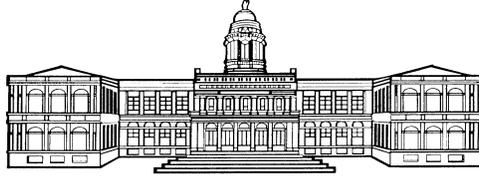


THE COUNCIL OF THE CITY OF NEW YORK

Finance Division



Hearing on the Fiscal 2010
Executive Capital Budget
for the
School Construction Authority

May 21, 2009

Hon. Christine C. Quinn
Speaker

Hon. David I. Weprin
Chair, Committee on Finance

Hon. Robert Jackson
Chair, Committee on Education

Preston Niblack
Director

Jeffrey Rodus
First Deputy Director

Latonia McKinney
Deputy Director

Nathan Toth
Assistant Director

Capital Budget

The Executive 2010 Capital Commitment Plan includes \$11.3 billion in Fiscal 2009-2013 for the Department of Education (including City and Non-City funds). This represents 23.9 percent of the City's total \$47.1 billion January Plan for Fiscal 2009-2013. The agency's Executive Commitment Plan of \$11.3 billion for Fiscal 2009 - 2013 has increased less than one percent or \$4.5 million due to the addition of Borough President funding.

In January the Mayor announced his intention to reduce the City's capital plan by 30 percent. The objective of the capital cut is to reduce the amount of the City's general obligation (GO) debt service as a percentage of total revenues. The 30 percent reduction in the Ten-Year Capital Plan Fiscal 2010 – 2019 would reduce the long-term average annual growth in debt service costs to 3.4 percent, equal to the level of forecast growth in City revenues. The 2010 Executive Capital Budget includes \$47.0 billion in planned commitments for Fiscal 2010 – 2019. This total includes \$12.8 billion in commitments for capital projects for the Department of Environmental Protection (DEP) which are funded primarily by non-general obligation debt. The GO-funded portion of the Fiscal 2010 – 2019 Executive Capital Plan is \$34.2 billion; this is \$6.9 billion or 17 percent less than the \$41.1 billion Preliminary Fiscal 2010 – 2019 Capital Plan.

The SCA has not reduced its commitment plan but has instead made use of federal stimulus funding in the form of Qualified School Construction Bonds (QSCB) and Qualified Zone Academic Bonds (QZAB). These programs offer a federal subsidy (through tax credits) of 100 percent of the interest payments. It is through the interest savings that the SCA is contributing to the Mayor's capital cut. The City's allocation of the QSCB's and QZAB's are \$699 million and \$25.7 million respectively for the 2009 calendar year.

Department of Education Capital Commitment Plan, 2009-2013

Millions of dollars, totals may not sum due to rounding

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	TOTAL
January Plan						
City	\$1,123	\$1,136	\$1,026	\$1,061	\$1,052	\$5,398
Non-City	\$1,668	\$1,132	\$1,026	\$1,061	\$1,027	\$5,914
Total	\$2,791	\$2,268	\$2,052	\$2,122	\$2,078	\$11,313
Executive Plan						
City	\$1,123	\$1,147	\$1,026	\$1,061	\$1,046	\$5,403
Non-City	\$1,668	\$1,132	\$1,026	\$1,061	\$1,027	\$5,914
Total	\$2,791	\$2,279	\$2,052	\$2,122	\$2,071	\$11,318
Difference						
City	\$0	\$11	\$0	\$0	(\$6)	\$5
Non-City	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$11	\$0	\$0	(\$6)	\$5
Percent Chng.	0.00%	0.47%	0.00%	0.00%	(0.30%)	0.04%

Executive Capital Commitment Plan, 2009-2013

The Department of Education executes its capital plan through the School Construction Authority (SCA) in five year increments. The 2005-2009 Five Year Capital Plan (Current Plan) will end on June 30, 2009 and be replaced with the 2010-2014 Proposed Five Year Capital Plan (Proposed Plan) which was released on February 2, 2009 and approved by the Panel for Education Policy in April of 2009. The PEP approved Proposed Plan is exactly the same as the February version of the 2010-2014 Proposed Five-Year Capital Plan. However, the Proposed Plan has changed substantially from the Current Plan. The Current Plan was originally funded at \$13.2 billion in Fiscal 2005 and grew to \$13.8 billion by Fiscal 2009 due largely to the yearly additions of the City Council and Borough President. The Proposed Plan is funded at \$11.3 billion over its five-year span and is structurally different from the Current Plan in that the School Improvement and Restructuring Allocation (SIRA) designation has been eliminated and its component parts are divided between Capacity and Capital Improvement Projects. The SIRA projects, which included funding for Charter and Partnership schools, reconfiguration of large campuses, science labs, and technology upgrades, have been reallocated as follows:

