in Reso-A funds provided by the City Council, Borough Presidents, and the Council/Mayor Partnership. Of the \$11.22 billion total, \$4.46 billion is for Capacity and \$6.76 is for Capital Investment.

Table 2 shows the Current Plan as amended in June 2013. The table below does not include changes to the plan since it was amended.

<b>Table 2 – Fiscal 2010-2014 Five-Year Capital Plan, Amended June 2014</b>		
<i>Dollars in thousands</i>	<b>Fiscal 2010-2014 Capital Plan</b>	<b>Percent of Total</b>
<b>Capacity</b>		
New Capacity	\$3,559,000	31.7%
Facility Replacement Program	689,500	6.1%
Charter/Partnership Schools	210,000	1.9%
<b>Capacity Subtotal</b>	<b>\$4,458,500</b>	<b>39.8%</b>
<b>Capital Investment</b>		<b>0.0%</b>
Capital Improvement Program	\$3,163,700	28.2%
Children First Initiative	1,617,800	14.4%
Mandated Programs	1,974,700	17.6%
<b>Subtotal Capital Investment</b>	<b>\$6,756,200</b>	<b>60.2%</b>
<b>Total</b>	<b>\$11,214,700</b>	<b>100.0%</b>
<b>Reso-A: City Council, Borough President, and Mayor/Council projects</b>	<b>\$757,400</b>	<b>N/A</b>
<b>Grand Total, Including Reso-A</b>	<b>\$11,972,100</b>	<b>N/A</b>

A brief summary of the Current Plan is outlined below:

### Capacity

Funding for Capacity totals \$4.58 billion, including \$3.56 billion for New Capacity. Funding for New Capacity supports the construction of 32,293 seats and the design of an additional 2,526.

**Update:** 6,603 seats are scheduled to roll from the Current Plan to the Fiscal 2015-2019 Plan, including 4,077 that were scheduled for construction in the Current Plan. Approximately \$400-500 million would roll with these seats. The final amount spent on capacity in the current plan will total approximately \$4.08 billion.

- **Capital Investment**

Funding for Capital Investment totals \$6.76 billion in the Current Capital Plan. Unlike the Fiscal 2015-2019 Plan, the Capital Investment Category also includes Mandated Programs. Of the \$1.62 million for Children First Initiatives, \$926.8 million is for the Technology program and \$691 million is for Facility Enhancements.

**Update:** Approximately \$100-200 million in funds for Capital Investment would roll from the Current Plan to the Fiscal 2015-2019 Plan. These funds are primarily for Technology.

- **Reso-A**

The Current Plan includes \$757.4 million in funds from the City Council and Borough Presidents. Roughly \$606 million or 80 percent of this funding was provided by the City Council.

## Fiscal 2015-2019 Proposed Five-Year Capital Plan

**Table 3 - February 2015-2019 Proposed Capital Plan Summary**

<i>Dollars in thousands</i>	<b>February 2014 Proposed Capital Plan</b>	<b>Percent of Total</b>
<b>Capacity</b>		
New Capacity	\$3,301,000	25.8%
Pre-Kindergarten Initiative	210,000	1.6%
Class Size Reduction Program	490,000	3.8%
Facility Replacement Program	400,000	3.1%
<b>Capacity Subtotal</b>	<b>\$4,401,000</b>	<b>34.4%</b>
<b>Capital Investment</b>		
Capital Improvement Program	\$3,333,700	26.0%
School Enhancement Projects	1,610,000	12.6%
<b>Subtotal Capital Investment</b>	<b>\$4,943,700</b>	<b>38.6%</b>
<b>Mandated Programs</b>	<b>\$3,455,200</b>	<b>27.0%</b>
City Council, Borough President, and Mayor/Council projects	N/A	N/A
<b>GRAND TOTAL</b>	<b>\$12,799,900</b>	<b>100.0%</b>

As shown in Table 3, the February Plan proposes \$12.8 billion in funding, including \$4.4 billion for Capacity, \$4.94 billion for Capital Investment, and \$3.46 billion for Mandated Programs. Because the February Plan is a proposal for a new Five-Year Plan that would begin July 1, 2014, funding from the City Council, Borough Presidents, and Mayor/City Council Partnership is not yet included in the plan. These funds can be added at adoption, and additional funds can be added with the adoption of each forthcoming amendment.

The February Plan totals \$12.8 billion, a \$1.58 billion or 14.1 percent increase over the Current Plan's \$11.22 billion funding level. The \$4.4 billion in funding for Capacity is a \$57.5 million or 1.3 percent decrease from the Current Plan's \$4.46 billion funding level. While funding for the Capacity Program is relatively flat from plan to plan, the Current Plan's Capacity program is larger proportionately to the plan as a whole. Funding for Capacity makes up 39.8 percent of total funding in the Current Plan, as compared to 34.4 percent in the February Plan for Fiscal 2015-2019.

The Charter-Partnership Program has been eliminated in the February Plan. In the Current Plan, this program enabled the DOE to increase capacity by 4,566 seats through the creation of eight charter or partnership schools by leveraging private funds to complement City investments.

