

School Construction Costs Soar More than 70 Percent Since 1999

Also Inside...

More School Budget Blues

...on Page 3.

The cost of building new schools in New York City has ballooned more than 70 percent over the Board of Education's (BOE) original estimates in May 1999, according to an analysis by the Independent Budget Office. The price tag for school renovation projects such as replacing windows or fixing crumbling masonry has grown by nearly 130 percent. These higher than expected costs led to a \$2.4 billion shortfall in the board's capital budget; changes approved last December to address the shortfall will delay construction projects to create 11,000 new seats in overcrowded school districts.

The median cost of completing a new elementary school has grown by roughly 70 percent and high schools by 90 percent, based on a comparison of cost estimates that were part of the board's original capital plan for 2000-2004 and the newly amended plan. For example, the estimated cost of building the new 800-seat Frank Sinatra High School in Astoria has grown from \$48.9 million to \$90.5 million. The projected cost of building PS 37, an early childhood center in Washington Heights, has increased from \$13.6 million to \$25.2 million, with the higher cost due in part to a rise in the number seats planned for the school.

The cost per square foot to construct new schools in the city exceeds that of some of the most expensive new office buildings. Based on an analysis of the board's current expenditure projections, the median cost for building a new elementary school is \$597 per square foot—or \$78,812 for each new seat. The new high school cost per square foot is \$657 and the total cost per seat is \$110,456. The current five-year capital plan also includes several building addition projects for existing elementary schools. The median cost for constructing an addition to an elementary school is \$629 per square foot and \$55,416 per seat.

Building schools in the city is far costlier than in New York State (including the city) and New Jersey, based on a comparison of new school expenditures published in the American School & University's 27th Annual Official Education Construction Report (May 2001) with the board's cost projections for new schools expected to be substantially completed by 2004. Although new elementary schools in New York City are bigger and house more students—which should yield some economies of scale—the cost per seat is 316 percent higher than the median for the states of New York and New Jersey. The median per seat cost for new high schools in the city—which tend to be smaller than those elsewhere in the two states—is 414 percent higher than the New York and New Jersey median.

**New York City
Independent Budget Office
Ronnie Lowenstein, Director
110 William St., 14th floor
New York, NY 10038
Tel. (212) 442-0632
Fax (212) 442-0350
e-mail: ibo@ibo.nyc.ny.us
<http://www.ibo.nyc.ny.us>**

See Construction on page 2

Construction from page 1

When the Chancellor discussed the growing school capital budget shortfall with board members in July 2001, he

five-year capital plan. With projects costing more than originally estimated, funding was not sufficient to complete all of the projects initially planned.

How Does NYC Compare on New School Project Costs?

	Elementary School		High School	
	NYC	NYS/NJ	NYC	NYS/NJ
Median Cost/Seat	\$76,710	\$24,256	\$104,464	\$25,209
Median Cost/Sq. Ft.	\$584	\$203	\$576	\$145
Median Square Feet/Seat	131	131	173	175
Median Number of Seats	732	620	900	1,200
Median School Size (Sq. Ft.)	103,631	78,500	155,617	239,000
Median Total Cost (\$ in 000s)	\$56,451	\$12,980	\$94,017	\$30,100

SOURCES: IBO; Regional data from American School & University's 27th Annual Official Education Construction Report (May 2001); NYC data from BOE Five-Year Capital Plan Fiscal Years 2000-2004 (amended December 14, 2001); Chancellor's memorandum to board members on November 21, 2001 regarding development of five-year capital plan amendment; and SCA Line Project reports.

NOTES: BOE total cost projections as of November 21, 2001 for 10 elementary schools and 5 high schools with substantial completion dates by 2004. NYC cost projections exclude site acquisition. Regional project costs were inflated to reflect a project completion date of 2004.

According to BOE documents, the five-year capital plan covering fiscal years 2000 through 2004 has \$7.75 billion in total funding—up from \$6.99 billion when it was originally adopted. The plan has \$2.5 billion available for commitment during the remaining plan period (2002 through 2004). BOE plans to commit \$1.4 billion of these funds to projects that create 18,928 new seats, and most of the remaining funds for capital improvement projects. Ten projects to add seats that will begin construction under the revised plan will require additional funding of approximately \$105 million in the next plan. (A [breakdown of the planned commitments](#) is available on IBO's Web site.)

identified a number of factors that contributed to these cost increases, including: higher than expected construction bids; delays in project start dates; and low cost estimates due to inadequate knowledge of work scope, location of project, or particular difficulties associated with the selected site. An audit by KPMG is currently underway to provide a more detailed analysis of the causes of price increases in the current BOE five-year capital plan.

Renovation costs also soar. Much like the cost of adding new seats to the school system, the cost of renovation projects also have grown considerably since May 1999. For example, the cost of a roof repair at the John Jay High School Annex in Park Slope has jumped from \$1.1 million to \$1.9 million.

It is not only roofs that are more expensive than anticipated. Costs for complete rehabs of the exterior of school buildings grew by 39 percent, for window replacements by 154 percent and for exterior masonry by 248 percent. Cost increases are likely related to factors such as the growing needs of deteriorating school facilities, efforts to avoid disruptions of classes during construction, project delays, and higher construction bids.

