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Slow Progress on School Facilities

Created by the state legislature a decade ago as an extraordinary measure to remedy the deplorable physical conditions and overcrowding of the city's schools, the New York City School Construction Authority (SCA) has been widely criticized for failing to substantially alter school building conditions. At the time of SCA's inception, the Board of Education (BOE) had estimated that 83 percent of the schools required capital repairs totaling \$5 billion. Since then, the Authority has spent roughly \$7 billion, and the Board of Education estimates that another \$7 billion is required to repair the city's existing school buildings, and still more is needed to increase capacity.

Nearly three decades of deferred maintenance, aging school buildings and rising student enrollment continue to inflate the system's capital needs, while recent attempts to inject new funding have been thwarted. This past year, voters defeated a bond act that would have provided \$2.4 billion for school construction and repair and Governor Pataki vetoed \$500 million in school construction aid proposed by the state legislature.

A recent court ruling added new urgency to the city's need to repair its public schools. Finding that nearly one-fifth of the city's public schools possessed hazardous conditions and that the city had failed to comply with city and state statutes regarding school inspections and maintenance, the State Supreme Court sided with the local teachers union and has required the city to develop a remediation plan.

The Division and Multiplication of Bureaucracy

The School Construction Authority was to be freed of the overregulation, lack of accountability, and inefficiencies that had come to characterize the Board of Education's Division of School Facilities (DSF). Accordingly, SCA operates under a five year planning and budget process directed by the Board of Education; is governed by a three person board that includes the Chancellor and an appointee of the Mayor and Governor; and is exempt from the Wicks Law. Originally intended to foster competition and reduce costs, Wicks requires four separate contractors to be hired on public construction projects and is estimated to add more than 25 percent to the cost of public projects. While SCA is able to

hire a general contractor for its projects, that contractor is required to subcontract with at least three trades groups, effectively diluting the Wicks exemption and replicating many of the inefficiencies it sought to avoid.

SCA has drawn repeated fire for its performance, including criticism for the recent death of a student from falling bricks, and its failure to replace coal boilers in a timely manner. Reports from the State Comptroller, State Senator Roy Goodman, and the United States General Accounting Office have found fault in SCA's contracting and management practices, charging that the Authority often fails to complete its work on schedule and within budget. SCA states that it has rectified the issues raised in the Comptroller's audit and builders credit the Authority with becoming more efficient in recent years and less prone to micro-management.

The Authority has struggled to find the right balance between oversight and efficiency. State Assembly Speaker Sheldon Silver recently proposed that the State Education Department provide oversight to the SCA, a plan that was vehemently opposed by the Mayor and Chancellor and is now considered dead. Observers of the Authority argue that it has elaborate oversight mechanisms, including an in-house Office of the Inspector General charged with rooting out corruption and abuse, but that it lacks the more systemic planning required to effectively develop and rehabilitate schools, and that coordination and communication with the Board of Education remains a major problem.

Responsibility for the physical conditions of the schools is bifurcated between the BOE's Division of School Facilities, which is responsible for maintenance and repairs, and the School Construction Authority -- in charge of major capital projects as directed by the Board of Education and DSF. Critics charge that this system contributes to a lack of accountability, duplicity, neglect, and fiscal inefficiency. It has been variously suggested that all school building functions be centralized under the jurisdiction of the Board of Education, the School Construction Authority, or the City's Department of Design and Construction. DSF has also been charged with failing to complete needed repairs in a timely manner, thereby contributing to the need for more extensive and costly repairs, according to a 1995 Audit by the State Comptroller's office.

Construction Costs

The state legislation that created the School Construction Authority set January 1, 2000 as the target for returning the city's schools to a state of good repair. Far from attaining that goal, the Board of Education is required to release its recommendations for the third five-year capital facilities plan in November, to cover fiscal years 2000 to 2004.

To date, SCA has built 42 new schools, created almost 80,000 new seats, and completed thousands of major capital improvements.

During its first five years of operation, the SCA appropriated \$4.4 billion, creating 22 new schools, 39 additions/modernizations, 15 playgrounds/athletic fields, and 2,000 other capital improvement projects. Eighteen thousand new student seats were completed and more than 47,500 begun. In spite of the first five-year plan's emphasis on new construction, enrollment continued to outpace new seats with average K-6th grade class sizes increasing from 26 in 1990 to 26.4 in 1994. The system's facilities needs proved higher than originally anticipated and the Board of Education's 1993 Ten-Year Master Plan estimated that \$12.9 billion was needed for system expansion, and an additional \$7.8 billion required for the rehabilitation of existing school buildings.