Together, funding for Capital Investment and Mandated Programs totals \$6.76 billion in the Current Capital Plan. The February plan for Fiscal 2015-2019 includes \$8.4 billion for these programs combined, an increase of \$1.64 billion or 24 percent. These programs make up 65.6 percent of total funding in the proposed Five-Year Plan.

## **Fiscal 2015-2019 Capital Plan Highlights**

- **Increased Capacity**

The Capacity program includes funding for the construction of 38,754 total new seats in the New Capacity Program, Pre-Kindergarten Initiative, and Class Size Reduction Program. The total number of new seats includes 31,754 seats for construction in the New Capacity Program.

- **Smart Schools Bond Act**

The February Plan includes \$800 million in funds that are contingent upon the Smart Schools Bond Act, which was proposed in the Executive State Budget. The DOE would be able to use the additional funds for technology in schools, as well as increasing pre-kindergarten ("preK") capacity. The revenue would enable the DOE to make targeted class size reductions by shifting existing State and City funds from the Technology Enhancements program to a new Class Size Reduction Program, and replacing funding for Technology Enhancements with bond revenue. The Smart Schools Bond Act would be voted on in November 2014 and funds would be available beginning in Fiscal 2016, the second year of the Fiscal 2015-2019 Five-Year Capital Plan.

- **Capital Funds for Pre-Kindergarten Expansion**

The February Plan recognizes a new program, the Pre-Kindergarten Initiative, with a funding level of \$210 million. The program supports the administration's plan to implement citywide full-day preK, and funding would be used to expand preK capacity by approximately 2,100 seats.



The February Plan also includes \$525 million for Facility Restructuring, a subcategory of School Enhancement Projects. In past years the focus of this program was to convert rooms to accommodate new uses, and divide large school facilities for multiple purposes. Under the February Plan, however, the focus of the Facility Restructuring program is to integrate additional preK seats into existing buildings to support the DOE's expansion of full-day preK citywide. Funding for this program is, in part, contingent upon revenue from the Smart Schools Bond Act.

- **Class-Size Reduction Program**

The Smart Schools Bond Act would provide \$490 million for technology in schools, allowing the DOE to use other State funds and tax-levy dollars to fund the Class Size Reduction Program. These funds would target class size reduction through the addition of 4,900 new seats.

- **Wrap-Up Insurance Costs**

Of the \$3.46 billion in funding for Mandated Programs, \$650 million would be for insurance coverage for the SCA and contractors/subcontractors working on capital projects. The cost of insurance has been increasing over the years. According to the SCA, the rising cost is largely associated with the state's Scaffold Law, which essentially absolves workers of responsibility for their own accidents, leading to large settlements. In turn, insurance premiums have skyrocketed.

## Capacity

The February Plan includes \$4.4 billion for capacity, which is 34.4 percent of the entire \$12.8 billion proposal. Capacity is broken down into four sub-categories: New Capacity, Pre-Kindergarten Initiative, Class Size Reduction Program, and Facility Replacement Program. The Pre-Kindergarten Initiative and Class Size Reduction Program are new to the Fiscal 2015-2019 Proposal, while the Charter-Partnership Program, which is funded at \$210 million in the Fiscal 2010-2014 Capital Plan, is eliminated from the proposal.

**Table 4 – Total Capacity Proposed in February Plan**

Program	Seats for Construction	Seats for Design	Total Number of Seats
New Capacity Program	31,754	806	32,560
Pre-Kindergarten Initiative	2,100	-	2,100
Class Size Reduction Program	4,900	-	4,900
<b>Total New Capacity</b>	<b>38,754</b>	<b>806</b>	<b>39,560</b>

## New Capacity

**\$3.3 billion**

The February Plan's New Capacity program totals \$3.3 billion for the design and construction of 31,754 seats and the design of an additional 806 seats. Table 5 below shows the breakdown of these seats by school district and sub-district. Only those districts and sub-districts where there is an identified need for capacity are included in the table.

Most of the seats that are in scope/design are already underway because design has begun under the Fiscal 2010-2014 Plan, and they are scheduled to roll to the Fiscal 2015-2019 Plan for construction. The “February 2014 Funded Need” column includes those seats that are newly proposed for the Fiscal 2015-2019 Plan, as well as seats that are scheduled to be rolled from the Current Plan to the Fiscal 2015-2019 Plan and have not started the design process under the Current Plan. Of the 32,560 New Capacity seats in the February Plan, funded either for design and construction or design-only, a total of 6,603 seats are rolled from the Current Plan. Additional information about rollover seats is shown in Table 6.

- The DOE has identified a total need for 49,245 new seats citywide. The February Plan includes funding for the construction of 31,754 new seats, leaving an unfunded need of 17,491 seats. Of this unmet need, 806 seats are funded for design-only in the February Plan.
- The 806 seats funded for design-only would be in Chelsea/Midtown West in School District 2.
- Of the 31,754 new seats, 28,652 would be in 29 primary school buildings serving grades preK through five, or 24 larger buildings that could be flexibly programmed for primary, middle, or preK through grade eight schools. The 53 buildings would be dispersed in every borough, including five in Manhattan, nine in the Bronx, 19 in Brooklyn, 18 in Queens, and two in Staten Island.
- Four middle/high school buildings would comprise the remaining 3,102 seats. Three of these buildings would be in Queens and one would be in Staten Island.