Amending the plan. Due to soaring construction costs, last December BOE members voted to amend the school system's

New schools delayed. Under the revised plan, BOE will delay the construction of eight new schools, two additions to existing facilities, one building conversion, and improvements for seven schools in leased facilities. This will delay the creation of 11,072 seats and reduce the total number of seats expected to be added under the board's 2000-2004 capital plan to roughly 48,000.

Board members decided to focus on capacity-increasing projects in the most crowded districts, and those projects with identified sites. Queens is scheduled to get approximately 60 percent (11,250) of the 18,928 seats, while Manhattan (2,209), the Bronx (2,929), and Brooklyn (2,540) will get the rest (see IBO's Web site for [more details](#)). After the adoption of the revised plan, then-Mayor Giuliani agreed to a new school in Staten Island, which the board has yet to approve.

According to October 2000 BOE statistics, Queens has four community school districts that are over capacity, and its high school district is the most overcrowded in the city. The Bronx has two community districts at over 100 percent of capacity, and Brooklyn one. Both also have extremely overcrowded high school districts.

See Construction on page 3

Capital improvements. The board expects to commit \$864.9 million to rehabilitate school facilities and bring them into compliance with current building codes. The bulk of capital repair dollars will go towards exterior modernizations (\$218 million), emergency projects (\$180 million), and to replace defective windows (\$166 million). Only the most urgent repair projects will be addressed in the current five-year plan. The amended plan, however, does not specify which repair projects are being delayed.

Room for improvement. Funding shortfalls are nothing new to BOE's capital planning process. The two previous five-year plans provided inadequate funding for the work to be undertaken during each plan period. Approximately \$560 million worth of school capital projects were rolled from the first five-year capital plan (1990-1994) into the next five-year plan. Likewise, \$1.1 billion of projects is rolled from the second five-year capital plan (1995-1999) into the current plan. The amount to be rolled from the current five-year plan to the fourth plan is expected to be more than double the amount deferred from the second plan.

In light of the current capital budget shortfall, the Chancellor has taken steps to improve BOE's planning process. In August 2001, the Chancellor proposed reorganizing BOE's Division of School Facilities, in particular allowing the School Construction Authority to oversee the division's capital planning functions. The Chancellor also proposed oversight responsibilities for the Deputy Chancellor of Operations and the board's Chief Financial Officer, and additional reporting requirements such as re-forecasting the entire capital plan on a semi-annual basis. In December 2001, the Chancellor created a commission composed of local experts in the areas of building design, construction, real estate, finance, leasing, and business management to identify new financing strategies as well as cost savings in the current capital plan.

A new problem. Shortly after the board amended its capital plan, a new potential funding shortfall emerged. With the city facing significant projected budget deficits starting in 2003, the Mayor's Office of Management and Budget ordered contingency reductions of approximately 25 percent for each agency's capital program in 2002 and beyond. Agencies submitted a revised capital program last month. BOE has proposed reducing its capacity program and leaving its repair plans intact because these projects are vital to insuring the safety of students and staff.

Written by Ana Ventura

More School Budget Blues

Governor George Pataki's Executive Budget proposals for education aid would increase the city's projected 2003 budget gap by a minimum of \$157 million. The city's current financial plan anticipates receiving \$142 million more in state education aid in 2003 than in 2002. The Governor's budget, however, would provide \$15 million *less* aid to the Board of Education (BOE) next school year than in the current year, before accounting for changes in building aid and some categorical programs. The difference between the aid anticipated by the city and the amount the Governor proposed will likely be more than \$157 million because state reimbursements for building aid are expected to drop next school year, raising the shortfall to as much as \$214 million.

The fiscal outlook for BOE is complicated further by the state's resistance to paying the full amount of education aid owed to the city for claims dating as far back as 1993. The state owes BOE \$432.4 million in general support for the public schools from prior years, according to the State Education Department. Of that amount, \$242.7 million is an open receivable, meaning the anticipated revenue was used to balance the board's books in 1993 through 1997. (The city Comptroller also has recorded other receivables for reimbursable education expenditures.) The city Comptroller's policy is to drop or "write down" receivables remaining open for 10 or more years. If the Comptroller were to write down \$83.8 million still unpaid from 1993, then the board would have an extra current-year expense of \$83.8 million.

The Governor's budget proposes \$33.0 million for prior-year aid to the city and \$23.7 million in current appropriations for prior-year payments. This would reduce the amount owed by the state to \$375.7 million, and the amount of open receivables to \$186.0 million.

The budget gives the city the option of having the state's Municipal Bond Bank finance additional prior-year payments. Under the proposal, which is not tallied as part of state aid, the bank would sell bonds with the proceeds going to the board to satisfy \$203.7 million worth of prior-year claims. The state would service the debt to bondholders by withholding a portion of future education aid payments to the city. An advantage of the Governor's proposal is that the bank would advance to BOE sufficient funds to close remaining open receivables. A disadvantage is that in future years, BOE would receive less state aid than it would otherwise be entitled to receive.

Written by Robert Weiner.