

THIRD REPORT TO THE GOVERNOR BY THE INTERAGENCY WORKING GROUP FOR SCHOOL CONSTRUCTION

September 14, 2006

INTRODUCTION

This third report by the Interagency Working Group on School Construction (“Working Group”) presents a summary of actions taken since the issuance of our second report dated May 17, 2006. As described below, much work has been accomplished since that date to further reforms at the SCC. Most notable of these are the work of The Prioritization Task Force (“Task Force”) and its development of a prioritization methodology for Abbott school construction projects. This methodology should guide the distribution of existing resources and provide the foundation for the creation of a strategic plan for the future school construction program.

The Task Force, convened by the Working Group, has developed a methodology to prioritize projects consistent with the State’s educational policy. This proposed methodology was presented to representatives of the Abbott Districts at a Symposium co-hosted by the SCC and DOE on July 20, 2006. The SCC and DOE also co-hosted a Symposium for Regular Operating and Vocational Districts (“Regular Operating Districts”) on July 27, 2006 to discuss the future of school facilities funding. The results of both symposia are described in this Report. The full report of the Task Force to the Working Group is attached as an appendix to this Report.

In our last report, we indicated that additional analytical work was needed to formulate a funding recommendation for the next round of school facilities projects. With the work of the Task Force and a direct application of the prioritization methodology, as detailed below, the Working Group now has the basis to recommend new funding of \$3.25 billion, to be allocated \$2.5 billion for Abbott Districts and \$750 million for Regular Operating Districts. The rationale supporting these recommendations is set forth in this Report. While we anticipate that the rebuilding of the State’s school infrastructure will be an on-going challenge, this level of funding is designed to allow the program to move forward in a logically sequenced manner and address the most pressing needs of the next few years.

As previously stated, this Administration’s support for increased funding for school facilities projects has been conditioned upon two criteria: that the SCC demonstrate the capacity to manage the additional responsibility of new funding and that any new funding authorization be accompanied by the enactment of essential amendments to the Education Facilities and Construction Financing Act (“EFCFA”). The Working Group has concluded that the initiatives and reforms at the SCC have resulted in improved management capabilities and systems sufficient to responsibly administer the

additional recommended funding. Moreover, the Working Group assumes that these efforts will be enhanced over the coming months and years, in part through the enactment of essential legislative changes. Accordingly, the Working Group recommends that support for the additional funding continue to be conditioned upon substantial legislative changes to EFCFA. The nature of these proposed changes have been discussed in prior reports and again are summarized below.

SUMMARY OF THE WORK OF THE PRIORITIZATION TASK FORCE

The Task Force was composed of representatives of the key stakeholders including superintendents, architects, academics, advocates including the Education Law Center, DOE, DCA and SCC staff. The group's principal objective was to develop a project prioritization methodology that reflects the educational goals set forth in Abbott and EFCFA. The methodology will help DOE in its review of Long Range Facilities Plans (LRFPs) and SCC to develop its strategic and capital plans.

The Task Force met on several occasions to develop a project prioritization methodology that encompassed the goals set forth in EFCFA. The Task Force's methodology allows comparisons among and between school construction projects, as well as facilitates the larger effort toward strategic planning and decision-making. In developing this methodology, the Task Force was guided by the principle that educational criteria must be the driving force in the application of a prioritization process. The Task Force's methodology elevates educational criteria to control project priorities as they may be modified by practical considerations such as site availability, the need for temporary "swing" space, the extent of costs already invested, and unanticipated discoveries like severe pollution. Logistical criteria, including land status, project schedules, and costs incurred to date were also considered as secondary criteria. It is intended that this methodology should serve as the underpinning for the development of SCC strategic and capital plans and as a management tool to sequence existing projects if additional funding is not authorized.

EFCFA identifies three categories of projects as priorities from an educational standpoint: health and safety, early childhood capacity, and overcrowding. The Task Force concluded that use of the three categories alone did not provide sufficient differentiation among projects, and therefore identified the need to create subcategories. Additional analyses led to the conclusion that too many subcategories would make the application of the methodology too complex. Ultimately, the Task Force arrived at a consensus that the educational criteria should be prioritized as follows: emergent health and safety, early childhood center (stand alone), overcrowding with early childhood capacity, overcrowding without early childhood capacity and projects that address neither overcrowding nor early childhood capacity. The Task Force concluded that after these educational criteria are applied to a list of projects to create a preliminary ranking, the logistical criteria should then be applied to sequence projects within and among categories to reflect development and construction schedules.

Application of the educational and logistical criteria also demonstrated the need to consider the “district fit” of projects. (That is, how a particular project fits into the overall plan of a district and its relationship to other projects.) For example, the completion of one project may be necessary before a second project can begin so that the swing space can be provided. Also, two projects may share common elements such as play space or other land related issues. In the past, such considerations did not factor significantly into the planning process. The Task Force noted the criticality of obtaining the district’s input and perspective regarding the potential interdependence between a prioritized project and another that would otherwise be sequenced later based upon application of pure educational or logistical criteria. The Task Force recommends in its Report that in the future all stakeholders have access to relevant information and regularly be consulted to inform and guide the ongoing work in formulating the strategic plan. We wholeheartedly agree with this recommendation.

The Task Force also recognized the challenge of identifying and funding truly emergent health and safety projects. Accordingly, it recommended the creation of three categories of health and safety projects to better identify and address the critical needs of districts: imminent hazards, code violations and deferred maintenance. Each of these subcategories is to be distinguished from “emergency” repairs that are not considered school facility projects and therefore must and can be addressed immediately through use of district funds. The Task Force concluded that school facility projects labeled as “imminent hazards” require immediate attention and funding. By their nature these are projects that can arise suddenly and will become an immediate priority for funding. As we noted in our last Interagency Working Group report, any new capital plan will have to set aside funds for such unanticipated projects. Moreover, if additional funding is not authorized, any such project that arises now will reduce the available funding to complete projects in the current plan.

As currently proposed by the Task Force, the prioritization methodology does not account for the differences in the extent to which districts have already benefited from new school construction projects. There should be no question that the inventory of needed projects exceeds any near term funding capability. Consequently no district will have all of its needs met. However, it is important that all districts have access to resources to address priorities.

The work of the Task Force did not extend to determining how to achieve an equitable distribution of projects among the Abbott districts. One consequence of the DOE not ranking projects in the 2000 LRFPs by educational need or, in not limiting its preliminary project approval only to highest priority proposals, is that the SCC could only set priorities by undertaking projects that had their DOE approvals in place and, in the case of new construction, where building sites were readily available. This produced a mismatch wherein the districts with the least preschool capacity and the most overcrowded elementary facilities, received relatively few new facilities. The Working Group believes that the DOE LRF review process will address this issue since school districts that have not benefited as extensively from the previous round of funding will reflect greater unmet needs in their 2005 LRFPs. As described below, future

prioritization efforts will be based on the 2005 LRFPs so that differences across districts will be taken into account.