**Table 5 – New Capacity Projects Proposed in the Fiscal 2015-2019 Capital Plan**

School District	Sub-Districts	Total Identified Need	February 2014 Funded Need	Additional Need (Unfunded)	Number of Seats in Scope/Design
2	Tribeca / Village	1,970	1,928	42	1,016
	Chelsea / Midtown West	1,262	456	806*	0
	Subtotal District 2	3,232	2,384	848	1,016
3	Upper West Side	692	692	0	692
7	Concourse	456	456	0	0
8	Throgs Neck	456	456	0	0
10	Spuyten Duyvil / Riverdale/ Fieldston / North Riverdale	456	456	0	0
	Kingsbridge / Norwood / Bedford Park	1,736	1,280	456	0
	University Heights	456	456	0	0
	Subtotal District 10	2,648	2,192	456	0
11	Van Nest / Pelham Parkway	640	640	0	0
12	Tremont/West Farms	912	912	0	0
13	DUMBO/Navy Yard/Fort Greene	1,090	1,090	0	333
14	Williamsburg / Greenpoint	991	991	0	0
15	Sunset Park	2,610	1,096	1,514	113
	Park Slope	1,096	640	456	0
	Carroll Gardens /Gowanus /Red Hook	640	456	184	0
	Subtotal District 15	4,346	2,192	2,154	113
20	Owls Head Park / Bay Ridge	1,213	1,213	0	0
	Dyker Heights	4,647	1,920	2,727	0
	Borough Park/Kensington/ Bensonhurst	1,514	912	602	0
	Subtotal District 20	7,374	4,045	3,329	0

School District	Sub-Districts	Total Identified Need	February 2014 Funded Need	Additional Need (Unfunded)	Number of Seats in Scope/Design
21	Gravesend	912	912	0	0
22	Mill Basin	456	456	0	0
24	North Corona / South Corona / Lefrak City/ Elmhurst	4,007	2,376	1,631	0
	Maspeth / South of Woodside	1,853	912	941	655
	Middle Village	2,610	757	1,853	0
	Subtotal District 24	8,470	4,045	4,425	655
25	Beechhurst / College Point / Whitestone	1,514	640	874	0
	Flushing / Murray Hill / Willets Point	757	757	0	0
	Subtotal District 25	2,271	1,397	874	0
26	Oakland Gardens/Fresh Meadows	640	456	184	456
	Bayside and Auburndale	456	456	0	0
	Subtotal District 26	1,096	912	184	456
27	Howard Beach / Lindenwood	640	456	184	0
	Ozone Park / South Ozone Park / Richmond Hill/ Woodhaven	1,096	504	592	504
	Subtotal District 27	1,736	960	776	504
28	Rego Park / Forest Hills / Kew Gardens / Jamaica	1,514	1,096	418	0
30	East Elmhurst / Jackson Heights	1,397	912	485	0
	Woodside / Sunnyside	456	0	456	0
	Astoria/Steinway	1,000	1,000	0	0
	Subtotal District 30	2,853	1,912	941	0
31	West Shore	456	456	0	0
	North Shore	640	456	184	0
	Subtotal District 31	1,096	912	184	0
<b>Subtotal Small PS And PS/IS Buildings</b>		<b>43,241</b>	<b>28,652</b>	<b>14,589</b>	<b>3,769</b>
78Q	Queens	5,604	2,802	2,802	0
78R	Staten Island	400	300	100	0
<b>Subtotal IS/HS</b>		<b>6,004</b>	<b>3,102</b>	<b>2,902</b>	<b>2,675</b>
<b>TOTAL NUMBER OF SEATS</b>		<b>49,245</b>	<b>31,754</b>	<b>17,491</b>	<b>6,444</b>

<b>TOTAL SEATS IN PROPOSED PLAN</b>	<b>49,245</b>
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Source: NYC Department of Education, "Building on Success: FY 2015 – 2019 Five-Year Capital Plan Proposed 2014 Amendment," February 2014.

\*The 806 "unfunded need" seats are funded for design only in this plan and will be funded for construction in the next five-year plan. Including these seats, the February Plan includes funding for 32,560 new seats under the New Capacity Program.

\*Continuation from previous page

Table 6 below shows the number of seats, by school district, that are scheduled to roll from the Current Plan to the Fiscal 2015-2019 Plan. Of the 6,603 seats, 2,526 are for design-only in the Current Plan and 4,077 are for design and construction. Approximately \$400-500 million would roll with these seats. Therefore, new funding for capacity in the February Plan actually totals \$2.8-2.9 billion.

