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Report to the Committee on Finance and the Committee of Education on the Fiscal 2018 Executive Capital Budget and Proposed Amendment to the Five-Year Capital Plan for Department of Education/School Construction Authority May 16, 2017

Finance Division

Latonia McKinney, Director
Regina Poreda Ryan, Deputy Director
Nathan Toth, Deputy Director
Paul Scimone, Deputy Director

Kaitlyn O'Hagan, Financial Analyst
Elizabeth Hoffman, Principle Financial Analyst
Dohini Sompura, Unit Head

Department of Education/School Construction Authority Overview

This report presents an overview of the February 2017 Proposed Amendment to the Department of Education's (DOE) Fiscal 2015-2019 Five-Year Capital Plan (the Proposed Amendment), issues related to the Proposed Amendment, and highlights of the DOE's Capital Commitment Plan for the Fiscal 2018 Executive Budget. Table 1 below provides a summary of the Proposed Amendment. For a more detailed and comprehensive report on the DOE's Five-Year Capital Plan and the Proposed Amendment, please refer to the Fiscal 2018 Preliminary Budget Report for the School Construction Authority (SCA) at: <http://council.nyc.gov/budget/wp-content/uploads/sites/54/2017/03/040-SCA.pdf>.

Table 1 – DOE Proposed Amendment Overview by Project Category (Dollars in Thousands)		
Project Category	Proposed Amendment	% of Plan
Capacity	\$5,909,500	38.08%
New Capacity	4,477,500	28.85%
Pre-Kindergarten for All	800,000	5.15%
Class Size Reduction	490,000	3.16%
Facility Replacement	142,000	.91%
Capital Investment	5,968,200	38.45%
CC, BP, Mayor/Council Program	658,600	4.24%
Capital Improvement Program	3,781,200	24.36%
School Enhancement Projects	1,528,400	9.85%
Facility Enhancements	874,000	5.63%
Technology	654,400	4.22%
Mandated Programs	3,642,500	23.47%
TOTAL	\$15,520,390	100%

Source: DOE Fiscal 2015-2019 Five-Year Capital Plan Proposed Amendment, February 2017.

Capacity. The Proposed Amendment includes \$5.9 billion for Capacity projects, for the following:

- *New Capacity.* \$4.5 billion for the construction of an additional 44,324 K-12 seats citywide;
- *Pre-K for All.* \$800 million for the construction of over 8,300 pre-K seats citywide;
- *Class Size Reduction.* \$490 million for 4,900 seats targeted to reduce class size; and
- *Facility Replacement.* \$142 million, an increase of \$80 million from the Adopted Plan, for the construction of schools that must be relocated.

Capital Investment. The Proposed Amendment includes almost \$6 billion for projects to improve and upgrade existing facilities, including:

- *Capital Improvement Program.* \$3.8 billion for critical infrastructure work in existing buildings. This funding is mostly for work on building elements rated “poor” by the Building Condition Assessment Survey (BCAS), and \$405 million is allocated for the removal of the 255 remaining Transportable Classroom Units; and
- *School Enhancement Projects.* \$1.5 billion, of which \$874 million is for Facility Enhancements and \$654 million is for Technology.
 - *Facility Enhancements* include:
 - *Middle School Lab Upgrades:* \$50 million for 25 middle school lab upgrades;

- *Accessibility.* \$128 million for Accessibility projects, \$27.6 million of which was added in the Proposed Amendment to ensure schools that are emergency shelters are accessible;
 - *Physical Fitness Upgrades.* \$29 million for swimming pools and gymnasium upgrades; and
 - *Bathroom Upgrades.* \$100 million for upgrades to bathrooms that are identified as functioning by the Building Condition Assessment Survey (BCAS) but require capital investment.
- *Technology* includes:
 - *Smart Schools Bond Act (SSBA).* \$383 million of the City's funding from the Smart Schools Bond Act, \$88 million of which will be used for classroom technology including laptops, tablets, and desktops; and
 - *SEIS.* \$4.4 million added in the Proposed Amendment for work on the Special Education Student Information System (SEIS).

Mandated Programs. The Proposed Amendment allocates \$3.6 billion for mandated programs, including lighting replacements, boiler conversions and associated climate control, asbestos remediation, lead paint removal, emergency lighting, code compliance, building condition surveys, wrap up insurance, prior plan competition, and emergency/unspecified.