The results of the Task Force's work were presented to key stakeholders at the SCC/DOE Abbott Symposium on July 20, 2006. Using the valuable input from the stakeholders and continued review by the SCC and DOE, the methodology will continue to be refined. Accordingly, we recommend that the Task Force continue to assist the SCC and DOE in the development and application of the methodology as the SCC develops its strategic plan. The methodology will have immediate value as a tool to sequence projects currently in the Capital Plan, as well as for those with construction currently suspended. However, as the Task Force notes in its full report, these criteria should be dynamic and serve as a guide rather than a strict formula producing a rigid set of results.

SUMMARY OF SYMPOSIA

For the school construction program to succeed, its key stakeholders need to be involved in the design and implementation of this complex enterprise. In July 2006, two symposia were held at the Edward J. Bloustein School of Planning and Public Policy at Rutgers University – one for the Abbott School Districts and one for the Regular Operating Districts. Attendees included school district superintendents, business administrators, education advocates and DOE and SCC staff. The goals of the symposia were to:

- Inform the districts of current efforts
- Engage the districts in meaningful dialogue and gather their input
- Gain district perspective on the methodology
- Initiate a continuous and permanent collaborative process.

The Abbott Symposium was held on July 20, 2006 and conveyed the following key points:

- Recommended prioritization criteria
- The ability to distinguish projects within and between criteria
- Project sequencing
- Legislative changes related to a district's ability to manage projects and new funding innovations.

Participants from the Abbott districts were provided the opportunity to consider and comment upon the prioritization methodology. While there appears to have been a general consensus that a methodology is better than ad hoc decision making, great concern was expressed about the need to use the methodology as a guide, rather than a formula to be mechanically applied. District representatives stressed that consideration of challenges facing specific districts must be accommodated. For example, the availability of land and related acquisition issues will vary from district to district and must be considered in a fact specific manner. The Working Group shares the concern that lack of

available land must not prevent a district from proceeding with the development of urgently needed projects. We believe that amendments to EFCFA addressing community development, partnering and joint use agreements will go a long way to providing better opportunities for the siting of school facilities.

We concur with the support voiced by symposium participants of the need for an alliance among the districts, DOE, SCC and DCA to implement the Long Range Facilities Plans. We also agree with their belief that a critical success factor to the school construction program is the districts' ability to play a more significant role in prioritization and implementation of projects.

The districts appropriately used this forum to raise awareness of their concerns, particularly for a stronger district role in participation in, or management of, projects through construction. We recommend that the SCC and DOE continue to hold such forums on topics of mutual concern.

The Regular Operating Districts Symposium was held on July 27, 2006, and featured 2 panel discussions focused on funding allocation and planning. The panelists included representatives of Vocational School districts, districts receiving over 55% State aid, districts receiving under 55% State aid, district business administrators and bond counsel. They presented their collective views on how future funding should be distributed, changes to improve requirements for the development of comprehensive maintenance plans, and improvements to the Long Range Facilities Plan process.

The consensus articulated by participants was that the State needs to provide a long-term sustainable funding mechanism. The participants noted that debt service aid could be an appropriate mechanism to satisfy this requirement. They believed a debt service aid program would be easier to administer when compared to the current grant program. On the other hand, the panelists pointed out that a grant program provides certainty of funding. It was suggested that the State could provide a combination of debt service aid and grants to districts based on the nature of the project e.g. capital maintenance type projects could be funded via grants or annual appropriations and the longer-term projects such as additions or new construction would be more appropriately funded via debt service aid.

We believe that both symposia were successful in that they provided the opportunity for collaboration with school districts and education advocates in the development of an approach that will serve as the basis for the first statewide strategic plan for school construction. The outcomes of the symposia were integrated into the recommendations of the Task Force attached hereto.

SCC REFORM EFFORTS – Establishing the Capability to Manage Current and Future Projects

In our last report we discussed reform efforts that had been initiated at the SCC to develop more transparent and effective operational and financial management. The SCC

has initiated aggressive efforts to address the legacy of past mismanagement, waste and the possibility of fraud. A multifaceted plan is being implemented to identify, and whenever possible, recover funds that were inappropriately paid individuals or companies. The SCC is working hand in hand with the Attorney General and other law enforcement agencies to investigate possible criminal activity and initiate appropriate actions to recover monies and punish wrongdoers. SCC management is also addressing the prevention and recovery of wasted resources. SCC is changing the past practices that had the effect of institutionalizing waste through inadequate contract provisions as well as weak management of projects and staff. SCC has hired professionals specifically to pursue contract errors and omissions and other areas of financial abuse. The key focus areas of recovery are: 1) overpayments made to contractors; 2) environmental clean up costs; 3) errors and omissions (aka professional negligence); and 4) costs for repair or damage to construction work caused by third parties or events for which SCC is insured.

Inadequate contracts may be a cause of wasted resources, but is addressable only prospectively. Similarly, program costs were inflated by land acquisition activities that were burdened by historic increases in the cost of land, and will be addressed through legislation and improved operating policies and procedures. Accurately estimating the extent of historic waste and the amount that may be recoverable is challenging. All enterprises experience some degree of waste. However, the SCC has appropriately adopted a policy to identify and wherever appropriate pursue recovery of money.

In filling several key management positions, the SCC has continued to develop a solid organizational structure. Recent additions have included a new construction professional with significant experience in multiple project delivery methods who will assist management in developing a broad range of approaches to issues management and resolution. The SCC has also established a new Division of Management and Planning. This Division will provide the SCC with institutionalized program and project management functions. Under the direction of a recently hired senior manager with significant planning experience, the newly formed Division is focused on the development of the strategic and capital plans, the development, monitoring and updating of project budgets, contract administration, procurement and creating a feedback loop of lessons learned for the organization. This new Division integrates some existing functions with a new capability for planning and project budget management.

A key component of improved project accountability is establishing and ensuring the accuracy of project budgets. Prior to April of this year budgets reflecting the full range of expenses associated with a project were not adequately prepared. SCC has now developed a budgeting process that elicits project data from diverse sources, correlates previously disjointed scope elements and determines complete funding needed for a given project. The capital budgeting process continues to be refined through improved project cost forecasting. The SCC created a project cost report detailing the full scope of cost components for each project. Research was conducted to establish the appropriate inflation factors for each of the cost components. These factors are now applied regularly to adjust for schedule changes that impact project costs. Additionally, as new requirements are developed and applied to the program, a thorough analysis is performed

to establish the impact to a project budget and the results of the analysis are factored into the forecast. This forecasting process has also applied “lessons learned” from the SCC’s actual recent bidding experiences to fully consider the impacts of inflation now factoring significantly in the construction industry’s costs. In creating this comprehensive process, the SCC has exhibited a more fully developed ability to successfully plan and manage additional funding. In prior reports we identified a potential shortfall of at least \$400 million dollars to complete the existing 2005 Capital Plan. The increased costs reflected the impact of cost elements, most notably inflation, that had not been previously included in project cost estimates. The holistic and refined approach now applied by the project budgeting and forecasting process has resulted in the SCC revising the potential shortfall to complete the current projects in the Capital Plan to be approximately \$500 million. Enhanced project management can contribute to reduce that amount and will be monitored by the SCC Board.