**Table 6 – Status of New Capacity Seats in Fiscal 2010-2014 Capital Plan**

<b>District</b>	<b>Fiscal 2010-2014 Funded Seats</b>	<b>Completed or Started Construction</b>	<b>Not Started Construction</b>	<b>Number of Rollover Seats</b>
2	3,902	2,998	904	806
3	692	-	692	692
8	700	468	232	232
9	391	391	-	-
10	1,406	1,068	338	338
11	2,176	1,711	465	465
13	333	-	33	333
14	612	-	612	612
15	2,233	1,345	888	888
20	2,372	2,211	161	161
22	1,213	757	456	-
24	5,339	5,323	16	16
25	982	608	374	374
26	416	-	416	416
27	860	444	416	416
28	1,183	1,229	-	-
29	1,103	1,103	-	-
30	3,717	3,893	-	-
31	1,704	1,660	44	44
78K	1,202	1,202	-	-
78Q	2,283	1,473	810	810
<b>Total</b>	<b>34,819</b>	<b>27,884</b>	<b>6,857</b>	<b>6,603</b>

Even those seats that are fully funded in the Current Plan will not necessarily be completed by the end of Fiscal 2014. Many of these seats are coming online in September 2014 through September 2017. Table 7 below lists the number of seats, by school district, that are funded in the Fiscal 2010-2014 Plan but will not be available for use until after the Current Plan closes. In total, 17,883 new seats fully funded in the Fiscal 2010-2014 Plan are expected to come online by September 2017.

<b>Table 7 - Seats Coming Online Through September 2017, Funded in FY 2010-2014 Capital Plan</b>					
<b>Borough</b>	<b>Sept. 2014</b>	<b>Sept. 2015</b>	<b>Sept. 2016</b>	<b>Sept. 2017</b>	<b>TOTAL</b>
2	518	1,019	-	-	1,537
8	-	-	468	-	468
10	640	-	428	-	1,068
11	-	1,332	-	-	1,332
15	332	757	-	-	1,089
20	-	496	-	640	1,136
22	-	-	-	757	757
24	1,048	1,582	1,041	796	4,467
25	-	-	376	-	376
27	444	-	-	-	444
28	-	833	396	-	1,229
29	-	731	372	-	1,103
30	931	472	376	654	2,433
31	-	444	-	-	444
<b>Total</b>	<b>3,913</b>	<b>7,666</b>	<b>3,457</b>	<b>2,847</b>	<b>17,883</b>

Despite its efforts, and assuming utilization projections do not change in the next five years, the DOE would still be 17,491 seats short of meeting capacity needs by the end of the Fiscal 2015-2019 Capital Plan. The DOE's inability to meet capacity needs has resulted in persistent overutilization and overcrowding. Table 8 illustrates several performance statistics from the Fiscal 2014 Preliminary Mayor's Management Report (PMMR), including average class size, the percentage of schools that exceed capacity, the percentage of students in schools that exceed capacity, and the number of new seats created.

**Table 8 - Class Size and Overcrowding**

Performance Indicators	Actual			Target		4-Month Actual	
	FY11	FY12	FY13	FY14	FY15	FY13	FY14
Average class size - Kindergarten	22.1	22.8	23.1	22.8	22.8	23.1	23.1
« - Grade 1	22.9	23.9	24.6	23.9	23.9	24.8	25.3
« - Grade 2	23.2	24.2	24.7	24.2	24.2	24.7	25.5
« - Grade 3	23.7	24.5	25.2	24.5	24.5	25.2	25.6
« - Grade 4	25.0	25.3	25.5	25.3	25.3	25.5	26.0
« - Grade 5	25.4	25.8	25.9	25.8	25.8	25.8	26.0
« - Grade 6	26.2	27.0	26.8	27.0	27.0	26.8	26.8
« - Grade 7	27.1	27.2	27.6	27.2	27.2	27.6	27.4
« - Grade 8	27.3	27.4	27.6	27.4	27.4	27.7	27.9
Schools that exceed capacity - Elementary schools (%)	32.0%	33.0%	N/A	*	*	N/A	N/A
« - Middle schools (%)	12.0%	12.0%	N/A	*	*	N/A	N/A
« - High schools (%)	37.0%	32.0%	N/A	*	*	N/A	N/A
Students in schools that exceed capacity - Elementary/middle schools (%)	26.0%	28.0%	N/A	*	*	N/A	N/A
« - High schools (%)	55.0%	48.0%	N/A	*	*	N/A	N/A
Total new seats created	5,593	10,766	9,356	3,885	3,885	0	0

Source: Preliminary Mayor's Management Report for Fiscal Year 2014

The lack of capacity has led to overutilization, which leads to large class sizes. Studies show that large class sizes are negatively correlated with student academic performance. Table 8 shows that class sizes have increased since Fiscal 2011. In fact, class sizes have increased every year since the 2008-2009 school year.

It is unclear why the PMMR does not include Fiscal 2013 data on the percent of schools that exceed capacity or the number of students in schools that exceed capacity. This information is readily available, as it can be calculated using the DOE's "Enrollment, Capacity, Utilization Report", or "Blue Book". The Blue Book for the 2012-2013 school year, which encompasses Fiscal 2013, was released in October 2013.

