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## Follow the Money: Were School Construction Dollars Spent as Planned?

### SUMMARY

DURING FISCAL YEARS 2000 THROUGH 2004, the city committed \$6.9 billion to build new public schools and repair, improve, and expand existing ones. The capital spending was largely driven by the Department of Education's five-year capital plan for those years. While elected officials and the public often pay close attention to the development of a new plan, there is generally little effort to follow-up and see how closely the results matched the original plan.

This new report by IBO examines the results of the 2000-2004 education capital plan—how capital funds were actually allocated and how the share of funds dedicated to different types of capital work in the original plan changed as it was implemented. We also compare actual capital commitments to cost estimates for some categories of projects in the plan to measure the accuracy of the estimates. Based on our analysis, IBO finds:

- More than 30 percent—\$2.1 billion—of the education department's capital commitments over fiscal years 2000-2004 went towards building new schools or expanding existing ones. This was up 31.2 percent—\$491.1 million—from what was originally planned.
- In contrast, other categories of work received a substantially smaller share of funds than originally planned, including exterior modernizations (\$790.6 million less, or a 76.9 percent decline in its share of total plan spending) and completion costs for unfinished projects carried over from the prior plan (where the share decreased by 39.3 percent, or \$450.7 million).
- The education department more accurately projected the actual costs of exterior modernization and window replacement projects than it did for new school construction projects.

IBO used a number of resources to complete this analysis, including the city's computerized Financial Management System and capital reports published by the Mayor's Office of Management and Budget, the School Construction Authority, and the Department of Education. But the task of tracking the results of the five-year plan was particularly challenging because the reports that monitor actual capital spending do not have a clear link to projects in the five-year plan. These reporting systems should be better integrated so that policymakers and the public could more easily follow the city's significant investment in public school facilities.

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## BACKGROUND

The Department of Education (DOE)—unlike other city agencies—follows a state-mandated five-year capital planning cycle. On May 12, 1999, the Board of Education approved a \$6.9 billion *Five-Year Capital Plan for Fiscal Years 2000 through 2004*. The Chancellor at the time, Rudolph F. Crew, had recommended a larger investment of \$10.9 billion in his draft plan released in November 1998. (See [Inside the Budget, May 10, 1999](#) for a comparison of the proposals.) However, the seven-member Board of Education decided to pursue a less ambitious plan because some of the plan funding was considered uncertain and unlikely to materialize. (See [Inside the Budget, April 12, 1999](#) for details on the proposed financing strategy for the draft plan.) The plan adopted in May 1999 (hereafter the “original plan”) included 2,585 school-based repair projects, 17 citywide repair projects,<sup>1</sup> and the construction of more than 60,000 new seats.<sup>2</sup>

Following its adoption in 1999, the 2000-2004 capital plan was amended three times.<sup>3</sup> The process for amending the plan is prescribed in state law. The Chancellor may in his discretion submit amendments to the five-year plan to the board and the Mayor and City Council (the city’s legislative branch was added to the process in 2002 when the state gave the Mayor control of the school system) for their approval. Community school boards must also be allowed to review and comment on any changes to the approved plan prior to a vote on the plan by the board.

The first amendment of the plan in April 2000 recognized \$183 million in additional funding—\$58 million in funding from the state’s Rebuilding Schools to Uphold Education program and \$125 million in pay-as-you-go financing using funds transferred from the education department’s expense budget. This increased the plan’s funding to \$7.2 billion.

In December 2001, the plan was amended for a second time to address a funding shortfall of approximately \$2.4 billion due to higher project costs. (See [Inside the Budget, February 4, 2002](#) describing the escalation in education capital project costs.) According to a February 2002 consultant’s report prepared for the Chancellor, “*the most significant contributing factor to this shortfall [was] the inability of the Board of Education and the School Construction Authority to contain construction and construction-related costs and to report them clearly.*”<sup>4</sup> Factors contributing to the shortfall included changes to the scope of work, the acceleration of construction schedules for capacity expansion projects, costly design and material requirements, and the reluctance of contractors to bid on education capital

projects. The shortfall forced the department to scale back the 2000-2004 capital plan for the first time. Over 1,670 repair projects and 16 capacity expansion projects that would have yielded 11,072 new seats were deferred. The department decided to preserve funding for those schools with the most seriously distressed exterior building conditions as well as the funding for scope and design work on the deferred capacity expansion projects.

After the budget shortfall was identified, the school construction bureaucracy was overhauled to improve accountability and make the process more efficient. The department’s Division of School Facilities, which is primarily responsible for developing the five-year capital plan, was folded into the School Construction Authority (SCA) in 2003. The president of the SCA now oversees the city’s public school construction process and reports directly to education department’s deputy chancellor of finance and administration. The department made other changes, including improvements to the design standards for new schools, which are not discussed in this paper.