Management effectiveness at the SCC has also been strengthened by collaborative efforts with other State agencies and the districts. The SCC and DOE have begun participating in regularly scheduled senior-level meetings, discussing strategic and operational issues. In addition, the SCC plans to engage in an expanded collaborative process that will include planned joint meetings with the DOE, SCC, DCA and individual school districts in order to properly address each project’s requirements. The DEP will also participate in this process, particularly in instances where possible contamination or former industrial or manufacturing sites are identified.

SCC senior management is meeting with Abbott district superintendents and their senior staffs to comprehensively review current projects, outstanding issues and future initiatives. The SCC has also initiated steps to increase the role of the districts’ participation in the design process beginning with project development through design and construction. For example, representative districts have been participating in the revision of the SCC Design Manual and guidelines, a project that is expected to support greater design individuality and creativity along with lifecycle benefits within clear and established design and performance parameters. Moreover, the SCC is establishing a framework for construction project management whereby the district will be a key project team member along with the design consultant, SCC, DOE and DCA.

In addition, the SCC has taken steps to improve relations with its contractors and other service providers through continuing efforts to reduce the backlog of outstanding invoices and resolve legitimate claims by contractors and vendors. The SCC’s commitment to reasonable timeframes for payments, as well as other reform efforts, will be conveyed at a Symposium for the contracting community that is scheduled for next month. Clearly, the success of the school construction program is in part dependent upon improved credibility with the contracting community and its’ members willingness to participate and compete for SCC contracts.

As we have noted in previous reports, the desire to quickly build school facilities frequently resulted in SCC undertaking projects and entering into contracts prior to the completion of all design and construction documents. In addition to causing significant

cost overruns for unanticipated design elements, this practice also allowed districts to change the project scope and elements several times during the process because design was not complete. SCC has stopped this practice, which will limit the ability of districts to change the project during construction and will result in fewer cost overruns for unanticipated changes to the design elements.

The Interagency Working Group now concludes that these initiatives have succeeded in enhancing the management infrastructure at the SCC such that it can fulfill its responsibility under the current capital plan. We also conclude that this capability, together with the proposed legislative changes, will enable the agency to effectively manage an expanded school facilities construction program.

To further enhance the accountability of the proposed new school construction program, we recommend that the SCC, or its successor, together with the DOE collaborate on regular reports to the Legislature. These reports should be produced on an annual basis and should detail the status of funded projects in a clear and concise manner. Such regular reporting will assist the Legislature and the Administration in determining whether the proposed project prioritization methodology is being followed and whether it appears to meet the educational needs of students across the State, or should be reformed.

STATUS OF THE LRFP PROCESS

The Long-Range Facility Plan is a requirement of EFCFA. Every district must submit a revised plan every five years, which is subject to DOE approval. The purpose of these plans can be simply stated: the LRFP is an analysis of a district's student enrollment and the factors that influence enrollment going forward, compared to the current facilities available to serve that enrollment, the identification of all deficiencies in serving students adequately, and a proposal for eliminating those deficiencies. Necessarily, the remedies proposed by a district may exceed the five-year horizon of the plan. The 2000 LRFPs reflected an expansive atmosphere with \$6 billion in authorized funding and incentives to include very long-term projections and plans for a comprehensive solution.

The process of review will be modified for the 2005 plans. First, DOE will focus on near- and mid-term needs that reflect closely the educational criteria set forth in EFCFA. The prioritization methodology will be used to determine health and safety needs, insufficient preschool capacity and overcrowded classrooms particularly in the elementary grades. Because elementary instruction assumes one teacher with one class, there is much less scheduling flexibility available for moving students and teachers around to accommodate space shortages. Other considerations will be reviewed on a district-by-district basis. Second, the horizon for the plan approval will be on projects that can be reasonably accommodated over five years. The long-term proposals extending past five years will be considered, but the plan agreement will focus on the next five-year period.

The 2005 LRFPs were due to the DOE in October of 2005. However, as explained below, most districts have not filed complete submissions at this point. It is worth mentioning the two most important explanations for delays in Abbott districts fulfilling the informational requirements that precede DOE approval. First, many districts have had difficulty in providing the documentation to permit an accurate projection of student enrollments. In several instances, it is apparent that the enrollments on which the 2000 LRFPs were approved were inaccurate, with the consequence that projects were proposed for which adequate student populations did not exist. Second, most Abbott districts rely on consultants to prepare their LRFPs and in a fair number of cases the consultants have not completed the work required by DOE and their district contracts. DOE has provided technical assistance to districts having a particularly difficult time, but its resources are sharply limited.

As of September 11, the following is a summary of the status of Abbott School Districts' 2005 LRF P submission and review.

- Six districts have filed complete LRF P submissions and are or will be scheduled for meetings with DOE which is the next step in the LRF P process (Long Branch, Bridgeton, West New York, New Brunswick, Perth Amboy, Keansburg).
- Four districts (Newark, Jersey City, Paterson, and Trenton) are expected to file complete submissions within the next two weeks and meetings with those districts will be scheduled shortly thereafter.
- Four districts (Orange, East Orange, Phillipsburg and Elizabeth) are actively working on completing their submissions.
- Fourteen districts have filed the first, electronic portion of their LRF P submissions, but have not responded fully to DOE's request to provide added required information. These districts received letters from DOE specifying the incomplete information, but have not responded at all or completely. Most of these "incomplete" letters were issued in April or May (Asbury Park, Vineland, Passaic, Gloucester City, Garfield, Pemberton, and Union City). The remainder of the "incomplete" letters were issued in June or July (Millville, Plainfield, Pleasantville, Hoboken, Burlington City, Salem City, and Neptune).
- Camden has been frozen by contractual issues with its consultant concerning additional fees for addressing the "incomplete" letter.
- Harrison and Irvington have not submitted LRF Ps.

Given the central role that the LRF P process plays in the prioritization methodology of the school construction program, districts without approved 2005 LRF Ps will not be able to move individual projects forward, as projects cannot be approved unless they are consistent with an approved LRF P. Meanwhile, the DOE and SCC will proceed with strategic and capital planning based on projects identified in districts with approved LRF Ps. The DOE is prepared to provide assistance to districts in completing the LRF P process.

ADDITIONAL FUNDING SHOULD BE AUTHORIZED NOW

We recognize that this report and its recommendations are being issued at a time when the Legislature is considering proposals to restructure the State's school aid program in conjunction with the Administration's commitment to incorporate a new school aid formula as part of the 2007 budget proposal. We do not believe that authorization for new school construction funding can wait until the outcome of those discussions. Rather, as discussed below, we believe that funds should be provided to allow for needed work to proceed during the next two to three years, after which time funding for the school construction program can be modified to conform to a new school aid program. It is widely recognized that there is a continuing demand for additional funding for school construction in both Abbott and Regular Operating Districts and these needs far exceed any one-time funding capacity of the State. Accordingly, we believe that consideration of additional funding should be viewed at this time, as providing much needed resources in a manner that will support the multi-year LRFP process that is now underway while also providing an effective transition to a new funding formula for school construction.