- *Lighting Replacement.* Pursuant to Court Order, the DOE was required to remove all PCB-containing light fixtures from New York City public school buildings by December 21, 2016. This has been completed and the total cost of the program, which included 940 lighting projects at 765 buildings, was approximately \$1 billion.

DOE/SCA Preliminary Budget Response

Air Condition Public Schools. As called for in the Council's Budget Response, the Executive Budget includes \$28.75 million in expense funding over the next five fiscal years to purchase air conditioners for the approximately 11,500 classrooms without air conditioning (or without functioning air conditioning). The \$5 million in expense funding for Fiscal 2018 will allow the DOE to purchase and install 2,000 air conditioners beginning in Summer 2017. The DOE will work with SCA to determine which buildings get air conditioning first, prioritizing buildings used for summer school and assessing need based on building utilization and ability to accommodate the upgrades. This funding will not cover air conditioning for charter schools. Funding also will not cover replacement of air conditioners that break. However, the Mayor has committed to bring air conditioning to non-classroom instructional space (i.e. cafeterias, gymnasiums, and/or auditoriums used for traditional classroom instruction).

The DOE and SCA are still investigating the costs of necessary wiring and electrical upgrades to support air conditioning in schools. According to the DOE's reporting on classrooms without air conditioners pursuant to a Fiscal 2017 term and condition, only 43 buildings out of approximately 1,200 have no classrooms with air conditioning; that is, many buildings with air conditioning may not have received electrical upgrades and may not require them.

The Proposed Amendment allocates \$50 million in the Facility Enhancements program to perform work that will facilitate the installation of air conditioning in classrooms. Table 2 lists six buildings that have been identified where the SCA will begin this work; they do anticipate

doing upgrades in additional buildings using the \$50 million. Because the scope for the buildings already identified is still in process, the budget for each project is not yet available.

Table 2 – Buildings Identified for Air Conditioning-related Capital Upgrades					
School District	Council District	Building ID	Building Name	Classrooms w/ AC	Classrooms w/o AC
6	10	M152	PS 152	8	22
8	17	X650	Jane Addams HS	35	10
15	39	K230	PS 230	30	1
30	26	Q111	PS 111	1	32
31	49	R016	PS 16	25	11
32	34	K111	IS 111	1	54

Source: Letter from the SCA on file with the City Council; Fiscal 2017 Term and Condition.

The Proposed Amendment also includes \$64.6 million under Technology for cabling and electrical upgrades which, in addition to supporting a digital learning environment, may provide the electrical capacity to support air conditioning. The allocation of \$11.3 million for air conditioning retrofitting in the Interiors program in the Proposed Amendment is for work related to Hurricane Sandy repairs and code compliance in three buildings: X085 in District 10, K329 in District 21, and R722 in District 31.

Build Essential School Components. The Council proposed that the SCA use the existing \$5.9 billion Capacity funding in the Proposed Amendment to ensure as many schools as possible have dedicated auditorium, cafeteria, and physical education space, as well as other school components that are essential for specific instructional programs. Throughout the City there are many public schools that do not have cafeterias, gymnasiums, and/or auditoriums. Some schools lack one or more of these facilities altogether, while other schools have spaces that serve two or all of these functions. Schools in buildings that do have these spaces may share them with co-located schools.¹ The lack of dedicated space for essential school components limits the ability of schools to meet their students' educational needs. The Proposed Amendment does not address this issue. The SCA and DOE are opposed to building non-classroom capacity projects with funding currently allocated for classroom capacity.

Improve Accessibility in NYC Public Schools. The Council proposed that the DOE allocate \$100 million per year for the Accessibility program to increase the number of accessible schools, particularly in districts with low portions of accessible schools and at schools used as poll sites. According to data provided by the DOE only 933, or approximately half of non-District 75 schools, are partially or fully accessible to students with mobility impairments. Most of these schools—approximately three-fourths—are only partially accessible. The number of accessible schools varies widely across school districts, and some districts have no schools that are fully accessible to students in certain grades. In addition, many schools used as poll sites are not fully accessible and the City's Board of Elections uses temporary ramps to make these sites temporarily accessible for elections. The Proposed Amendment does not address this issue. The DOE's Office of Space Planning is currently undertaking an accessibility survey of public high school buildings, to be followed by a survey of middle and elementary schools.