While fiscal constraints prevent the Department from meeting capacity needs, several other factors contribute to the DOE's inability to relieve overcrowding in schools.

- Siting Difficulties**

The DOE and SCA have voiced as a problem the difficulty of finding sites where there is need for new capacity. In some instances the DOE has not been able to secure sites for new schools in the sub-districts in which the need has been identified. Though sometimes re-zoning can resolve the issue, the SCA cannot construct new seats if there is no place to put them.

- **Small, Co-located Schools**

Another factor that hinders new seat construction and contributes to overcrowding is the DOE's practice of creating small schools in co-located buildings. Though schools share some spaces such as cafeterias and gymnasiums, certain spaces are necessary for each individual school. For example, a building containing three schools generally has administrative offices for each school, some of which are located in rooms that could otherwise serve as classrooms or other student space.

- **Phasing in New Schools**

When the DOE opens a new school, it phases in enrollment by grade, a practice that often results in open, unused classroom space for several years. The DOE could alleviate overcrowding more quickly by changing this policy to allow schools to open at full capacity.

**Pre-Kindergarten Initiative****\$210 million**

Mayor de Blasio has made citywide expansion of full-day preK central to his education agenda. The expansion plan would require community-based organizations (CBOs) and public schools to convert 27,241 half-day seats to full-day, and add another 13,845 new seats to enable all 73,250 four-year-olds to access high quality preK.<sup>1</sup> The mayor's prioritization of expanding full-day preK is reflected in the February 2014 Capital Plan, the first DOE capital plan proposed by the administration. The February Plan includes \$210 million to add approximately 2,100 preK seats in new elementary school buildings and stand-alone preK centers, if necessary. Of the \$210 million, \$10 million is allocated to Fiscal 2015 and \$50 million is allocated to each of the remaining years of the plan.

**Class Size Reduction Program****\$490 million**

The proposed Class Size Reduction Program includes \$490 million to create an additional 4,900 seats, which will be targeted specifically to reduce class sizes. While the DOE and SCA create seats in the New Capacity Program based on capacity needs in various neighborhoods, they will look at the need to reduce class size in individual schools when creating seats under the Class Size Reduction Program. An analysis is underway to determine the criteria that would be used to distribute the funds. Capacity added to reduce class size would not count toward fulfilling the Citywide need of adding 49,245 new seats. Financing for this program is contingent upon revenue from the Smart Schools Bond Act, which would be used for technology and enable the DOE to shift other State and City funds from the technology program to Class Size Reduction. However, if the Smart Schools Bond Act does not move forward, the Class Size Reduction Program would be eliminated and the existing City and State funds would support technology in schools.

**Facility Replacement Program****\$400 million**

Funding in the Facility Replacement section of the Capacity category is intended for the replacement of facilities whose leases will expire during this five-year plan and for seats that will otherwise become unavailable. The replacement site could be another lease or a newly

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<sup>1</sup> Office of the Mayor, Office of Management and Budget, Department of Education, and Administration for Children's Services, "Ready to Launch: New York City's Implementation Plan for Free, High-Quality, Full-Day Universal Pre-Kindergarten," January 2014.

constructed building, depending on what real estate is available. The February Plan provides \$400 million for replacement of 4,000 seats over the five-year period.

## Capital Investment

Funding for the Capital Investment category totals \$4.94 billion in the February Plan, accounting for 38.6 percent of the \$12.8 billion proposal. Capital investment projects are enhancements and repairs to existing facilities that improve the quality and infrastructure of the buildings and property. Capital Investment is comprised of the Capital Improvement Program and School Enhancement Projects.

### Capital Improvement Program

**\$3.33 billion**

The February Plan provides \$3.33 billion for the Capital Improvement Program (CIP). The program includes all interior and exterior upgrades to the DOE building stock of approximately 1,300 buildings, with work such as building repairs, system replacements, and reconfiguration of existing school buildings. A full list of CIP categories is presented in Table 9 and discussed in further detail below.

<b>Table 9 – Capital Improvement Program</b>	
<i>Dollars in thousands</i> <b>Program</b>	<b>February Plan Funding</b>
Exterior	\$1,775,900
Interior	844,600
TCU Removal and Playground Redevelopment	480000
Athletic Field Upgrades	133,300
Other	99,900
<b>TOTAL</b>	<b>\$3,333,700</b>

- Exterior Projects**

**\$1.78 billion**

The major components of the building exterior are roofs, parapets, windows, and masonry. Much of the capital work on buildings' exteriors is performed to make buildings watertight. Water infiltration is the single greatest cause of accelerated deterioration of existing facilities. The SCA prioritizes making every building watertight in order to assuage water damage and hopefully keep the building stock in satisfactory condition until it is able to identify funding for greater improvements.

- Interior Projects**

**\$844.6 million**

Interior improvements include capital work identified by the Building Conditions Assessment Survey (BCAS), work required to fulfill educational needs, and work funded under PlaNYC initiatives. Components of this program include electrical upgrades, low-voltage electrical systems, plumbing, safety systems, cafeterias, and bathrooms. Performing this work can be



challenging and costly because it must often be scheduled in the summer, on weekends, and after normal school hours to ensure the safety of the students and school staff.