	Current 2005-2009 Capital Plan	February 2010-2014 Proposed Plan	Increase (Reduction)
Capacity			
New Capacity	\$4,709.1	\$3,759.8	\$(949.3)
Facility Replacement Program	-	\$1,259.3	\$1,259.3
Charter/Partnership Schools	-	\$210.0	\$210.0
Capacity Total (in Millions)	\$4,709.1	\$5,229.1	\$520.0
Capital Investment			
Capital Improvement Program	\$3,664.9	\$2,203.3	\$(1,461.6)
Children First Initiative	\$3,243.1	\$1,670.9	\$(1,572.2)
Mandated Programs	\$1,736.2	\$2,150.8	\$414.6
Capital Investment Total (in Millions)	\$8,644.2	\$6,025.0	\$(2,619.2)
City Council and Borough President Funding	\$439.9	\$4.5	\$(435.4)
Grand Total (in Millions)	\$13,793.2	\$11,258.6	\$(2,534.6)

Charter and Partnership schools are grouped under Capacity and the remaining SIRA projects have been moved under the Children's First Initiative. The reduction of \$1,572.2 million in the Children First Initiative is largely due to the movement of the \$1,259.3 million Facility Replacement Program from the Children's First Initiative to the Capacity designation.

With the realignment of funds in the Proposed Plan, it is easier to compare the two plans using the five-year plan categories which have remained constant. The following chart compares by five-year plan categories the Current Plan to the Proposed Plan.

Plan over Plan Changes from Current (2005-2009) Five-Year Capital Plan to (2010-2014) Proposed Plan (in millions)	Adopted Five-Year Plan	2010-14 Proposed Plan	Variance	% Change
State of Good Repair	\$4,023.9	\$2,497.6	\$(1,526.3)	(38)%
System Expansion	\$5,029.5	\$5,028.2	\$(1.3)	0%
Educational Enhancements	\$2,471.7	\$1,534.7	\$(937.0)	(38)%
Safety & Security	\$430.7	\$183.9	\$(246.8)	(57)%
Ancillary, Emergency, & Misc.	\$1,837.5	\$2,014.3	\$195.1	11%
Total	\$13,793.3	11,258.7	(2,534.6)	(18)%

The SCA has cited the current economic climate as the major factor in the 18 percent reduction in the Proposed Plan from the Current Plan. The Proposed Plan assumes that the 50/50 funding split between the City and the State will continue over the next five years. It is important to note that the State is dealing with a growing budget deficit and decreasing revenues in the current fiscal year and has larger deficits forecasted in the future. The possibility of State funding cuts is of concern to the City as the State tries to solve this crisis. In the interim, the SCA continues with the historical 50/50 funding split.

Under the Proposed Plan, the SCA will add 25,000 new capacity seats over a five-year span (Fiscal 2010-2014) and finish the remaining 34,239 seats from the Current Plan. Of the 25,000 new capacity seats 8,000 have been moved from the Fiscal 2005-2009 plan to the Fiscal 2010-2014 plan due to difficulties in siting. The remaining seats from the Current Plan are slated to come on-line over four years with 12,724 in September 2009, 14,034 in September 2010, 1,852 in September 2011, and 5,629 in September of 2012. The 25,000 new capacity seats planned for in the Proposed Plan is a 60.3 percent reduction from the 63,000 new capacity seats contained in the Current Plan. The DOE continues to forecast a downward trend in enrollment in its annual Enrollment, Capacity, and Utilization Report and it contends that the Capacity program is appropriately sized. The advocate community, however, is not in agreement with this assessment and calls for much more capacity in the Proposed Plan. In spite of the drastic reduction in the number of seats that the SCA will build, the System Expansion budget has remained fairly constant at \$5,028.2 million, a reduction of less than one percent.

The Capital Improvement Program is derived from the annual Building Condition Assessment Survey (BCAS) report that is conducted jointly between the SCA and the principals and custodial staff of the schools. Each area of need that is identified is ranked from one to five with five having the greatest need. The Current Plan addresses level four and five needs, but due to budget constraints the SCA will only address level five conditions in the Proposed Plan. As a result, the State of Good Repair category has decreased by \$1,526.3 million or 38 percent.

Educational Enhancements, which include new science labs and technology upgrades, has seen a decrease in funding of \$937 million or 38 percent. The cabling of classrooms in all schools for internet access has been a major project of the Current Plan and has now been completed. The purchase of computers receives a large amount of funding from the City Council as well as the Borough Presidents.

As the Proposed Plan has not been adopted yet, there is currently only Fiscal 2010 Borough President funding included in it.

As of October 2008, video surveillance systems have been installed in 251 buildings serving approximately 400 secondary schools. The SCA is continuing its commitment to the safety of students through \$183.9 million in spending for safety and security projects in the remaining secondary schools. This is a reduction of \$246.8 million or 57 percent.

Ancillary, Emergency and Miscellaneous Costs have increased by \$195.1 million or 11 percent in the Proposed Plan. The increase is largely due to costs associated with the close of the prior capital plan.