The Abbott Districts

We recommend you seek an additional \$2.5 billion in new funds for school construction projects in the Abbott Districts. Authorization of \$2.5 billion will finance new school construction projects for a period of approximately two to three years. We believe that time frame will be sufficient to address the immediate needs of the school districts that face pressing construction concerns consistent with the establishment and implementation of a new capital and strategic plan. This funding level will provide resources to complete the projects that were previously authorized as part of the current 2005 Capital Plan, provide for the establishment of a reserve fund for unanticipated health and safety projects and provide much needed resources to reactivate many of the projects that had been suspended in July 2005 at the time of the adoption of the current Capital Plan.

The absence of complete project budgets resulted in the current Capital Plan being under funded at the time of its adoption in July 2005. The resulting budget gap was further exacerbated by the absence of an effective forecasting process that would capture the impact of inflation and other factors affecting project costs. As mentioned above, the SCC now estimates the shortfall at approximately \$500 million. Therefore, without additional funding, some current Capital Plan projects will have to be curtailed. Accordingly we recommend that \$500 million be allocated to address this shortfall.

The SCC, or its successor, must have the funding and ability to immediately address health and safety issues, including imminent hazards and failed systems, as those situations arise. Currently, any funds allocated to such unanticipated projects reduce the amount of available funds to complete the work anticipated by the current Capital Plan. To date, the SCC has addressed \$720 million in health and safety projects. By their nature, unanticipated health and safety projects cannot be budgeted with accuracy.

Moreover, preliminary discussions with the districts suggest that until new schools are placed in service there will be a continuing need to address conditions in existing facilities. Based on past experience, \$60-80 million of the proposed \$2.5 billion in new funding should be reserved for the unanticipated emergent projects. In the event that this reserve is spent at a slower pace than past experience, the SCC and the DOE may consider using some of these funds for other priority projects.

No one disputes that there is a pressing need to re-start some projects for which design efforts had been suspended. As we stated in the second report, some of the suspended projects would receive a higher priority than current Capital Plan projects based upon application of the prioritization methodology. We note that our funding recommendation is not tied specifically to an estimate of the number of projects that can be financed with additional funds. The funding recommendation is based on our belief that an incremental, measured approach to funding is appropriate for the school construction program. In testing the methodology, the Task Force evaluated the 59 projects in the current capital plan and the 97 suspended projects against the educational priorities. This preliminary review resulted in a finding that 58 of the 156 projects met the proposed educational criteria. (The review did not yet consider the logistical criteria or "district fit" issues set forth in the prioritization methodology.) Of the 58, 27 projects identified by the prioritization methodology are not funded in the current Capital Plan. If these projects were validated through the strategic planning process, they would require approximately \$1.3 billion, without adjustments for final site acquisition costs, future inflation, and other forecasting impacts. In addition, the current LRFP review will identify other projects that should be initiated.

A new funding authorization would allow for the establishment of a new Capital Plan that will fund work on those important projects. The SCC and DOE will develop a Strategic Plan that will identify a body of work that, without consideration of funding, could be addressed during the next five years. A new Capital Plan can then be developed by integrating the \$2 billion available to fund the new projects. However, this level of funding will likely not provide sufficient funds to bring all such projects in the Strategic Plan through construction. Accordingly, a new Capital Plan should distinguish among those projects that will be funded through a predevelopment or design phase and those that will be funded through construction. By so doing, the plan will maximize the amount of work that can be achieved during the next two to three years while providing essential data for the Administration and Legislature to consider when evaluating future funding requirements.

As the SCC has now demonstrated the capability to effectively manage a portfolio of its current and new projects as well as the capacity to establish a strategic and capital plan for successful completion and delivery, we believe that SCC management is poised to fully implement its planning function and take on the responsibility of additional funding. The precise work to develop the Strategic Plan is ongoing and dependent upon the completion of the DOE review and approval of the District LRFPs. We recommend that no newly authorized funding be spent until the Board of the SCC or its successor organization adopts a Strategic Plan incorporating DOE's review and approval of the

2005 LRF and supporting Capital Plan. We further recommend that the new strategic plan be developed within 45 days of authorization of additional funding and the attendant legislative changes. The strategic plan should cover the next five years (fiscal year 2007 through fiscal year 2011), and should employ the project prioritization methodology. The strategic plan should address the remaining projects on the list of 59, a review of the 97 projects with design suspended and the remainder of the projects in the 2005 LRFs.

The Regular Operating Districts

We recognize that additional funding will be necessary to meet the needs of students in Regular Operating Districts and recommend a similar incremental approach for this funding. The Working Group recommends that you seek \$750 million in newly authorized funds for Regular Operating Districts. Future analyses will determine the percentage of this \$750 million that should be set aside for vocational schools.

We have explored different options for funding school construction projects in the Regular Operating Districts. Based on this analysis, the group recommends that you pursue Debt Service Aid as the funding mechanism for major school construction projects in Regular Operating Districts. We are confident that there are ways to address the districts' understandable concerns about the predictability and reliability of Debt Service Aid. Among other benefits, this approach would streamline program administration, eliminating the need for the management or administration of a grant program, functions now performed by the SCC.

The details of this Debt Service Aid option, including but not limited to whether the EDA would borrow funds to establish a trust from which the debt service aid would be disbursed, will be developed in discussions with the districts, Legislature, SCC, DOE and other stakeholders in upcoming months. The percentage of State aid available to each district will most likely be tied to the district's relative wealth as measured by the factors that will be considered in the new school funding formula.

We recommend that the way funding previously was allocated for regular-operating districts on a "first come, first serve" basis should not be continued. Rather, funding would be prioritized based on objective criteria that align with the State's public policy and educational objectives. For example, projects that address certain policy and educational concerns, such as overcrowding, may be prioritized. As these details are developed, it is possible that the DOE will determine that certain categories of projects that will be prohibited from receiving State funding, such as projects that clearly do not serve an educational purpose; e.g., increased space for administrative offices.

In addition, the Working Group strongly recommends that the Administration and the Legislature push for a series of new requirements that Regular Operating Districts must meet when appealing to voters for additional funding for school construction. Districts must present a comprehensive financial plan for how they intend to fund a new school construction project and this plan must explain how the project is linked to educational priorities. These plans must be presented to the voters as well as to the DOE.

NEED FOR LEGISLATIVE CHANGES IS ESSENTIAL

As we discussed above and in prior reports, there are a number of essential legislative changes that the Working Group believes are necessary to provide the school construction program with the tools to successfully invest the public's resources. Any funding must be accompanied by the legislative changes discussed in this and prior reports. If the Legislature moves forward with new funding authorization without these improvements to EFCFA, the accountability and efficiency that you seek and the public rightly expects will be jeopardized.

Therefore, we recommend that you continue to condition your support for new funding on the passage of these legislative reforms that will address the five core issues of program governance, increasing the role, responsibilities and accountability of school districts, land acquisition, the project approval process and project delivery. We recognize that there can be many ways to address the concerns embodied in these topics. Consequently, we focus here on a summary of the outcomes, rather than the precise statutory provisions that will ultimately result from a collaborative effort with the Legislature.

