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THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, N.Y. 12234

EXECUTIVE DEPUTY COMMISSIONER OF EDUCATION
THE NEW YORK STATE EDUCATION DEPARTMENT
ALBANY, NEW YORK 12234

October 15, 1996

OFFICE STATE COMPTROLLER
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H. CARL MCCALL
NEW YORK STATE COMPTROLLER

The Honorable H. Carl McCall
Comptroller
NYS Department of Audit and Control
Alfred E. Smith Office Building
Albany, NY 12236

Dear Comptroller McCall::

In accordance with the provision of Section 170 of the Executive Law, the following are responses to the recommendations contained in the Office of the State Comptroller's Final Audit Report (96-D-4) on the State Education Department Facilities Planning Unit:

Recommendation 1:
The Department and the Legislature should analyze the formula for calculating State building aid to determine whether refinements are needed to address the continuing growth of this type of aid.

We agree with this recommendation. We are concerned about the growth of State Building Aid and the growing problem of deferred building maintenance. Facilities Planning has already incorporated this goal into the 1996-97 workplan. The Legislature revised the formula for distributing State Building Aid based on an assumed amortization of 10 years for reconstruction and modernization and 15 years for new construction and additions. The assumed amortization spreads out State Building Aid payments over the useful life of the building improvement buy does not address the root causes of the increase in building aid. More work is required to address the issues deferred maintenance, enrollment growth, priority ranking of projects and providing incentives for preserving school buildings. Recommendations for adjusting the State building aid formula will be included in the Regents 1997 legislative program and budget request.

Recommendation 2:
The Department should consider evaluating the cost-effectiveness of school construction projects. In particular, the Department should evaluate the merits of value engineering, life-cycle cost analysis and standardized plans.

We agree with this recommendation. The Board of Regents voted to take the following steps at their September 1996 meeting to promote cost-effectiveness and require equity in the allocation of limited resources:

Promote cost-effective measures, such as shared services, cooperative bidding, low-maintenance buildings, energy conservation, preventive maintenance, value engineering, life-cycle cost analysis and the Capital Assets Preservation Program, through greater regulatory flexibility, sharing of effective practices, and continuing review of cost-effective practices. We will recommend that savings made as a result of energy conservation or preventive maintenance be dedicated to school district maintenance and repair;

Facilities Planning will be upgrading design standards to incorporate new methods to improve cost-effectiveness, reduce maintenance costs and improve energy efficiency.

Recommendation 3:
Should there be a limit on building aid to help control costs?

We agree to study this issue.

Many school buildings are in a state of poor repair. Current estimates project that $15 billion are needed for capital improvements over the next 5 years -- $5 billion less than what is projected to be spent. The Regents approved the following concepts and measures at their September 1996 meeting to improve school facilities:

- A flexible school calendar allowing year-round schooling as a local option
- A requirement to establish adequate maintenance reserve funds
- Better oversight of school construction projects and maintenance
- A regional cost factor in the formula and adequate funding to improve inequity
- A bond of up to $5 billion over the next five years to support the program
- Principles to ensure that new facilities and major rehabilitation adhere to cost-effective environmental health and safety and energy design standards
- The Board of Regents will exercise existing authority and seek any necessary additional legislative authority to close schools which do not meet environmental health and safety standards

Facilities Planning will study the issue of rising building aid and make recommendations for controlling costs and improving school facilities.

Recommendation 4:
The Unit should continue to do the work it has in the past and should consider expanding its services as suggested in this report.

We agree with this recommendation. Facilities Planning is engaged in continuous quality improvement and has included the expended services suggested in this report in its 1996-97 workplan.

We appreciate the many thoughtful recommendations in your report. In addition, the Department benefited from the information and ideas shared with staff from your auditors, particularly with regard to the overview of school facilities by other states.

Sincerely,

Thomas E. Sheldon