The reorganization that was made possible by the enactment of state legislation in 2002 that overhauled the governance of the SCA and the department. The SCA’s board is responsible for appointing the president of the authority. Prior to 2002 the authority’s board was comprised of three members, the Chancellor, an appointee of the Mayor, and an appointee of the Governor and the SCA president primarily answered to the board. After 2002 all three board members are appointed by the Mayor and serve at his pleasure.

The City Council also enacted legislation to require additional reporting by the SCA on the status of school capital projects and project expenditures. In April 2003, following nearly a year of hearings and debate, the City Council unanimously approved Local Law 24 over the Mayor’s veto.

In May 2003 the 2000-2004 plan was amended for a third and final time to reflect additional changes, including across-the-board reductions in capital spending ordered by the Bloomberg Administration for all city agencies to help deal with projected city budget gaps. At the time, the education department estimated that funding for the 2000-2004 capital plan would be cut by over \$1 billion over fiscal years 2002, 2003, and 2004. To deal with the funding cut, the projects in the plan were scaled back again. This time around the department decided to preserve nearly all of the capital improvement projects and instead defer the construction of several new schools that had remained in the plan after the second amendment.

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Because there was no final amendment of the department's 2000-2004 capital plan reflecting additional changes to funding and projects after the May 2003 amendment, we obtained the final funding level for the plan from city capital budget documents. According to the city's Capital Commitment Plans, the education department was authorized to commit a total of \$6.5 billion over fiscal years 2000-2004. This reflects a net reduction of roughly \$400 million, or 5.8 percent, in planned capital commitments for the education department between the start and end of the five-year period, compared to the plan's initial budget.<sup>5</sup> However, because the plan's funding had grown during the first half of the five-year period, the actual reduction in total funding between 2002 and 2004 was greater.

## MEASURING CAPITAL COMMITMENTS

Determining how successful the education department was at implementing its 2000-2004 capital plan was a difficult task, plagued by inconsistent and missing data. There is no comprehensive source tracking capital spending back to DOE's capital plan for each individual project. For this report, IBO has used information from a variety of city sources, linking capital spending to planned projects and types of projects. This approach allows for some comparisons of planned and actual capital spending although it still falls short of the ideal, which would require changes to the city's capital reporting process.

To track planned and actual capital commitments (which reflect the total value of registered contracts for the construction or purchase of capital assets) for each city agency, the city's Office of Management and Budget (OMB) publishes a Capital Commitment Plan three times a year (September, January, and April). For the education department's capital projects, OMB publishes a supplement that contains additional information not shown in the Capital Commitment Plan. The supplement identifies the individual capital projects that will be managed by the SCA whereas the Capital Commitment Plan merely shows a lump-sum set aside for the construction authority to commit for school capital projects. According to the city's latest Capital Commitment Plan, released in April 2005, the education department committed a total of \$6.49 billion over fiscal years 2000-2004.

IBO's estimate of the amount committed for the 2000-2004 capital plan differs somewhat from that reported by the Mayor's Office of Management and Budget. To arrive at our estimate of actual capital commitments for the education department we used two sources: the OMB supplement to obtain a list of the capital projects (that is, the project IDs and

descriptions) that were part of the 2000-2004 capital plan; and the city's Financial Management System to obtain the total amount committed for each of those projects over the five-year period. IBO's estimate of \$6.86 billion is higher by about \$370 million.<sup>6</sup>

A large part of the difference between our total figure of the education department's actual commitments over fiscal years 2000-2004 and OMB's figure has to do with how capital commitments are reported for the department. While actual commitments can be tracked in the city's Capital Commitment Plan for most city agencies, this is not the case for DOE. Actual commitments made by the SCA, the primary agency charged with executing the department's five-year capital plan, can be obtained only from the authority or through the city's on-line Financial Management System. Actual commitments reported in the Capital Commitment Plan for the SCA represent the transfer of funds to the authority rather than actual spending. IBO's analysis attempts to capture actual spending on education capital projects by both the SCA and other city agencies.