- Establish a New State Authority to Manage the School Construction Program

A new State authority for school construction should be created to enhance governance and focus the authority solely on the construction of schools. As a result, the school construction agency would no longer be a subsidiary of the EDA and the accompanying requirement that half of the SCC board members be members of the EDA board would be eliminated. As we have stated previously, we believe that the improved management at the SCC will be capable of managing the school construction program. We also want to restate our conclusion and commitment that such a change in governance will not result in turnover of personnel or abandonment of prior investments in facilities and equipment.

- Increase the Role, Responsibility and Accountability of School Districts in the School Construction Program

An essential element to the success of the school construction program is the active and meaningful involvement of school districts as a partner in the design and construction of school facilities. We recognize that the SCC has initiated steps through the revision of its Design Manual to address our recommendation that a process be established that includes a more active role for the districts in the design phase. This objective should be institutionalized as part of the statutory scheme.

In addition, the Working Group recommends that the role of the districts in project management be expanded. There are certain types of projects that all districts may be in a unique position to identify and manage themselves. Rather than relying on the \$500,000 threshold as the cap for district-managed projects, the Working Group

recommends that districts be authorized to manage a defined set of project types, for example, all capital maintenance projects. This grant program would encourage districts to build appropriate capacity and enable the State to hold the districts more accountable. Moreover, if the districts play a more active role in addressing maintenance projects in a timely and responsive manner, this will lead to a more productive allocation of resources for the school construction program overall by enabling the SCC to focus on major construction projects, rather than the micro-management of small maintenance projects. In reviewing this proposal, consideration should also be given to expressly permitting districts to fund capital maintenance accounts and capital reserve accounts as part of their local budgets. Not only would this approach provide funds that could be applied to such projects, but it also would provide a basis for a district to evolve from complete dependence upon the school construction program for funding all but immediate emergency projects.

EFCFA should also be amended to allow qualified districts to assume full responsibility for the design and construction of school facility projects. Concomitantly, the legislation should provide for the development and adoption of criteria to evaluate a district's capacity to manage all or part of a project involving a major rehabilitation or the construction of a new school. Moreover, the legislation should encompass a new initiative to assist districts, as needed, to enhance their capacity to manage such projects.

- Land Acquisition

One of the reasons that construction has been particularly slow in the larger and most densely populated districts is the difficulty of finding suitable building sites for new schools. EFCFA mandates a single approach wherein the construction agency acquires by negotiation or condemnation sites that it identifies cooperatively with the school district. This single approach is unwieldy, time consuming and expensive. To be effective, the school construction program must have more options to solve this problem and must engage both districts and their municipal governments in the process.

The importance of recognizing the role of the districts and providing for greater community participation is underscored in the area of land acquisition for school construction projects. Identifying and acquiring land for new school construction projects is one of the most challenging aspects of meeting the needs of students across the State. One key reform will be greater involvement of the districts and municipalities in the acquisition of land. Issues related to site selection, incorporation of potential sites into a municipal Master Plan, local contributions to funding the cost of site acquisition, environmental remediation, use of condemnation, joint use agreements and other potential collaborations with developers are among the topics that must be considered. In doing so, any proposal must address encouraging collaboration by school districts and municipalities in taking a leading role in the process of identifying and providing for the acquisition of land.

The potential for speculators to inflate the cost of land identified for a school construction project must also be addressed immediately. We continue to support a

legislative proposal that will mimic the statutory provisions governing Department of Transportation land acquisitions for highways, which allow for the preservation of the site for a finite period of time. This will give the SCC the opportunity to acquire the property before any approvals or variances are granted.

While specific amendments can and should be developed to address these topics now, we recommend that the SCC and the DOE host another symposium focused on land acquisition to be held within the next 60 days so that ideas emanating from the symposium can be considered in any proposed statutory amendments. The goal of this symposium should be to identify, consider and define innovative methods to address the challenges of land acquisition. It also should address earlier suggestions made in prior reports regarding land acquisition, such as the feasibility of requiring an inventory of all municipal and district owned land, which would reveal whether any such land would be suitable for school facilities projects.

- Project Approval Process

EFCFA ordains a planning and project approval process that is both unwieldy and time consuming and does not encourage practices to maximize DOE, SCC, and DCA cooperation. A revised statute should streamline the process and encourage inter-agency cooperation and collaboration.

For Abbott districts, we recommend that DOE continue to conduct the first review and approval of the LRFPs. This review will ensure that the facilities needs for each district are based on accurate enrollment projections and that the LRFP generally reflect the district's educational needs. The process for reviewing and approving LRFPs and individual projects should be transparent to all stakeholders.

DOE review and approval of the LRFP does not mean that every project included on the LRFP will be constructed with the next round of funding. Approval for individual projects will be based on a collaborative review, conducted by the DOE, SCC, and a team of all key stakeholders, including representatives of the DOE, SCC, DCA, the school district and municipal stakeholders.

The goal of this collaborative review should be to assess the district's needs through an open discussion of critical issues related to a district's capacity to initiate new projects. Such critical issues include land availability, "swing space" needs (i.e. space that can be used as temporary classroom space when existing space is undergoing major renovations), sequencing of projects to ensure minimal disruption and meet a district's needs most efficiently and effectively.

This collaborative review will also ensure that the project prioritization methodology is followed. It will be the obligation of the staff that conducts this review to apply the project prioritization methodology to projects specified on an individual district's LRFP, as well as across all projects presented by districts. These reviews should also help manage the expectations of the district and municipal officials,

particularly when districts require land acquisition. Furthermore, the agencies leading this collaborative review process should use this as an opportunity to focus on the long-term benefits of the school construction program. Greater emphasis should be placed on energy conservation, environmentally clean facilities and economical long-term maintenance.

- Project Delivery Method

The school construction program would benefit from more flexibility in mechanisms available to construct schools. The Working Group has previously recommended that a variety of procurement options should be expressly available to facilitate the building of schools, including, but not limited to, “design-build,” and “at-risk construction manager” project delivery systems. There is also a need to explore additional procurement options including on-call contracting to address emergent health and safety projects in a timely way. EFCFA should be amended to expressly provide the SCC or its successor with a suite of options to be selected in consultation with the local school district.

NEXT STEPS

We recommend that you begin working with the Legislature on proposed legislation to achieve the recommendations in this report and that discussions with the Legislature regarding these funding and statutory recommendations be commenced at the earliest practical time. In addition, the SCC and the DOE should convene the symposium on land acquisition discussed earlier in this report within 60 days. We will issue our next report, addressing the implementation of a new strategic plan and capital plan, following the enactment of legislation authorizing the next round of funding and the legislative changes that you seek. In the event that it appears that such legislation is unlikely to be enacted, we will provide recommendations regarding the implications of having to curtail some of the projects included in the current capital plan.

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ATTACHMENT A

Prioritization Task Force Report

August 22, 2006

**Prepared by New Jersey Institute of Technology
Center for Architecture and Building Science Research**

Executive Summary

The Prioritization Task Force, in support of the Governor’s Interagency Working Group on School Construction, has developed a methodology to:

- Systematically, efficiently and transparently apply the priorities of the Act – plus specific logistical considerations - to the review, approval and funding of school construction projects.
- Serve as the basis for – and underpinning of – strategic and capital planning for the school construction program.