¹ An annual report on school capacity and utilization provided by the DOE pursuant to Local Law 60/2011 (available online here: <http://schools.nyc.gov/Offices/OSP/default.htm>) provides information on spaces in schools, and offers insights on how many schools have spaces that serve multiple essential functions (i.e. spaces that function as both a gymnasium and a cafeteria), as well as spaces that are shared by two or more schools. However, it is unclear from this report exactly how many schools have no auditorium, cafeteria, or physical fitness space.

Increase Transparency of the DOE's Five-Year Capital Plan. The Council called for the DOE's Five-Year Capital Plan's publication format to be made more transparent, understandable and detailed for the benefit of both policy makers and the public. Specifically, the Council called for the SCA to publish one version of the Five-Year Capital Plan in a universal machine-readable format, with project status, actual costs for projects that have been completed, and Reso A projects listed in the plan. The SCA is open to releasing a more comprehensive version of the Five-Year Capital Plan, but is opposed to providing the Plan in machine-readable format with actual costs given their current systems do not allow for this type of reporting and building a new system would be cost-prohibitive.

Re-estimate SCA Construction Revenue. As called for in the Council's Budget Response, the DOE's Executive Budget did include a re-estimate of revenue from the SCA for work on capital projects done by the DOE's Division of School Facilities (DSF) and Division of Instructional and Information Technology (DIIT): an additional \$18.7 million in Fiscal 2017, and \$19 million in Fiscal 2018 and in the outyears. This funding supports contracts for small capital projects managed by the DSF such as bathroom upgrades; the funding does not support any additional staff.

DOE/SCA Capital Budget Concerns

3-K for All. The Mayor's Fiscal 2018 Executive Budget for the DOE includes expense funding to offer 3-K for All: free, City-funded, preschool for three-year-olds in eight school districts over the next four years. Though no capital work for 3-K is anticipated in Fiscal 2018, it is unclear what effect the implementation of 3-K for All will have on the DOE's capital budget in the long-term. Given the Administration's plans to serve 1,800 3-K students in Districts 7 and 23 by Fall 2018, and expects roughly half of these seats to be in public schools, approximately 900 seats (sixty 15-seat classrooms) must be found in DOE facilities. While District 7 and District 23 elementary schools are both currently under 100 percent utilization, capital funding may be needed to construct additional seats for 3-K students, particularly in the outyears as the program expands, similar to UPK.² This could exacerbate existing school siting and planning challenges.

SEGIS. The Proposed Amendment allocates \$4.4 million for technology upgrades related to the Special Education Student Information System (SEGIS). This is in addition to expense funding added in the Fiscal 2018 Preliminary Budget for SEGIS upgrades. Funding is supporting improvements to SEGIS' usability, architecture, system report and analysis, and support services. These improvements and next steps are outlined in a May 2017 SEGIS assessment report completed by a multi-agency group, including employees from the DOE, the Department of Information Technology and Telecommunications, the Office of Management and Budget, the Law Department, and the Mayor's Office.³ Funded upgrades in part aim to provide comprehensive and accurate reporting on special education services. Local Law 27 of 2015, which requires annual reports on special education services, highlighting that the SEGIS system currently lacks this capacity.

² According to the 2015-2016 Enrollment, Capacity, and Utilization Report (the Blue Book), the utilization rates for elementary schools in School Districts 7 and 23 are 92 percent and 77 percent, respectively. There are 610 empty elementary school seats in School District 7 and 704 empty elementary school seats in School District 23. PS/IS schools in both districts are also underutilized.

³ Available online: <http://schools.nyc.gov/NR/rdonlyres/880CFEB4-AADE-4597-8D86-36D9C8E551E2/0/SEGISReport.pdf>.