In addition, some of the difference between our total estimate and OMB's figure is that our analysis assumes that all funds for the federal Qualified Zone Academy Bond program were committed by the end of 2004. The city issued a total of \$90 million under this bond program on behalf of the education department over fiscal years 2002, 2003 and 2004.<sup>7</sup>

## SOURCES OF PLAN FUNDING

Of the \$6.9 billion committed by the department over 2000-2004, city funds made up \$6.6 billion, or 96.7 percent. This is the same share projected in the department's original plan. Nearly all of the city funds, \$6.4 billion, were raised by issuing debt. The remaining \$200 million in city capital was funded on a pay-as-you-go basis using city general revenues rather than bond proceeds. This is less than the \$375 million in pay-as-you-go funds proposed in the department's original plan. The balance of the commitments (\$224.9 million) was made up of federal and state funds.

Federal funds accounted for \$50.8 million (0.7 percent), including a \$3.0 million grant distributed through the Lower Manhattan Development Corporation for construction of the Millennium High School and \$47.8 million from the School Renovation Technology Grant program. This is considerably less than the \$300 million in federal funding anticipated in the department's original plan.

State funds made up \$174.1 million (2.5 percent), including \$77.2 million from the Rebuilding Schools to Uphold Education program funds, \$39.0 million from the Rebuilding the Empire State Through Opportunities in Regional Economies program and \$550,000 from state Assembly Member funds. (For the balance of the state aid, \$57.3 million, IBO was not able to identify the specific grant sources.) Actual commitments of state funds exceeded the \$70 million anticipated in the department's original plan.

### TOTAL COMMITMENTS BY MANAGING AGENCY

As noted previously, a number of agencies can assist in carrying out the department's five-year capital plan. The SCA has been the primary agency responsible for implementing the department's five-year plans since 1989, when the state legislature created the authority to address problems in the city's school construction process. The majority of the 2000-2004 capital plan projects were managed by the SCA. However, about 6.5 percent, or \$443 million, of projects (primarily exterior modernizations), were done by the Department of Design and Construction. A small number of school playground projects were also carried out by the parks department.

In fiscal year 2001 the Speaker of the City Council negotiated an agreement with then-Mayor Rudolph Giuliani to add \$150 million to the 2000-2004 capital plan to construct new schools

in each of the five boroughs. Initially these projects to expand the system's capacity were to be managed by the Economic Development Corporation but the SCA ended up overseeing the work.<sup>8</sup>