The goal of the methodology will be to ensure that all stakeholders have the same information about each project and that this shared information is sufficient to make decisions concerning project sequencing, both within the current Capital Plan and for future funding cycles.

The methodology is a two-step process. In the first step a series of 7 criteria – five educational and two logistical – are used to create prioritized lists of school facilities projects. The educational criteria generate prioritized categories of projects; the logistical criteria rank order projects amongst and between each category. These lists are considered preliminary, not final, and serve as the basis for, and underpinning of, step two in the process.

This second step consists of structured, ongoing discussions between the districts and DOE, DCA and SCC personnel. The purpose of these “district consultations” is to ensure that all stakeholders in the schools construction program have access to all relevant information, including specific issues of “district fit” (the interrelationship between projects that may not be readily identified through the criteria that generate the preliminary project lists).

The result of this two-step process is a sharing of information that facilitates a systematic, collaboration-based approach to decision-making concerning project sequencing in the schools construction program. Decisions arrived at through this process can and will serve as the basis for both strategic planning and, ultimately, capital planning going forward.

It should be noted that the foundation of this methodology was introduced in the initial legislation (the Act) in the form of tiering. The Task Force has sought to further define that methodology and determine the most practical means to institutionalize the process.

The remainder of this report describes the evolution and final form of the prioritization methodology.

The Task Force recommends that the prioritization methodology be implemented immediately by:

1. Creating preliminary prioritized lists for projects contained within the 2005 Long Range Facilities Plan integrated with the current Capital Plan (the “59”) and projects currently suspended (the “97”).
2. Using these lists as the basis for ongoing discussions with the Abbott districts concerning project sequencing. These discussions began with the

Symposium on School Construction in the Abbott Districts on July 20, 2006. The dialogue will continue as the 2005 Long Range Facilities Plans are reviewed as a collaborative effort between the DOE, SCC, DCA and the district. This process is now getting underway in individual districts.

After the LRFP review process is concluded, it is recommended that a formal structure be established for continuously updating the prioritized lists of projects and for continuing the dialogue with the districts on a regular basis.

As the prioritization process takes form, work for the Task Force will diminish. We recommend that the Task Force remain intact and available for support of the Interagency Working Group for future research and development needs.

Background

The Project Prioritization Task Force was convened in order to advise the Interagency Working Group on School Construction as to how "...the educational priorities...reflected in the Act shall be realized in the review and approval of Abbott District Long Range Facility Plans ("Plans") and project proposals." (Governors Executive Order, Feb. 7, 2006)

The Task Force was specifically asked to develop, utilizing clear and mutually agreed upon criteria, recommendations for a methodology that can:

- Systematically, efficiently and transparently apply the priorities of the Act – plus specific logistical considerations - to the review, approval and funding of school construction projects.
- Serve as the basis for – and underpinning of – strategic and capital planning for the school construction program.

The methodology – and the strategic and capital plans that are developed from it - should serve to allocate available program funding to the highest and best purpose.

Members of the Task Force were selected on the basis of their familiarity with the overall school construction program and with district procedures in the selection and planning of capital projects. This diverse group includes representatives from the following; the Governors Office, the Department of Education (DOE), the Department of Community Affairs (DCA), the Schools Construction Corporation (SCC), the Education Law Center (ELC) and the New Jersey Association of School Administrators (NJASA). The New Jersey Institute of Technology Center for Architecture and Building Science Research (NJIT) serves as coordinator and secretariat for the group.

Working Method

The Prioritization Task Force has been meeting as a group roughly every two weeks, beginning on March 31, 2006. Activities focused on identifying suitable criteria to use in the prioritization process and on collecting and organizing data for each of the criteria. The Task Force tested the criteria and evaluated their implications when applied to project specific data as provided by the DOE and SCC for projects either currently in the SCC Capital Plan (the so called '59') as well as projects where design development had been initiated but is presently suspended (the so called '97).

Developing Prioritization Criteria

Preliminary Criteria

Ten criteria were initially proposed, categorized as either educational (having to do with the educational needs of the district in relation to the proposed project) or logistical (having to do with the construction investment and schedule associated with the proposed project):

Educational Criteria

- Level of Existing Severe Overcrowding
- Level of Projected Severe Overcrowding
- Unmet Programmatic Need(s) (i.e. gym, auditorium, science classrooms, etc.)

Logistical (Design/Construction-Related) Criteria

- Project Status
- Land Acquisition Status
- Level of Costs Incurred
- Projected Cost to Complete
- Projected Time to Complete
- Level of School Construction Activity to Date within a District
- Impact of the Project on Overall District Construction Plans (e.g. “Staging”)

The Task Force was unanimous in its belief that the educational criteria should be the primary consideration for prioritization and that logistical criteria be secondary.

Chief among the educational criteria considered were projects that contributed to the capacity of a district’s early childhood population (so called ‘Pre-K’) as required by the Abbott decision. The DOE provided data which served to distinguish amongst the early childhood projects on the basis of the capacity provided by each project. The simplest means of accomplishing this was to distinguish projects that were identified as solely providing early childhood education only, typically accommodating at minimum 150 students, from those providing one or two classrooms, some 15 to 20 students, as part of a larger facility. This method was agreed to be significant and would require further analysis to identify capacity contribution of each project on this basis.

The second most important criteria was determined to be the capacity of any project to relieve existing overcrowding conditions within a specific grade group. Admittedly, accurate assessment of overcrowding across a district composed of discrete neighborhoods (sending areas) - as well as the reliability of recently submitted district Long Range Facility Plans (LRFPs) was a concern. The group, however, agreed that this criterion, together with the Pre-K criteria, should form the basis of a ‘first cut’ for prioritization.

The criteria were applied to the projects in the Capital Plan to understand the impact of the criteria on projects. 11 projects from the Capital Plan were considered exempt from consideration as construction services had already been, or were actively in, the process of being procured. This allowed the group to divide the projects within the Capital Plan into four groups:

- Projects that are currently under contract for construction,
- Projects which are contributing capacity that address overcrowding in early childhood education (Pre-K),
- Projects that provide some capacity addressing overcrowding in upper grades, and
- Projects that do not meet any of these criteria

The next step was to identify unique circumstances related to these projects that were not apparent from the data presented. The group discussed some of the particular circumstances associated with specific projects and the need to develop a narrative description for each project in consideration of unique district circumstances so as to identify projects that required special evaluation apart from the criteria alone. These data points are described later in this document. The question also arose again, how these criteria, when applied to all projects which had

commenced development to date (the ‘59’ and the ‘97’), would influence the recommendations of the Task Force. This “test” further supported the Task Force theory that, with developed data sets that considered the educational and logistical criteria individually and in combination, an appropriate sequencing plan could be formulated.

Final Educational Criteria

As the Task Force began to collect and review data for each of the criteria, it became clear that two critically important additional categories needed to be addressed: “emergent health and safety” projects and projects that contributed to a district’s “early childhood capacity.” Both these criteria are specifically called for in EFCFA (Tier 1 priorities), and all participants agreed that adding them to the list brought the entire process into closer alignment with the goals and language of the Act.