Bathroom Upgrades. The Five-Year Capital Plan includes \$100 million for bathroom upgrades. The Council had raised concerns that the selection process for bathroom upgrade projects, which were identified by principals and custodians, did not ensure bathrooms with the greatest need for upgrade were addressed. In response to these concerns the DOE will now also use ratings from SchoolStat to revise the priorities for planned bathroom upgrades to ensure these upgrades reach the schools most in need. The DOE's SchoolStat team reviews half of the bathrooms in use at each school twice a year and bathrooms are rated on a scale of 1-5 in three categories: cleanliness, repair, and fixtures. Cleanliness and repair scores less than 3 and fixture scores below 4.2 are considered substandard. However, because the SchoolStat rating is an aggregate rating of multiple bathrooms, it may not reflect the condition of the specific bathrooms that will receive upgrades. This means SchoolStat ratings don't clearly reflect individual bathrooms most in need of repair.

A list of Bathroom Upgrade projects can be found on pages C46-C59 of the Proposed Amendment. As of April 2017, \$43.7 million has been spent upgrading 570 bathrooms in 290 buildings, at an average cost of \$77,000 per bathroom. There are 186 additional buildings scheduled to receive upgrades in approximately 407 bathrooms with a budgeted cost of \$32.5 million. With the \$24 million remaining for the bathroom upgrades program the DOE will identify two additional phases of bathroom upgrades. Bathrooms will again be identified in consultation with custodians and principals, and priorities refined based on SchoolStat ratings as discussed above. As previously mentioned, bathroom upgrade projects are completed through contracts managed by the Division of School Facilities.

Charter Matching Projects. For traditional public schools co-located with charter schools in DOE buildings, the DOE must match facility upgrades in excess of \$5,000 made by or on behalf of the charter school with upgrades in the co-located public school. This requires DOE to spend an equal amount on the co-located traditional public school's facilities if the charter school facility upgrades are in excess of \$5,000. This spending is referred to as "charter matching funds" and can be for either expense or capital projects. Charter matching fund projects are identified in consultation with the principal(s) of the co-located public school(s) once the facility upgrades being made by the charter school are approved by the DOE. There is no expense or capital funding dedicated to funding charter matching projects, rather, expense projects are funded with existing resources and capital projects are funded through the appropriate section of the capital plan. In Fiscal 2016, charter matching projects totaled \$24.1 million (expense and capital); as of March 2017 charter matching projects in Fiscal 2017 total \$21.7 million (expense and capital).

School Planning and Siting. While the 82,811 capacity need identified in the Proposed Amendment represents a significant increase from the need initially acknowledged in the Five-Year Capital Plan, only 44,324 are funded in the current Five-Year Plan, with the remainder funded in Fiscal 2020-2024 in the Ten-Year Capital Strategy. Many advocates maintain this does not reflect the true capacity need of New York City's education system, as SCA's exact process for determining the identified seat need remains unclear. In addition, of the 84 New Capacity projects funded in the Proposed Amendment, 39 projects representing 20,314 seats were unsited as of February 2017.

The Council continues to scrutinize the SCA's planning and siting of school seats. Speaker Melissa Mark-Viverito announced in her State of the City speech the formation of an internal working group at the New York City Council to examine school planning and siting. This working group anticipates releasing a report that will clearly document the school planning and siting process, identify challenges, and develop a set of recommendations. The working group is consulting with

the DOE and SCA, advocates, students, parents, and experts in planning and design. Public feedback and input is welcome, and can be submitted to the school planning and siting working group through the Council's website: <http://council.nyc.gov/land-use/plans/schools-working-group/>.

Class Size Reduction. The Proposed Amendment allocates \$490 million for 4,900 new seats targeted to reduce class size. These seats are in addition to those funded under the New Capacity program. The SCA identified three Class Size Reduction projects in January 2016, which are listed in Table 3 below; the three projects are only associated with 1,354 seats. The Council remains concerned that less than one-third of the seats meant to be created through this program have been identified with only two fiscal years remaining in the current Five-Year Capital Plan.