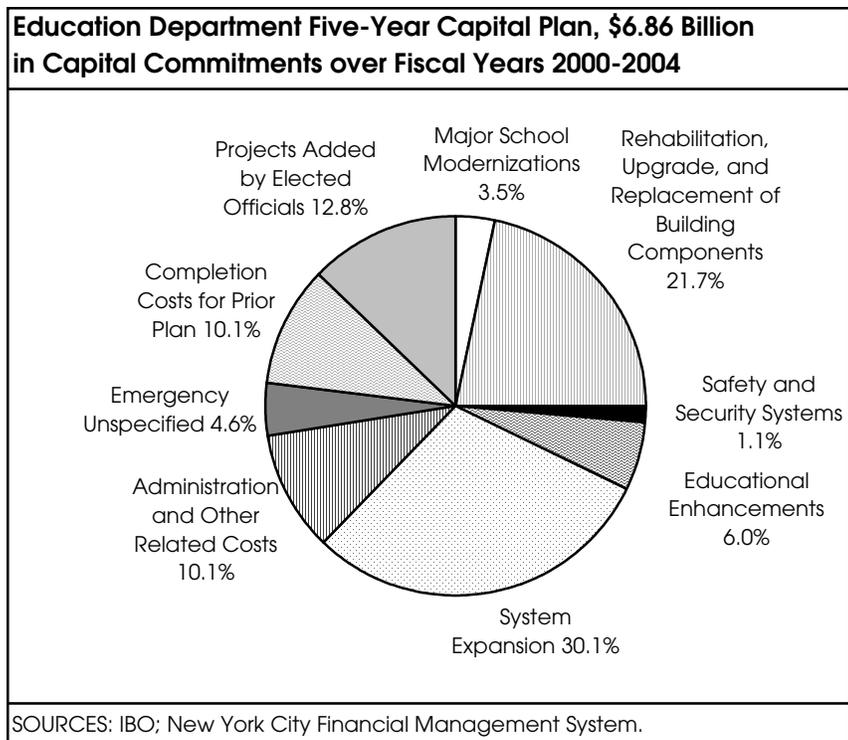
### TOTAL COMMITMENTS BY PLAN CATEGORY

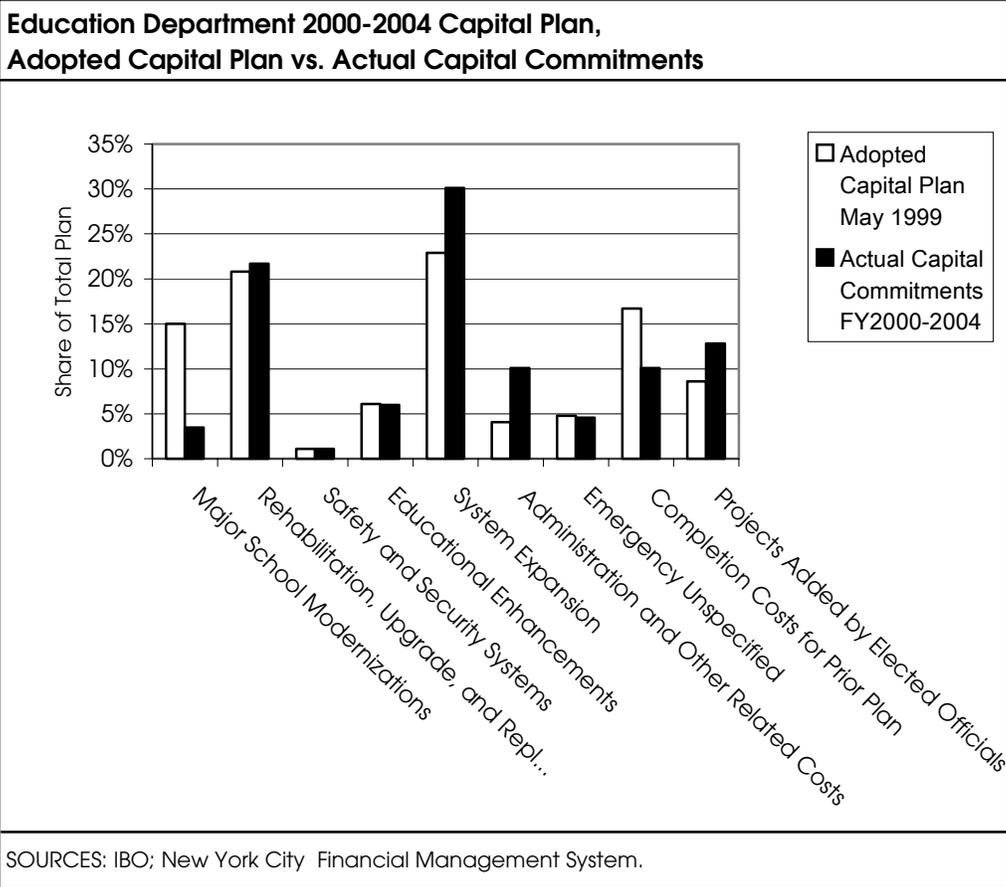
Over the five years covered by the department's 2000-2004 capital plan, there were some significant shifts in priorities from those laid out in the original (May 1999) version of the plan. To assess these changes, IBO grouped the projects in the 2000-2004 plan into nine categories: major school modernizations; rehabilitation, upgrade and replacement of building components; safety and security systems; educational enhancements; system expansion; administration and other related costs; emergency unspecified; completion costs for the prior plan; and projects added by elected officials. (See the table on IBO's website for changes to all plan categories and subcategories, compared to the original plan.)

Changes to an agency's capital program are expected over the course of implementation. In the case of the education department's five-year capital plan, higher project costs and—to a lesser extent—the new Mayor's and Chancellors' differing priorities contributed to the shift in plan priorities. IBO's analysis found that compared to the original plan, two plan categories (major school modernizations and completion costs for prior plan projects) received smaller shares of the total plan commitments, three plan categories (system expansion,

administration and related costs, and projects sponsored by elected officials) received larger shares and the four remaining plan categories (rehabilitation of building components, safety and security systems, educational enhancements and emergency unspecified) received about the same shares.

**Major School Modernizations.** The first category covers rehabilitation of school buildings that had multiple exterior building components—such as masonry, parapets, roofs and windows—in poor condition. Buildings in this category had their entire exteriors modernized. Unlike the prior five-year plan, the 2000-2004 plan did not include any comprehensive interior modernization projects. Major school modernizations comprised 3.5 percent or \$237.1 million of the department's actual commitments for fiscal years 2000-2004. This is 76.9 percent (\$790.6 million) less than the amount set aside in





the education department's original plan for exterior modernization projects.

**Rehabilitation, Upgrade, and Replacement of Building Components.** The second category of projects targeted the deterioration of specific building components such as boilers and air conditioners, electrical systems, or windows that required upgrading or replacement. This plan category comprised 21.7 percent, or \$1.5 billion, of the department's commitments for fiscal years 2000-2004. Most of the funds in this plan category went towards unspecified repairs (\$596.3 million), replacing coal-fired boilers (\$300.5 million), retrofitting schools with air conditioners (\$143.0 million) and replacing windows (\$105.3 million). It is possible that at least some of the \$596.3 million recorded in city's Financial Management System as spending for unspecified repairs were budgeted in the original plan under other subcategories.<sup>9</sup> The lack of detail linking the spending to individual projects limits the comparison between plan and actual.