• **Transportable Classroom Unit Removal** **\$480 million**

Transportable Classroom Units (TCUs) are placed on school grounds to serve as classrooms. They are temporary solutions to relieve overcrowding, however some of these “temporary” structures have been in use for many years because capacity needs have not been met by the Capital Plan. The DOE’s 2013 Report on Temporary and Non-Standardized Classrooms, summarized in Table 10 below, shows that the SCA has reduced the number of TCUs and TCU enrollment every year since 2007-08. However, in the 2012-2013 school year there were still 352 TCUs serving 7,158 students. The Department maintains that it must continue to use the temporary structures for classroom space in many districts until it can build enough seats to meet capacity needs. The February Plan includes \$400 million to remove all TCUs citywide. However, the SCA’s ability to remove TCUs depends in part on its ability to create new seats, as well as the principals’ willingness to surrender the space. The SCA is currently working with a task force to develop a citywide TCU removal plan.

**Table 10 – Temporary and Non-Standardize Classrooms**

	# of TCU Units	TCU Capacity	TCU Enrollment	Enrollment Change from Prior Year
<b>2005-06</b>	368	15,477	10,215	
<b>2006-07</b>	399	16,077	11,004	789
<b>2007-08</b>	402	14,063	10,929	(75)
<b>2008-09</b>	387	13,293	10,115	(814)
<b>2009-10</b>	373	12,773	8,819	(1,296)
<b>2010-11</b>	363	12,630	8,582	(237)
<b>2011-12</b>	357	12,370	8,264	(318)
<b>2012-13</b>	352	10,890	7,158	(1,106)

*Source: Department of Education’s report to the New York City Council pursuant to the requirements in Local Law 122 of 2005, November 2013.*

• **Athletic Field Upgrades** **\$133.3 million**

The February Plan includes \$133.3 million to upgrade existing athletic fields. The condition of athletic fields has been a significant concern of Council Members, and many Council Members have contributed discretionary funds for such projects in past years.

CIP Projects are selected for the plan based on the level of need for repair. The CIP can include projects to address building conditions rated 1-5 on the Building Conditions Assessment Survey (BCAS), a survey mandated by the New York State Education Department that requires visual inspections of every school to assess the building’s physical condition. Most of the projects included in the February Plan are for the repair of poor building conditions, or those rated level 5. In Table 11 below, data from the Fiscal 2014 PMMR show there were no poor building conditions in Fiscal 2012, as the CIP program provides funds to fix such conditions. Data for Fiscal 2013 and was not included in the report.

**Table 11 – Building Conditions of School Buildings**

Performance Indicators	Actual			Target		4-Month Actual	
	FY11	FY12	FY13	FY14	FY15	FY13	FY14
Hazardous building violations total backlog	108	103	123	*	*	102	105
School building ratings - Good condition (%)	1.3%	1.1%	N/A	1.3%	1.3%	N/A	N/A
« - Fair to good condition (%)	50.0%	49.2%	N/A	50.0%	50.0%	N/A	N/A
« - Fair condition (%)	48.5%	48.9%	N/A	*	*	N/A	N/A
« - Fair to poor condition (%)	0.1%	0.3%	N/A	0.1%	0.1%	N/A	N/A
« - Poor condition (%)	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A

Source: Preliminary Mayor's Management Report for Fiscal Year 2014

There were few building conditions rated fair to poor in Fiscal 2012. The Capital Plan generally does not provide enough funds to address all of these conditions. Nearly half of buildings are rated in fair condition. At times, projects to improve building conditions rated as fair may be addressed, but generally this occurs because they are included in a larger project. As building conditions worsen they usually become more expensive to fix. Additional funding to address CIP projects before they reach poor condition would likely result in long-term cost-savings.

## School Enhancement Projects

**\$1.6 billion**

School Enhancement Projects include Facility Enhancements (\$960 million) and Technology (\$650 million). These projects are upgrades to instructional spaces in existing buildings.

### • Facility Enhancements

**\$960 million**

This program includes funding for making adjustments to facilities that enable changes to instructional offerings in buildings. The DOE targets funds to ensure existing space is aligned with the goals of meeting demand, improving learning conditions, using resources efficiently, and improving student achievement. Categories include facility restructuring, safety and security systems, accessibility, and upgrades to science labs, libraries, auditoriums, bathrooms, and physical fitness facilities.

**Table 12 – Facility Enhancements**

*Dollars in thousands*

Program	February Plan Funding
Facility Restructuring	\$525,000
Safety and Security	100,000
Middle School Science Lab Upgrades	50,000
Accessibility	100,000
Physical Fitness Upgrades	48,500
Library Upgrades	42,200
Auditorium Upgrades	44,300
Bathroom Upgrades	50,000
<b>TOTAL</b>	<b>\$960,000</b>

Of the \$960 million in funding for Facility Enhancements, \$525 million would be for Facility Restructuring. A significant portion of funding for Facility Restructuring would be used to integrate additional preK seats into existing buildings. In part, funding for Facility Restructuring is contingent upon receipt of proceeds from the Smart Schools Bond Act.