The Health and Safety category, while considered non-educational, clearly impacted the learning environment and was therefore addressed within the realm of the educational criteria. Prioritization within the Health and Safety category proved to be problematic as there are varying degrees of urgency related to it. The Task Force segmented the category accordingly:

- Imminent hazards
- Code violations
- Deferred maintenance

The Task Force evaluated the merits of each of the segments and determined that imminent hazard health and safety projects translated to emergent projects and should receive the highest priority.

The Task Force agreed, again consistent with EFCFA, that projects that contribute to relieving overcrowding in districts should receive priority, although emergent health and safety or early childhood projects would receive the higher priority. The Task Force also recognized a distinction within “overcrowding” projects that allowed for more precise categorization; namely, that some “overcrowding” projects also include early childhood capacity while others do not. It was agreed that, while both types deserve high priority, those that contribute some early childhood capacity should take precedence over those that do not, in order for the categorization process to be as consistent with the Act as possible.

Taking all these considerations into account, the Task Force developed a final set of five educational criteria for use in prioritizing and sequencing school projects. These criteria establish the following five prioritized categories of projects.

- Emergent Health and Safety
Projects that address urgent health and safety concerns
- Early Childhood Center (Stand Alone)
Projects that are contributing needed early childhood capacity and are stand-alone facilities, not part of another facilities project
- Overcrowding with Early Childhood Capacity
Projects that are contributing to reducing overcrowding in their district; and are contributing some early childhood capacity to the district.
- Overcrowding without Early Childhood Capacity
Projects that are contributing to reducing overcrowding in their district; but are not contributing any early childhood capacity to the district.
- No Overcrowding, No Early Childhood

Projects that are not contributing to reducing overcrowding in their district

(NOTE: The Task Force recognized the special significance of those projects within the current Capital Plan for which construction has already begun – currently 13 of the “59” projects and agreed that all these projects should proceed to completion. Rather than create a unique criteria category for this group, it was agreed that any project in construction would simply be “exempt” from categorization.)

Final Logistical Criteria

While asserting the primacy of educational criteria in the prioritization process, the Task Force recognized the need to address specific construction, project development and scheduling considerations – considerations that are critical to managing a large-scale design and construction program. It was agreed that these “logistical” criteria should be used as a means to prioritize projects within – and potentially across - the five, educationally-defined project categories.

As noted above, the Task Force considered a number of individual criteria for inclusion in the “logistical” category. Considerations such as:

1. Land Acquisition Status:

Has the district already purchased the land?

If not, is there land available?

Where is it in the process - how long will it take to acquire the land?

Is there relocation involved?

Does the site currently house temporary space?

Are there remediation concerns specific to level of work required or time to remediate?

Are there any issues related to the acquisition of the property that would prevent the project from moving forward?

Can these issues be resolved in a timely manner to accommodate the schedule for building?

2. Construction Status:

Does the district plan include a phasing (staging) strategy i.e., is there one

project/building that will serve as the lynchpin to all construction in the district?

Are there any constraints related to that project that will slow down or prevent that project from moving forward?

What are the temporary space requirements?

Will each project address their need independent of other projects or will the temporary space be staged as well?

Does the temporary space identified require work to bring the space up to code? What is the impact to the timeline for this work?

How much time will it take to bring the project to construction?

Does the scope of a project include unique characteristics that require additional time to bring the project to construction?

Does the time to complete construction negatively impact the phasing strategy?

3. Projected Costs:

What is the cost to complete the project?
How much has already been committed/spent on the project?
Do the costs to bring the project to construction exceed the cost to construct?

Ultimately the following two key criteria were derived from these considerations:

- Land Status
 - Projects for which land has been acquired or is not needed versus
 - Projects for which land has not been acquired and is needed.
- Project Schedule/Timeline
 - Best available estimates based, in the near term, on construction “Notice to Proceed” dates and, in the longer term, on design and construction schedules developed by the SCC in cooperation with DOE, DCA and the districts.

In applying the logistical criteria, the Task Force agreed that land status was to be the primary means to rank order projects within the five educationally-defined project categories, with projects that have acquired (or do not need) land ranking higher than projects which need land and have not acquired it. Project schedule/timeline was considered to be a secondary means to rank order projects, to be applied after the land status criteria. Projects with earlier schedules would rank higher than projects with schedules further into the future.

Applying Prioritization Criteria

An example of how the educational and logistical criteria detailed can be applied to develop a prioritized list of school facilities projects is illustrated below.

The example provides a list of 13 “hypothetical” school projects. The name and type of each project are listed first, followed by the Project Category that the methodology would assign to that particular project. School A, for example, is an early childhood center (ECC) project type. Since it is also a stand-alone center, it has been placed in the methodology’s “Early Childhood Center (Stand-Alone)” category, also labeled “ECC”. School B, on the other hand, is a Pre K-8 project type. Since it is contributing to reducing overcrowding in its district and is adding early childhood capacity, it has been placed in the “Overcrowding with Early Childhood Capacity” category (OC w ECC).

The remaining schools have been categorized in the same way. Additional information provided in the table is Construction Type (new construction/major addition or rehab); Land Status (whether or not the project has land or does not require it); and projected Construction Notice-to-Proceed (NTP) Date. With this information in place, the prioritization methodology can be applied.

School Name	Project Type	Project Category	Construction Type	Land Status	Construction NTP
School A	ECC	ECC	New Construction	Y	Sept. 07
School B	Pre K-8	OC w ECC	New Construction	Y	Mar. 08
School C	ES	OC w/o ECC	Rehabilitation	Y	Oct. 07
School D	ES	No OC	Rehabilitation	Y	Mar. 08
School E	HS	OC w/o ECC	New Construction	N	Oct. 08
School F	ECC	ECC	Rehabilitation	Y	Mar. 08
School G	MS	OC w/o ECC	New Construction	N	Nov. 08
School H	HS	No OC	Rehabilitation	Y	Jun. 08
School I	MS	No OC	New Construction	N	Mar. 09
School J	ECC	ECC	New Construction	N	Sept. 07
School K	ES	OC w ECC	Rehabilitation	Y	Sept. 07
School L	Roof Repair	HS	Rehabilitation	Y	Aug. 07
School M	Pre K-8	OC w ECC	New Construction	N	Nov. 08

In the table below, the 13 projects have been organized into the five primary educational categories developed by the Task Force. At the top of the list are “Emergent Health and Safety” projects. Since there was only one such project in the hypothetical list of 13 projects, it stands alone in the highest priority category.