The department committed 4.0 percent more (\$56.7 million) to restore building components, compared to the original plan. Part of the increase can be explained by \$143.0 million in additional spending to retrofit schools with air conditioners. While not part of the original plan, the latter was necessary to

support summer school programs, which have grown as a result of new policies to raise promotion standards. Further, because of a partnership with Take the Field, a nonprofit organization, \$56.3 million in additional funds were committed to improve high school athletic fields. Although there was an overall increase in the share of funds committed for the restoration of building components compared to the original plan, there were subcategories that received less funding, such as heating plants (\$216.2 million), windows (\$189.6 million) and electrical systems (\$161.2 million).

**Safety and Security Systems.** The third category of the plan includes projects to help schools meet current building code requirements (e.g., emergency lighting and fire safety) and improve building security (e.g., installation of intrusion alarms, exterior metal doors and weapons-scanning equipment). This plan category comprised 1.1 percent, or \$77.7 million, of the department's commitments for fiscal years 2000-2004. This is 3.5 percent more (\$2.6 million) than the amount set aside in the department's original plan for safety and security systems.

**Educational Enhancements.** The fourth category includes projects to make school facilities accessible to students with physical disabilities and to ensure the efficient use of space by converting existing classroom and office space to meet

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changing program needs. The category also includes projects to improve learning environments by upgrading computer networks and rewiring schools for Internet access, creating library media centers and improving science labs. This plan category comprised 6.0 percent, or \$408.8 million, of the department's commitments for fiscal years 2000-2004. Most of the funds in this plan category went towards technology projects (\$231.6 million) and room conversions (\$88.4 million).

The department committed 2.2 percent less (\$9.2 million) for educational enhancements, compared to the original plan. Part of the decrease can be explained by less spending on technology upgrades (\$68.4 million) and science lab upgrades (\$22.5 million). On the other hand, there were subcategories that received additional funding, such as room conversions (\$46.0 million) and accessibility projects (\$24.3 million).

**System Expansion.** The fifth category of the plan addressed the shortage of seats or overcrowding in the city's schools and included the construction of building additions and new schools, leased facility improvements, the development of project scopes,<sup>10</sup> site acquisition, and transportable classroom units (trailers typically used to provide swing-space while construction or renovations are underway). This plan category comprised 30.1 percent, or \$2.1 billion, of the department's commitments for fiscal years 2000-2004. The majority of the funds in this plan category went towards the construction of new schools (\$1.4 billion).

The share of commitments for system expansion was 31.2 percent higher (\$491.1 million) compared to the original plan. Part of the increase can be explained by additional spending on building additions (\$300.7 million) and new schools (\$224.6 million). On the other hand, there were subcategories that received less funding, such as improvements to schools in leased space (\$69.2 million).

Because of data limitations, IBO was not able to track the actual number of capacity expansion projects undertaken and/or new seats constructed under the department's 2000-2004 capital plan. In part this is due to the fact that the five-year plan did not provide a unique identifier for each capacity expansion project. In addition, information that would have made it possible to perform this analysis was no longer published after the City Council enacted Local Law 24 in 2003, which altered SCA reporting requirements for education capital projects.

Nevertheless, we can assess how overcrowding in the city's

public schools changed in recent years and the contribution of new school capacity to lessening the problem. At the start of the 2000-2004 capital plan, 54.3 percent of the nearly 1.1 million students enrolled in the city's public school system were attending overcrowded buildings, according to the department's 1999-2000 *Enrollment-Capacity-Utilization* building data. In the 1999-2000 school year, overcrowded buildings had a shortfall of 93,465 seats.<sup>11</sup> By 2003-2004 (the school year for which the latest building data are available) student enrollment had declined by 3.3 percent, or 34,830 students, and building capacity had increased by 5.1 percent, or 55,337 seats. As a result, the number of students attending overcrowded schools dropped to 42.1 percent while the number of seats needed to meet standard building space requirements per student in overcrowded buildings declined to 65,673. While the decline in the number of students helped reduce citywide overcrowding, the amount of new seats was the larger contributor to the decline. This is also true for eight of the nine community school districts and four of the five high school districts that were overcrowded in October 1999.