Table 3 – Class Size Reduction Projects in the Proposed Amendment					
Borough	School District	Building Name	Address	Seats	Est. Compl
Bronx	11	P.S. 19	4318 Katonah Avenue	400	Sep-20
Brooklyn	19	East New York Family Academy	2057 Linden Boulevard	602	Sep-21
Queens	29	P.S. 131	170-45 84th Avenue	352	Sep-21

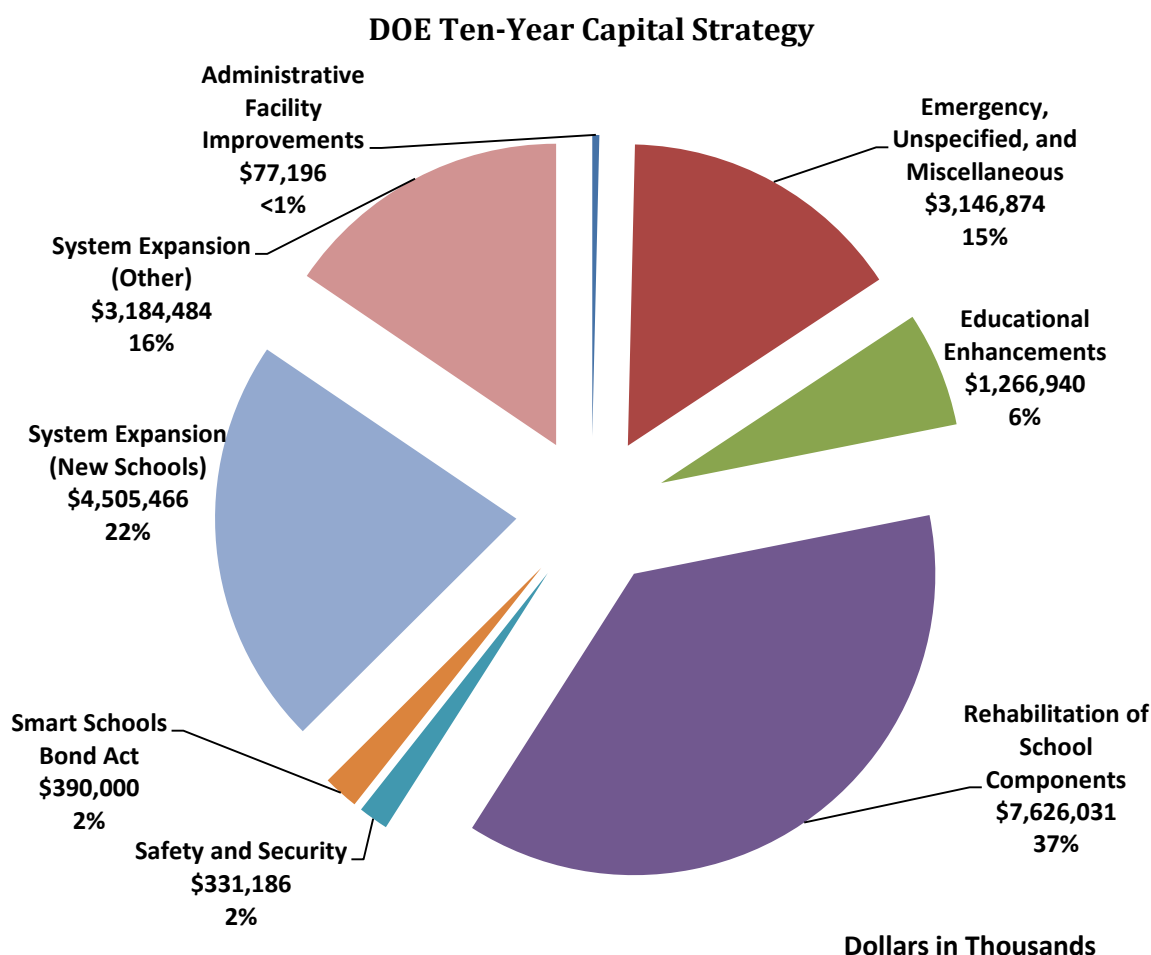
Source: DOE Fiscal 2015-2019 Five-Year Capital Plan Proposed Amendment, February 2017.

Department of Education Capital Strategy and Plan

Ten-Year Capital Strategy

The City's Ten-Year Capital Strategy totals \$95.8 billion (all funds), an increase of \$6.2 billion or seven percent from the Preliminary Ten-Year Capital Strategy total of \$89.6 billion. The DOE's Ten-Year Capital Strategy for Fiscal 2018-2027 is 23 percent of the City's Strategy at \$20.5 billion, almost 90 percent of which are City funds. Funding for the DOE's Ten-Year Capital Strategy increased \$123 million, less than one percent, from the Preliminary Ten-Year Capital Strategy. Increases are in Fiscals 2018 and 2019, and align the Ten-Year Capital Strategy with changes to the Capital Commitment Plan, discussed below. See Appendix A for a year-by-year breakdown of funding for the DOE in the Strategy.