The February Plan includes \$50 million for middle school science labs. The DOE prioritized in the Current Plan updating and constructing science labs in high schools. In the upcoming Five-Year Plan, the DOE will focus on middle school science labs.

Also included in the February Plan is \$50 million for bathroom upgrades. Dilapidated bathrooms, especially in older school buildings, have been a concern of the City Council for years. Upgrading bathrooms can be expensive, in part because of code compliance mandates. The SCA would use the \$50 million to implement a new pilot program to improve bathroom conditions at lower costs by

### • **Technology Enhancements** **\$650 million**

Improving technology in schools is a significant focus of the Fiscal 2010-2014 Capital Plan, which includes \$926.8 million for technology enhancements. As a result of these investments, all DOE school buildings currently have broadband connectivity and wireless access. Funding in the Fiscal 2015-2019 Capital Plan would be used to sustain high bandwidth connectivity and increase the capacity and ability of each classroom to support extensive use of student-centered digital resources.

<b>Table 13 – Technology Enhancements</b>	
<i>Dollars in thousands</i>	
<b>Enhancement</b>	<b>Proposed Amendment</b>
Next Generation Voice and Data Upgrade	\$246,900
Next Generation Access Points Upgrade	101,800
Next Generation School Data Wiring Upgrades	46,800
School Electrification Upgrades	64,600
Ancillary Technology Facilities Upgrade	44,500
Non-Infrastructure Projects	145,400
<b>TOTAL</b>	<b>\$650,000</b>

### **Mandated Programs** **\$3.46 billion**

Mandated Programs is a new category that includes funding for projects required by local law or City agency mandates, completing the BCAS, emergency lighting, code compliance, prior plan completion costs, and insurance. Sub-programs funded within Mandated Programs are shown in Table 14. Among them:

- The Building Conditions Surveys program includes funding for the completion of the annual facility inspection surveys and an extensive BCAS every year.

- Prior Plan Completion includes funds for projects still in progress from the Fiscal 2010-2014 Capital Plan, where costs have exceeded the project budget funded in the Fiscal 2010-2014 Plan.
- The Emergency, Unspecified, and Miscellaneous category recognizes funding allows the SCA to respond to any unforeseen needs and emergencies that arise during the course of executing its capital plan.

**Table 14 - Mandated Programs***Dollars in thousands*

<b>Program</b>	<b>February Plan Funding</b>
Lighting Replacements	\$480,000
Boiler Conversions & Associated Climate Control	750,000
Asbestos Remediation	175,000
Lead Paint Removal	15,000
Emergency Lighting	50,000
Code Compliance	150,000
Building Condition Surveys	75,000
Wrap Up Insurance	650,000
Prior Plan Completion	621,200
Emergency, Unspecified, & Miscellaneous	489,000
<b>TOTAL</b>	<b>\$3,455,200</b>

- **Lighting Replacement for PCB Remediation**

**\$480 million**

The February Plan includes \$480 million to replace all polychlorinated biphenyl-containing light fixtures from public school buildings with energy efficient lighting. The funds would be allocated to the remaining 314 buildings that are not funded in the Current Plan.

In order to address widespread concern regarding the polychlorinated biphenyl (PCBs), a carcinogenic toxin that is found in older, T-12 lighting ballasts, in February 2011 the Administration released the Comprehensive Plan, a ten-year plan to improve energy efficiency in schools that includes PCB remediation via lighting replacement. On May 21, 2013, the City entered into an agreement to accelerate the original ten-year plan and replace the toxic light fixtures by December 31, 2016. By the end of the Current Capital Plan the DOE anticipates having started or completed lighting replacements at 424 of the 738 buildings with T-12 fixtures that likely have PCB-containing ballasts.

Funding for lighting replacements would also be used to investigate and replace, if necessary, older, high intensity discharge (HID) lighting in roughly 200 school buildings.

- **Wrap-Up Insurance**

**\$650 million**

As previously discussed, the SCA has experienced increasing insurance costs year after year. The SCA uses an Owner Controlled Insurance Program (OCIP) to provide insurance coverage for the SCA, its contractors, and subcontractors. According to the SCA, the rising cost is largely associated with the state's Scaffold Law (New York State Labor Law sections 240/241), which essentially absolves workers of responsibility for their own accidents, leading to large settlements. In turn, insurance premiums have skyrocketed. The cost of this program ultimately depends on the loss experienced.

## **Appendix**

### **Development and Structure of Capital Plan**

#### **Five-Year Capital Plan Amendment Process**

The Department of Education creates its capital plan through the School Construction Authority (SCA) in five-year increments. After initial adoption of the Five-Year Capital Plan, it is amended annually. An annual amendment is typically proposed in November of each year and a revised proposed amendment is usually issued in February. The City Council reviews the November Proposed Amendment and submits suggestions for changes to the Capital Plan, as do the Community Education Councils (CECs). The SCA incorporated one of these suggestions into the February Revised Proposed Amendment and will continue to review others for possible addition into next year's November Proposed Amendment.