**Administration and Other Related Costs.** The sixth category of the plan included administrative support activities, for example the development of special education and high school application database systems; research and development such as conducting building condition surveys to determine which components are in need of repair or replacement; SCA operating expenses; and contractor insurance (referred to as wrap-up insurance). This plan category comprised 10.1 percent, or \$695.7 million, of the department's commitments for fiscal years 2000-2004. Nearly two-thirds of the funds for this plan category went towards SCA operating expenses, which include project management fees for both repair and capacity expansion projects.

The commitments made for SCA administration totaled \$448.7 million over the five-year period or about \$90 million each year. The commitments should not be compared to the total five-year figure in the original plan (\$57.0 million) because the original plan grouped project management fees with the cost estimates for individual capital projects. Because we could not break out the SCA operating expenses by plan category the observed differences between planned and actual spending for the other categories of projects may be somewhat understated. Nevertheless, the department committed 149.3 percent more (\$416.6 million) for administration and other related costs compared to the original plan. Besides the SCA operating expenses, this increase is also explained by higher commitments for wrap-up insurance (\$49.1 million) than had been anticipated in the original plan.

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In addition, when the department's Division of School Facilities was merged with the SCA in 2003, headcount was expected to be reduced by 50 percent (450 positions) in the division and 15 percent (150 positions) at the SCA. Based on data obtained from the authority, IBO found that the SCA's staff was reduced by 337 positions to 523 (full-time equivalents) between fiscal year 2000 and fiscal year 2004. This is more than double the number of SCA positions originally estimated to be cut due to the merger. IBO was unable to obtain corresponding data on the change in headcount for the Division of School Facilities.

*Emergency Unspecified.* The seventh category of projects includes funds set aside to address emergencies and unforeseeable capital needs. (According to state law this category cannot exceed 5.0 percent of the total estimated cost of the five-year capital plan.) This plan category comprised 4.6 percent or \$318.5 million of the department's commitments for fiscal years 2000-2004. It is unknown which categories of repairs were funded under this plan category. The department committed 4.4 percent less (\$14.5 million) for unspecified emergency repair projects, compared to the original plan.

*Completion Costs for Prior Plan.* The eighth category of the plan included projects that were part of the department's 1995-1999 capital plan for which additional funds were needed in the 2000-2004 period. These prior plan projects were either underway at the start of the 2000-2004 plan or contracts had not yet been awarded for construction and they were being rolled into the 2000-2004 plan. This category comprised 10.1 percent (\$696.1 million) of the department's commitments for fiscal years 2000-2004.

The share of department commitments to complete projects from the 1995-1999 capital plan was 39.3 percent less (\$450.7 million) than was anticipated in the original plan. Because the commitments for this category were reported in a lump-sum, it is impossible to determine the impact on particular types of projects. Further, since the original plan only provided a partial list of the prior plan projects and omitted cost estimates for those individual projects that were identified, it was difficult to track the status of these projects and the commitments made for them.

The department's original 2000-2004 capital plan identified 53 projects to expand school system capacity that were to be rolled over from the 1995-1999 plan. A total of 26,696 new seats were expected to be provided by these projects. A unique identifier (for example, PS 108 in Queens' School District 27) was provided for 21 of the rollover capacity projects, while the

rest had generic names making it impossible to track their status and the capital commitments made for them. Of the identified projects, only five were found in the Financial Management System, with a total of \$144.3 million committed over fiscal years 2000-2004.<sup>12</sup> We found that at least 14 additional projects had been completed, according to the SCA's October 2002 Extent of Completion Report (the last report published by the SCA before the adoption of Local Law 24), although we were not able to identify actual spending for them over the 2000-2004 period. IBO was not able to determine the status of the two remaining projects with unique identifiers.

The department's original 2000-2004 capital plan also identified 13 so-called Mayor/Council projects to be carried forward from the prior plan and set aside \$13.4 million to fund them. These were projects that had been added after the adoption of the 1995-1999 plan. No commitments over fiscal years 2000-2004 were found for these projects. IBO could not determine whether these projects were completed without requiring the additional funds allocated in the original plan or whether they were eliminated as part of the amendment process.

*Projects Added by Elected Officials.* The ninth and last category of the plan includes capital projects added by elected officials each year. IBO grouped these projects under a separate category even though they could be included under the other categories of the five-year plan.

The first set of projects added by elected officials is known as the Mayor/Council Program. These projects are approved annually by the Mayor and City Council based on a list of capital projects submitted by the education department. They comprised 8.7 percent, or \$596.8 million, of the department's commitments for fiscal years 2000-2004. The majority (\$396.5 million) of the funds went towards exterior modernizations, a priority of the Mayor/Council Program when it was initiated in 1997. In addition, \$35.6 million went towards five capacity expansion projects and \$9.6 million went towards the New Century New High Schools Restructuring Initiative. The latter is a partnership with New Visions for Public Schools, which involves restructuring large public high schools into smaller schools within a school building. The department committed 1.4 percent more (\$8.4 million) for Mayor/Council projects, compared to the original plan.