As illustrated by the chart on the next page, over one-third of DOE's Ten-Year Capital Strategy funds system expansion through the construction new schools and other system expansion (build out of leased space, building additions, and new athletic fields and playgrounds). The Ten-Year Capital Strategy includes funding that will fully fund the construction of all projected seats needed. The K-12 capacity need identified in the current Five-Year Capital Plan is 82,811 seats, but the Plan only includes funding for 44,324 seats. The Strategy provides funding for the construction of the remaining 38,487 seats beginning in Fiscal 2020, and the next DOE Five-Year Capital Plan will reflect the funding for these seats. However, funding may not support additional K-12 need identified in the next Five-Year Capital Plan, and additional UPK or 3-K seats. Another third of the DOE's Ten-Year Capital Strategy funds the rehabilitation and upgrade of school building components. The remaining funding in the DOE's Ten-Year Capital Strategy supports the improvements of administrative facilities, education enhancements, safety and security, enhancements funded by the Smart Schools Bond Act, and other emergency/miscellaneous capital improvements.



Capital Commitment Plan

The Fiscal 2018 Executive Capital Commitment Plan includes \$14.4 billion in Fiscal 2017-2021 for the DOE (all funds). The Department's Executive Capital Commitment Plan increased by \$195 million when compared to its Preliminary Plan, representing an increase of one percent, as shown in Table 4. All of the increase is City funding, and reflects the additional \$80 million included in the Proposed Amendment for facility replacements and \$91 million in Borough President Section 211 projects (also known as discretionary capital or Reso A) for Fiscal 2018.

Table 4 - Department of Education 2017-2021 Capital Commitment Plan
(Dollars in Thousands)

	2017	2018	2019	2020	2021	Total
Executive Plan	\$3,917,662	\$3,275,453	\$2,902,879	\$2,165,569	\$2,165,569	\$14,427,132
Preliminary Plan	3,845,162	3,155,051	2,900,379	2,165,569	2,165,569	14,231,730
Change	72,500	120,402	2,500	0	0	195,402
Percentage Change	1.89%	3.82%	.09%	0%	0%	1.37%

Source: OMB Fiscal 2018 Executive Capital Commitment Plan

Appendix A: DOE Ten-Year Capital Strategy by Category and Fiscal Year

DOE Fiscal 2018-2027 Ten-Year Capital Strategy <i>(Dollars in Thousands)</i>											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Administrative Facility Improvements	\$12,664	\$11,966	\$47	\$7,960	\$9,620	\$9,225	\$9,167	\$36	\$7,368	\$9,143	\$77,196
Emergency, Unspecified, and Miscellaneous	331,233	271,155	419,360	400,788	337,059	169,672	207,729	318,569	370,958	320,351	3,146,874
Educational Enhancements	194,538	193,038	90,212	125,198	97,388	141,711	147,884	68,530	115,881	92,560	1,266,940
Rehabilitation of School Components	910,880	772,801	1,019,246	729,051	751,414	687,375	592,035	774,273	674,790	714,166	7,626,031
Safety and Security	60,105	62,392	16,576	5,406	39,751	43,783	47,798	12,592	5,003	37,780	331,186
Smart Schools Bond Act	195,000	195,000	0	0	0	0	0	0	0	0	390,000
System Expansion (New Schools)	892,207	1,068,495	294,561	249,565	334,340	748,830	917,468	0	0	0	4,505,466
System Expansion (Other)	678,826	328,032	325,567	647,601	595,997	364,973	243,488	0	0	0	3,184,484
Total	\$3,275,453	\$2,902,879	\$2,165,569	\$2,165,569	\$2,165,569	\$2,165,569	\$2,165,569	\$1,174,000	\$1,174,000	\$1,174,000	\$20,528,177

Source: Office of Management and Budget (OMB) Executive Ten-Year Capital Strategy Fiscal Years 2018-2027