The Panel for Education Policy (PEP) must approve the Five-Year Plan and subsequent amendments before it can be voted on by the City Council. Historically the Council votes on the amendment in conjunction with the adoption process, but the Council could vote on the plan at any time after the PEP approves the plan or amendment and before July first of that year.

The 2015-2019 Five-Year Capital Plan was first introduced in the November 2013 Capital Plan Proposal, and has since been replaced with the February 2014 Revised Proposal for the same period. After initial adoption in June 2014, proposed amendments will be released in November and February of each year through February 2018.

#### **Identifying Capital Needs**

In order to identify the need for capacity, the Department's Division of Portfolio Planning assesses capacity and utilization of existing schools as well as demographic projections of future enrollment. The Annual Facilities Survey is conducted to gather information regarding the size, function, and use of each room in every school building. The DOE also releases the publicly available Enrollment-Capacity-Utilization Report, more commonly known as the Blue Book, which summarizes the enrollment, capacity, and utilization rate for every school.

The SCA conducts the Building Condition Assessment Survey (BCAS) every year, which is mandated by the New York State Education Department to be completed at least every five years, to identify necessary capital improvement projects. A team of architects and engineers visually inspects every school building, administrative building, leased facility, annex, mini-school, temporary building, and field house to assess the facility's physical condition. Every identified deficient condition, other than those identified as under construction or non-accessible, is rated 1-5. The Capital Plan addresses building conditions rated 1-5. Priority 1 equates to "good" condition. These building conditions are lowest priority and the identified deficiency has no significant impact on functionality, though addressing the issue would likely result in operational or maintenance savings. Priority 5 conditions are "poor" and highest priority. These building conditions require repair or improvement to architectural, mechanical, or electrical facility support systems. The DOE and SCA use the information they gather to develop the Five-Year Capital Plan and its annual amendments. In addition, they must consider fiscal resources and additional factors such as siting issues for new capacity when prioritizing projects. The current capital plan was adopted in June 2009 and amended most recently in June 2013. The Proposed

Plan for Fiscal 2015-2019 was released in November 2013, and the revised proposed plan was released in February 2014.

## Structure of the Plan

The Five-Year Capital Plan report issued by the DOE includes a narrative that outlines various categories of spending as well as several appendices that provide detailed information about the projects in the plan.

The narrative is organized into two main categories and various subcategories. The three major areas are Capacity, Capital Improvement, and Mandated Programs.

- **Capacity** includes all projects that create new school facilities. It is separated into three separate divisions: New Capacity, Pre-Kindergarten Initiative, Class Size Reduction Program, and Facility Replacement Program.
- **Capital Investment** includes all projects undertaken to improve and upgrade existing facilities. This category is divided into the following subcategories: Capital Improvement Program (CIP) and School Enhancement Projects. The Appendix is comprised of various lists of projects organized in different ways.
- **Mandated Programs** includes projects that the DOE must fund, such as remediation programs, code compliance, and insurance.

The SCA publishes three versions of the Five-Year Capital Plan: the Classic Edition, the School-Based Edition sorted by City Council district and school, and the School-Based Edition sorted by borough, school district, and school. The narrative of the report is consistent among the three editions. The reports differ in the structure of their appendices.

Though the structure of the appendices differs by each report, all reports include generally the same information. However, the School-Based editions provide a more comprehensive list of projects in the School Based Program Appendix, as described below, than the Classic Edition provides. Every report includes a Plan Summary table and Borough Summary tables that disaggregate the budget by fiscal year among various project categories. These tables are useful for determining citywide or borough spending by various categories for each year of the Capital Plan. Some of the most useful appendices include:

**Capacity Projects.** In addition, the appendices include a list of Capacity Projects. These tables provide the highest level of detail for individual capacity projects in the Plan, laying out information such as the project location if it has been sited, the forecasted capacity the project will create, design and construction start dates, estimated completion dates, estimated costs, and funding requirements to complete the projects.

- **Capacity in Process.** There are still many capacity projects continuing from the Fiscal 2010-2014 Capital Plan. This appendix provides a list of capacity projects that are currently underway but not yet completed.

**Capital Investment Projects.** There are various appendices for capital investment projects. It is important to keep in mind that the appendices that show detail on capital investment projects

only show detail for the first fiscal year of the plan through the first fiscal out-year. Therefore, the February Plan for Fiscal 2015-2019 only shows projects planned for Fiscal 2015 and 2016.

- **Citywide Projects.** Often the SCA highlights project categories that are of special interest. For example, on pages C13-C20 of the Appendix is a list of all individual projects within the Lighting Fixture Replacement Program. Pages C21-C26 list planned projects related to the damage caused by Superstorm Sandy.
- **School Based Program.** These tables list capital improvement projects in the Capital Plan by school. The edition by City Council district lists these projects by City Council District, then by school.