The second set of projects added by elected officials is known as the Resolution A Program. These projects are added annually by members of the City Council and the Borough Presidents. The Resolution A Program comprised 4.1 percent,

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or \$281.9 million, of the department's commitments for fiscal years 2000-2004. The program funds were divided among the following: \$28.5 million for computer purchases and rewiring schools for Internet access; \$17.4 million for upgrading science labs; and \$14.1 million for rehabilitating high school athletic fields. The majority of the commitments for the Resolution A Program were recorded in the Financial Management System as a lump sum and could not be linked to specific projects. The actual commitments made for the Resolution A projects could not be compared to the original plan, because the original plan did not include such projects.

## **COST ESTIMATES AND ACTUAL COSTS**

A recurring criticism of the education department is that it regularly underestimates the actual cost of school capital projects. This was highlighted in 2001 when cost overruns amounting to one-third of the 2000-2004 plan's initial budget led to a delay in the creation of over 11,000 new seats and deferred more than 1,600 repair projects. To assess the magnitude of project cost changes, IBO examined projects from three types of work in the plan: exterior modernizations, window replacements, and new school construction projects. We then measured the extent to which actual commitments varied from the cost estimates in the department's original plan.

In our analysis, we found that the capital commitments for the majority of exterior modernization projects and window projects did not surpass the cost estimates in the department's original plan. On the contrary, less was committed overall for these projects than was projected in the original plan. The underspending could be due to overestimates of the projects' total costs by the department, decreases in the scope of work for these projects, or projects that have not been finished and will require additional commitments in the current five-year capital plan.

On the other hand, the majority of the capital commitments for new school construction projects examined did exceed the projected cost estimates in the original plan. It should be noted that estimating the cost of school construction projects is challenging. There are a number of external factors that can influence actual project costs, including land acquisition for new schools, zoning issues, and an overheated construction market. In summary, the department was better at estimating the actual cost of repair projects reviewed by IBO than that of the new school projects.

***Selected Repair Projects.*** The two types of repair projects examined by IBO—exterior modernizations and windows—made up a large share of the planned commitments in the department's original plan. However, only about one-fourth of the exterior modernization projects and window projects for which commitments were made over 2000-2004 could be matched up with such projects included in the department's original plan. The rest of the projects for which commitments were made were either new projects that were added to the original plan or projects that were rolled over from the 1995-1999 plan.

The original plan included a total of \$1.0 billion for 208 exterior modernization projects. A commitment through fiscal year 2005 was found for 61 projects—about one-third of the exterior modernization projects in the original plan. In total, commitments for these 61 projects were about 25 percent less (\$96.7 million) than was proposed in the original plan.<sup>13</sup> However, in 11 of the 61 projects found, commitments exceeded the cost estimate in the original plan by more than 10 percent; the differences ranged from \$345,000 (16.5 percent above what was included in the original plan) to \$3.4 million (222.5 percent).

The original plan also included \$294.9 million for 165 window projects. A commitment through fiscal year 2005 was found for 40 projects—about one-fourth of the window projects in the original plan. In total, commitments for these 40 projects were about 60 percent less (\$19.4 million) than was proposed in the original plan. However, for 11 of the 40 projects found, commitments exceeded the cost estimate in the original plan by more than 10 percent; ranging from \$229,000 (14.5 percent higher than in the original plan) to \$4.3 million (1,469.7 percent higher).

***Selected Capacity Expansion Projects.*** IBO also reviewed all new school construction projects for which seats and gross area were available and which had commitments made between fiscal year 2000 and fiscal year 2005. We further limited analysis to projects that were complete or nearly complete. This left us with 18 new schools, 14 elementary/intermediate schools and four high schools. The actual median *total cost*<sup>14</sup> for the 14 elementary/intermediate schools is currently \$500 per square foot and for the four high schools it is \$529. In the few cases where the project is not fully complete and open for classes, there may be a small amount of additional spending that could increase median total costs slightly.

We then compared these per square foot figures with the

median *total estimated cost* per square foot for new school projects in the original plan with estimated completion dates between 2003 and 2006. The actual spending is 22.0 percent and 38.1 percent more per square foot for elementary school and high school projects, respectively, than for the set of projects in the original plan. (Note, SCA project management fees are excluded from the actual project costs. Therefore, here again our measures of the extent to which actual costs surpass the cost assumptions in the department's original plan may be understated.)