The FY95-99 plan has focused largely on rehabilitating existing school buildings, although increased enrollment necessitated some redirection towards expanding seating capacity. The current five-year plan has undergone several changes and now stands at approximately \$4.6 billion. Drafted amid city cutbacks the original plan was budgeted at \$3.4 billion. In 1996 the limits imposed by the state's debt ceiling contributed to further reductions. In FY97, the Administration added \$879 million, mainly for expansion projects, and the City Council and Mayor allocated \$1.4 billion for major building and systems repairs to be expended through FY01.

Still uncertain, however, is the Board's FY99 capital budget, which includes \$275 million in unrealized non-city funds, including \$50 million that was to be raised by the private sector for Project Smart Schools and \$225 million from President Clinton's proposed School Construction Initiative. To date, the private sector has contributed only \$1 million to the schools' computer initiative and Clinton's school construction proposal was defeated.

State school building reimbursements offset approximately half of school rehabilitation and construction expenses, except in New York City where higher costs have historically diminished state aid to roughly 25 percent of building expenses. In FY97 the state implemented a cost adjustment factor to better reflect the higher construction costs in some regions of the state and included a 10 percent building aid enhancement for qualifying projects statewide. The building aid enhancement does not cover existing maintenance issues, but will contribute to new projects including leased space, amounting to an estimated \$10 million for the city this year, and growing as more projects become eligible.

The 1996 Clean Water-Clean Air Bond Act authorized the state to spend \$125 million to convert coal burning furnaces in school facilities, of which New York City is to receive approximately \$100 million towards the expected \$300 million cost of replacing coal burning furnaces in roughly 280 schools. Since 1989, when 353 schools were heated by coal furnaces, the SCA has completed 108 conversions, and another 34 will be finished by December 1998. Also by December, the New York State Power Authority, administering the bond act money, will have replaced boilers in 45 schools, leaving 165 city schools with coal furnaces. The Board of Education hopes to leverage additional funds for boiler replacements and is reviewing the responses to its RFP from private companies bidding on financing and managing furnace conversions.

Court Blasts "Sorry State" of City Schools

The Board of Education recently completed the first comprehensive inventory of school maintenance and repair needs since its 1993 Ten-Year Master Plan. The results of this latest inventory have not yet been made public. Nevertheless, the picture that emerges from evidence submitted

Student Enrollment and Maintenance/Custodial Spending

| FY | Enrollment | Total Spending | | Expenditures per Pupil | |
|------|------------|----------------|-------------|------------------------|-------------|
| | | Nominal \$ | Constant \$ | Nominal \$ | Constant \$ |
| 1990 | 938,645 | 338,381,372 | 422,344,035 | 360.50 | 449.95 |
| 1991 | 955,514 | 316,293,659 | 377,591,233 | 331.02 | 395.17 |
| 1992 | 972,146 | 326,097,397 | 378,822,797 | 335.44 | 389.68 |
| 1993 | 994,531 | 320,451,786 | 362,177,790 | 322.21 | 364.17 |
| 1994 | 1,015,756 | 337,886,878 | 373,112,978 | 332.65 | 367.33 |
| 1995 | 1,033,142 | 336,042,406 | 361,540,650 | 325.26 | 349.94 |
| 1996 | 1,059,642 | 337,405,917 | 353,809,721 | 318.42 | 333.90 |
| 1997 | 1,075,605 | 362,333,041 | 369,629,868 | 336.86 | 343.65 |
| 1998 | 1,084,000 | 374,911,915 | 374,911,915 | 345.86 | 345.86 |

Source: NYC Adopted Budget, Mayor's Management Report, FY1990-98.

in the teachers' union lawsuit is one of a system rife with hazardous conditions, often made worse by the city's failure to enforce the building code and properly maintain its schools.

In 1996, 237 school buildings, or 20 percent of the city's nearly 1,200 schools, had immediately or potentially hazardous conditions, and an additional 150 had defective roofs. In siding with the teachers' union, State Supreme Court Judge Friedman characterized the schools' physical problems as stemming from long standing neglect. A 1996 memo from then-director of DSF to the Board of Education sounded a sadly prescient warning about the danger of falling bricks.