School Name	Project Type	Project Category	Construction Type	Land Status	Construction NTP
Category 1 - Emergent Health and Safety					
School L	Roof Repair	H+S	Rehabilitation	Y	Aug. 07
Category 2 - Early Childhood Capacity (Stand Alone)					
School A	ECC	ECC	New Construction	Y	Sept. 07
School F	ECC	ECC	Rehabilitation	Y	Mar. 08
School J	ECC	ECC	New Construction	N	Sept. 07
Category 3 - Overcrowding with Early Childhood Capacity					
School K	ES	OC w ECC	Rehabilitation	Y	Sept. 07
School B	Pre K-8	OC w ECC	New Construction	Y	Mar. 08
School M	Pre K-8	OC w ECC	New Construction	N	Nov. 08
Category 4 - Overcrowding without Early Childhood Capacity					
School C	ES	OC w/o ECC	Rehabilitation	Y	Oct. 07
School E	HS	OC w/o ECC	New Construction	N	Oct. 08
School G	MS	OC w/o ECC	New Construction	N	Nov. 08
Category 5 - No Overcrowding, No Early Childhood Capacity					
School D	ES	No OC	Rehabilitation	Y	Mar. 08
School H	HS	No OC	Rehabilitation	Y	Jun. 08
School I	MS	No OC	New Construction	N	Mar. 09

Next is the “Early Childhood Center (Stand Alone)” category. Three of the hypothetical schools (A, F and J) are in this category and, while all merit high priority consideration, they have been rank ordered first according to whether they have land and, second, by their NTP dates. It is clear that School J, even though it has a projected earlier Notice-to-Proceed date than School F, it still ranks lower because it needs, and does not yet have, land.

The third category is “Overcrowding with Early Childhood Capacity.” There are three projects (schools K, B, and M) are in this category as well – one elementary and two Pre K-8 facilities. In the case of these three, the ranking according to land status also tracks the Notice-to-Proceed ranking.

Category 4, “Overcrowding without Early Childhood Capacity,” also contains three projects – one elementary, one middle and one high school. None are contributing early childhood capacity. Since the elementary facility (School C) is a rehabilitation project, it already has land and therefore rises to the top of this category. Schools E and G, which both need and currently do not have land, are ordered according to Notice-to-Proceed date.

Finally, Category 5, “No Overcrowding, No Early Childhood Capacity,” contains another three projects. In this case, the ordering according to land status is again consistent with the ordering according to Notice-to-Proceed. It is interesting to note that the Notice-to-Proceed dates for Schools D and H are the same as or even earlier than projects in “higher” categories. It is anticipated that projects such as these may move forward in the sequencing process as part of the district consultation process that will take place as part of the implementation of the prioritization methodology (see below).

This example shows how educational and logistical criteria can be applied to create a prioritized list of school projects. The list alone, however, does not provide all the information necessary for making strategic and capital planning decisions. Specialized input from the districts is also necessary.

Accommodating District “Fit”

Throughout its deliberations the Task Force encountered a number of issues/considerations that could not be developed into easily quantified “criteria.” Most of these considerations involved unique circumstances affecting a particular school or set of schools in a district.

One example is “swing space” (seating capacity for students displaced by the construction or renovation of a facility). The methodology may not recognize that a school renovation project placed in Category 4 (“Overcrowding without Early Childhood Capacity”) is actually a critical project for the district in that it supplies swing space for three other schools projects in the districts planning pipeline.

Another example is how “overcrowding” is actually defined in the districts. Districts typically prioritize capacity-generating classrooms over specialized spaces in order to meet school enrollment demands. This could cause a school that has reassigned art and music classrooms to serve as general classrooms to be considered adequate rather than overcrowded, despite the program space loss. As a consequence, a project to renovate or add an addition to such a school would be placed in Category 5 (“No Overcrowding”) even though the project would provide tangible and needed benefits to the district.

Task Force participants agreed that the methodology must include a means for addressing these and similar issues that are idiosyncratic to a particular district and its overall school planning process. Since such “district fit” considerations may not be readily apparent, it was agreed that the best way to incorporate them into the methodology would be through a systematic, sustained dialogue between the districts and DOE, DCA and SCC personnel. This formal dialogue process began on July 20, 2006 with the Symposium on School Construction in the Abbott Districts and will continue within the context of the Long Range Facility Plan review process to ensure the full identification and consideration of the districts’ needs.

The Symposium

On Thursday, July 20, the SCC and the DOE hosted a Symposium on School Construction in the Abbott Districts. The purpose of the symposium was to allow the Working Group on School Construction and the Prioritization Task Force to have a meaningful dialogue with, and gain input from, key stakeholders regarding the prioritization methodology and future funding. The Working

Group's next report is due shortly and the Prioritization Task Force thought it was important to obtain district/ advocate feedback before then.

Approximately 120 people attended the event – including school officials, education and community advocates, SCC and DOE staff – to provide input on the proposed prioritization methodology, which was unveiled for the first time. After attendees registered, they listened to presentations by Working Group Chairman Scott Weiner, DOE Commissioner-Designee Lucille Davy, DOE Assistant Commissioner Gordon MacInnes, and Deane Evans from the New Jersey Institute of Technology.

Through a PowerPoint presentation, Mr. Evans explained the basis of the methodology and provided hypothetical situations of how it could be applied to projects. After the presentation, districts broke for lunch and headed into break-out sessions during which they considered a series of questions concerning the prioritization process. (Summary minutes from the Symposium are included as Attachment A to this report.)

Findings: The Methodology as a Two-Step Process

Two basic messages emerged from the districts during the breakout discussions. First, the methodology developed by the Task Force appeared to be a reasonable way to organize information and to generate a preliminary prioritized ordering of school facilities projects. Second, the methodology, in and of itself, was not sufficient to make final decisions concerning the sequencing of school facilities projects. Issues of “district fit” had to be considered as part of the decision-making process.

These messages confirmed what the Task Force had also begun to realize; namely, that the “methodology” leading to a strategic and capital planning needs to be a two-step process. The first step is to collect and organize project information - as accurately and transparently as possible – then assign projects to the five primary categories defined by the Task Force. This will generate a preliminary prioritized listing of projects according to criteria that are fact-based, grounded in the Act, and clearly understood by all affected parties.

The second step is to establish formal procedures to facilitate ongoing, systematic dialogues concerning the schools construction program between the districts and DOE, DCA and SCC personnel. The purpose of these formal “district consultations” will be to share information, especially with respect to issues of “district fit,” so that all parties involved in the decision-making process have access to all relevant information. The preliminary project list developed in step one of this process will be used as an underpinning of, and a springboard for, these ongoing “district consultations.” The results of these discussions will then form the basis of strategic plans for that will lead to and drive capital plans for the school construction program going forward.

Recommendations

- The Task Force recommends that the prioritization methodology be implemented immediately by:

- Creating preliminary prioritized lists for projects contained within the 2005 Long Range Facilities Plan integrated with the current Capital Plan (the “59”) and projects currently suspended (the “97”).
 - Using these lists as the basis for ongoing discussions with the Abbott districts concerning project sequencing. These discussions began with the Symposium on School Construction in the Abbott Districts on July 20, 2006. The dialogue will continue as the 2005 Long Range Facilities Plans are reviewed as a collaborative effort between the DOE, SCC, DCA and the district. This process is now getting underway in individual districts.
- After the LRFP review process is concluded, it is recommended that a formal structure be established for continuously updating the prioritized lists of projects and for continuing the dialogue with the districts on a regular basis.
 - As the prioritization process takes form, work for the Task Force will diminish. We recommend that the Task Force remain in tact and available for support of the Interagency Working Group for future research and development needs.

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