## CONCLUSION

The Department of Education committed \$6.9 billion over fiscal years 2000-2004—roughly the same level of funds as was originally proposed in the five-year capital plan, adopted in May 1999. Higher project costs, however led to the implementation of a smaller capital program and the deferral of numerous school capital projects. There was a shift in the initial priorities of the 2000-2004 capital plan and the greatest shifts occurred in two plan categories: system expansion and major school modernizations. Over 30 percent more was committed for adding new classroom seats compared to the original plan while over 70 percent less was committed for major school modernizations. In addition, in the exterior modernization and new school construction projects that we examined, the education department was better at estimating the actual cost of repair projects than that of capacity expansion projects. While several reforms were implemented towards the later half of the 2000-2004 Capital Plan, we will have to wait for the completion of the department's current plan to see what impact, if any, the reforms have on the city's school construction process.

The challenges encountered by IBO in analyzing the implementation of the 2000-2004 capital plan highlights deficiencies in the city's process for reporting on education capital spending. Because there is not a clear connection between the systems used to track actual capital spending and the projects in the five-year plan, it is very difficult to monitor the department's progress in carrying out its capital plan. Now that the DOE and SCA are under the Mayor's control it may be possible to integrate DOE capital planning with the rest of the city's capital planning and reporting process. In the future, this would help policymakers and citizens interested in following the significant investment in public school facilities.

*Written by Ana Ventura*

## END NOTES

<sup>1</sup> Each citywide plan category was counted as one project although each category includes repair work for numerous schools.

<sup>2</sup> The original plan contained a list of 94 (new and rollover) capacity expansion projects; however, the number of seats to be created was only specified for 82 of the 94 projects. The total number of new seats in those 82 projects was 59,649.

<sup>3</sup> Several events can prompt an amendment: a reduction in city funds for the plan; an increase of more than 10 percent in the cost of any plan component; a delay of more than six months for a capital project; a change in the location for a project; or the addition of a project to the original plan.

<sup>4</sup> Rudolph J. Rinaldi, "Report to the Chancellor on the Board of Education's Capital Program", February 2002, page 8.

<sup>5</sup> According to the city's Capital Commitment Plans, at the start of the plan the education department was authorized to spend \$6.76 billion. This is \$140 million less than the amount approved by the Board of Education. Note the city not the board determines how much funding will be provided for DOE's capital program.

<sup>6</sup> This exceeds not only the \$6.5 billion that capital commitment documents show as actual commitments for DOE, but it also exceeds what the education department was authorized to commit (see discussion under Background). According to the city's Capital Commitment Plans, DOE committed the same level of funds that it was authorized to commit.

<sup>7</sup> The bond program funds will support technology improvements in 291 city schools.

<sup>8</sup> To date \$143.2 million has been distributed, with the Bronx receiving 20.7 percent of this total amount, Brooklyn 13.5 percent, Manhattan 22.2 percent, Queens 24.4 percent and Staten Island 19.1 percent. These funds will support: the construction of Frank Sinatra High School in Queens; Eleanor Roosevelt (upper East Side) High School, Millennium High School and Amber Charter School in Manhattan; PS 89 and a New Visions school sponsored by Ridgewood Bushwick Senior Citizens in Brooklyn; the New Century New High Schools Restructuring Initiative, conversion of an auto shop in John F. Kennedy High School and a classroom addition and playground for IS 113 in the Bronx; modular classrooms for PS 1, PS 3, PS 14, PS 44, and PS 52 in Staten Island.

<sup>9</sup> Actual commitments for the unspecified repair projects were reported in a lump-sum rather than by type of project. Because of this, the findings for the other repair categories may be somewhat understated. IBO requested information from the SCA on the unspecified repair projects but the information could not be provided prior to publication.

<sup>10</sup> The scope is a written description of a capital project indicating its size, special features and other important characteristics. A project scope is needed to prepare engineering and architectural plans and drawings.

<sup>11</sup> This figure reflects only school buildings with any shortage of seats. The total shortfall in seats for the entire system would be lower because some buildings are underutilized.

<sup>12</sup> Capital commitments were found for PS 108, PS 228, and PS 234 in Queens and Midwood High School Annex and Leon M. Goldstein High School in Brooklyn.

<sup>13</sup> Any commitments through fiscal year 2005 examined in this paper are current as of December 2004.

<sup>14</sup> Typically when costs per square foot are discussed only construction or hard costs are included. In IBO's analysis the actual total costs for new school projects include design, construction, furniture and equipment and artwork and exclude site acquisition and project management fees.

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