The court ruled that the city's Department of Buildings (DOB) and the Board of Education had failed in their responsibilities to conduct regular inspections, remediation, and follow-up investigations. Even with regard to immediately

Planning Watch

Is It The Ballparks?

After an early-August homestand in which they enjoyed a string of sell-out crowds, the Yankees appear likely to draw over three million fans for the first time.

Crossing that attendance threshold is certain to fuel opposition to the proposal to build a new ballpark on the West Side of Manhattan. Yet, if it takes one of the winningest teams of modern times to draw New Yorkers to Yankee Stadium in numbers comparable to those who annually flock to Coors Field in Denver and Camden Yards in Baltimore, the question of the adequacy of the city's professional sports facilities lingers.

Whether the Yankees ultimately stay in the Bronx or move to a more lucrative venue, the team is likely to seek expensive facility and transportation infrastructure improvements. The Mets, meanwhile, have proposed a modern new stadium adjacent to their current ballpark in Flushing. In recent years, municipalities throughout the country have struggled with the controversial question of spending public funds to enhance their professional sports facilities, and a similar political debate has already begun to unfold in New York.

Bleacher Bums

While the debate about the adequacy of Yankee Stadium has centered on its alleged parking problems and on the ambiance of the surrounding neighborhood, the Yankees' ticket pricing policies have also come under scrutiny. The Yankees have the highest average ticket prices of any major league team, and it is conceivable that some of the team's lackluster turnouts are attributable to those prices.

The majority of single-game Yankee tickets are marketed in the \$20 to \$25 range, although full-season field box seats cost \$45 per game and bleacher tickets are sold for \$7. By comparison, the most expensive seats at Shea Stadium sell for \$24, and Mets' tickets are, in general, about \$5 less expensive. At Camden Yards in Baltimore, which exemplifies the new generation of downtown ballparks, desirable field-level seats sell at prices comparable to those at Yankee Stadium, but upper level seats are several dollars less expensive. Most

tickets at Jacobs Field in Cleveland, another highly regarded new stadium, sell for between \$6 and \$20. Overall, Yankee tickets are about 40 percent above the major league average.

In an effort to shed light on the relative importance of ticket prices and other factors that might be affecting attendance at New York's ballparks, CHPC staff recently utilized econometric techniques to analyze big-league attendance patterns. The statistical analysis took into account the size of the metropolitan market and cost of living, ticket prices, the competitive performance of the respective teams, the effect of the 1994 baseball strike, local weather factors and the impact of new stadium.

CHPC's analysis did not provide support for the theory that attendance at Yankee games is curtailed substantially by the team's relatively high ticket prices. In fact, the econometric estimates indicate that both the Mets and Yankees consistently draw 500,000 to 1 million fewer fans than might be expected given the teams' market conditions and on-field success. In general, the analysis indicated that attendance at major league baseball games is relatively insensitive to ticket prices.

Only in New York

It is tempting to speculate that the city's baseball teams draw comparatively poorly because New Yorkers have so many other entertainment diversions available to them.

There are four metropolitan areas that are home to two major league franchises: New York, Chicago, San Francisco-Oakland, and Los Angeles. The CHPC analysis generally confirms conventional baseball wisdom—that the Cubs and the Dodgers dominate their local markets, drawing more heavily than would be expected based on their market fundamentals. Bay Area attendance patterns show no definite favoritism toward either the Giants or Athletics. Only in New York do both home teams draw fewer fans than their market fundamentals suggest, but it is difficult to argue that New Yorkers have significantly more leisure options than do residents of those other large, cosmopolitan cities.

CHPC's multiple regression analysis indicated that the opening of a new generation ballpark adds at least 700,000 to a team's annual attendance. Attendance also reacts to the team's current won-lost record, as well as to its performance in the previous campaign. If the typical statistical relationships held for the Yankees, they would be expected attract over 4 million fans this year.

The type of analysis performed by CHPC cannot identify the precise reason baseball attendance in New York is comparatively lower than elsewhere. Outdated or inaccessible stadiums are only one possible explanation. Virtually all Mets and Yankees home games are televised, which is not the case for all major league teams. That may suppress attendance, especially when the weather is inclement. Various other factors may also play a role in making New York less of a "baseball town" than fans would like to think, but ticket prices do not appear to be the major issue. ■

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Schools

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hazardous complaints or violations, DOB was found not to have conducted investigations after notifying BOE of the condition. DOB issues a report of outstanding violations within city agencies, in which the number of violations of the Board of Education rose from 98 in March 1991 to 495 in May 1996. The 1996 list was reported to include hazardous violations from five years before. In defense of the Board of Education, the city reported that BOE had complied with 40 percent of its building violations.

Spending on day-to-day maintenance and repairs in actual dollars has increased marginally since 1990, but in constant dollars school facilities spending declined by nearly 12 percent and per pupil expenditures fell by 25 percent. Chancellor Crew testified this spring before the City Council that the BOE still does not have a scheduled preventive maintenance program. Building experts argue that without a preventive maintenance program the city will always be behind the eight ball and its investments in new schools and recent efforts to rehabilitate older school buildings will be compromised.

Since 1990 school enrollment has increased by 145,000 students. After growing by approximately 20,000 students each year, the trend seems to have slowed, with enrollment rising 8,400 in 1997-98 and expected to drop further to 3,000 to 4,000 new students in the coming school year. Roughly a third of the city's 32 school districts are overcrowded, including those serving the communities of Central Harlem, Washington Heights/Inwood, Kingsbridge/Fordham, Glendale/Elmhurst, Flushing, and St. Albans/South Jamaica.

Much of the recent crowding has occurred in the lower grades and the city expects a similar increase in high school enrollment in the next five years as current elementary and middle school students' age through the system. Yet, little relief is expected in the lower grades, as recent state mandates require the city to reduce kindergarten through third grade class-sizes to a maximum of twenty students and to develop universal pre-kindergarten programs.

Improvising Capacity

In the past two years, the city has added approximately 30,000 seats through the construction of new schools, building additions, room conversions, transportable classrooms and leased facilities. In order to comply with state mandates for pre-kindergarten and smaller class-sizes, and to allay already overcrowded schools, the city will need to maintain its current pace of production for several more years.

The cost and time involved in building new schools has led to greater reliance on transportable classrooms, leased space, and modular buildings. Of the nearly 23,000 new seats available for the September 1997 school year, only 3,677 seats were provided through new schools. Recently constructed

new schools have cost approximately \$28 million each and take about three years to complete. Temporary classroom units, or trailers, provided 8,700 new seats in 1997 at a per unit construction cost of \$150,000 and an additional \$150,000 to \$200,000 in site work. Temporary classroom buildings cost an average of \$316 per square foot and modular buildings cost approximately \$250/sq. ft.

Following allegations of impropriety, exorbitant payments to landlords, and environmental hazards, BOE restructured its leased space program in 1997 to ensure stricter environmental and cost controls. Leased schools can be made available in four to seventeen months and cost approximately \$200/sq. ft.

New Seating Capacity for September 1997 Occupancy

| <i>Type of Facility</i> | <i>Seats</i> |
|-------------------------------|--------------|
| New School Construction | 3,677 |
| Transportable Classrooms | 8,700 |
| Room Conversions | 4,162 |
| Leased Facilities | 2,047 |
| Temporary Classroom Buildings | 2,160 |
| Modular Additions | 1,058 |
| Building Additions | 533 |
| Total New Seats | 22,337 |

Source: NYC Board of Education, Annual Report, 1997

(based on construction costs of \$100/sq. ft. and a 10 year lease at \$10/sq. ft.). Unlike the appendage quality of trailers or temporary classroom buildings, leased space provides complete school facilities. Leased space also offers greater flexibility than traditional school construction in responding to demographic changes in the school population, as well as the potential to accommodate small schools, evolving technological and pedagogical imperatives, and community needs.

A coalition of community development organizations, financial intermediaries, and educational groups have expressed interest in utilizing their expertise in project development and leveraging private financing to meet community school needs. These groups, spearheaded by NYU's Institute for Education and Social Policy, are encouraging the Board of Education to alter its leased space program. The current leasing program is effectively a turnkey operation, and CDC's would require certain commitments from the Board of Education in order to secure pre-development, construction, and permanent financing. Both LISC and Enterprise have offered to provide pre-development loans and subsidies to such efforts.

In the coming months, the Board of Education will release its new five-year capital facilities plan, and its plan to comply with the United Federation of Teachers lawsuit. Based on the parameters set in the city's 1998 Ten-Year Capital Strategy plan, BOE might expect roughly \$6.1 billion for FY00-04. This would represent a more than 20 percent increase over the current plan, but would still remain far short of its actual plant expansion and rehabilitation needs. ■