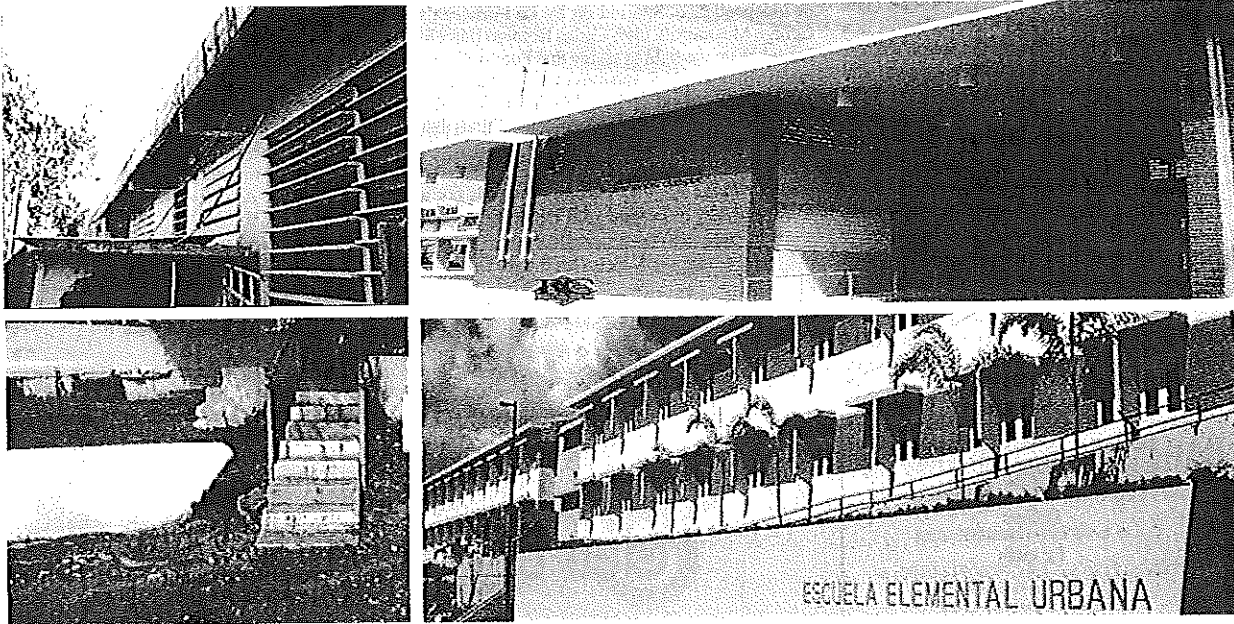


Public Buildings Authority eyes unprecedented investment in public-school infrastructure

Public-private partnerships to play role in ambitious plan



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The Fortuño administration has identified an additional \$1.1 billion available under the American Recovery & Reinvestment Act (ARRA) and local funds to launch an ambitious upgrade of Puerto Rico's ailing public-school system. The new money will come on top of the \$6.2 billion in federal stimulus funds allotted to the island under ARRA that have already started to work into the local economy this year.

The \$1.1 billion to overhaul the crumbling public-school infrastructure will begin to be felt in the economy by mid-2010 and will be spent

over a period of two years, providing a further economic boost well into 2012.

The unprecedented investment, which is expected to incorporate public-private partnerships (PPPs), could create as many as 25,000 jobs when it gets under way around next July, according to local government estimates.

Through ARRA, the federal government has allocated to Puerto Rico \$752 million in Qualified School Construction Tax Credit Bonds (QSCBs), \$123.5 million in Qualified Zone Academy Bonds (QZABs) and \$70 million in direct ARRA funds for the repair and improvement of public-school infrastructure. The \$875.5 million in potential bond

issuances (technically interest free) earmarked for Puerto Rico are in addition to the total \$6.2 billion in direct ARRA funds pouring into the island over the next two years. Investors in the bonds will receive tax credits against future taxes from the federal government.

In addition, the local government has allocated \$25 million from the Stabilization Fund, and the Public Buildings Authority's (PBA) ongoing capital-improvement program includes \$167 million for school buildings.

Importantly, the public-school upgrades will not be put in the hands of the Education Department, but instead will be headed by the PBA, a public corporation under the

Government Development Bank (GDB) umbrella. The ambitious effort will be led by PBA Executive Director Jesús F. Méndez, who is also the GDB's executive vice president in charge of administration, operations and controllership.

The PBA was created in 1958 to design and construct government office buildings, courthouses, schools, health, police and correctional facilities for lease to the different government agencies. It currently manages 602 government properties and is governed by a seven-member board of directors. There are currently two members from the private sector and two vacancies. The heads of the Education and Transportation & Public

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Works departments and the GDB serve as ex-officio members.

Despite its own critical financial condition (see PBA story), the PBA has work to do under the guidance of the GDB as the administration of Gov. Luis Fortuño pushes ahead with the largest investment in public-school infrastructure in the island's history.

The administration's school reconstruction and modernization plan will follow a three-pronged approach.

"We will retrofit (improve and modernize) old school buildings, consolidate schools within the district, and replace them, either by construction of new schools or expansion of existing school buildings, following pre-determined construction designs and standards," Méndez said.

The PBA owns and operates roughly 400 of the island's 1,520 public schools. The rest are owned by the Department of Transportation & Public Works (DTOP by its Spanish acronym) and operated and maintained by the Education Department's Public Schools Maintenance Office (OMEP by its Spanish acronym). OMEP has 848 employees and an operational budget of \$32.6 million.

While the total investment in public-school infrastructure will top \$1.1 billion, the mammoth and unwieldy Education Department will not see a dime of that money.

"This is a once-in-a-lifetime opportunity to improve our crumbling public-school infrastructure and we can't run the risk of letting the Education Department waste it. Over the years, it has had a problem with teaching, so how are we going to let them build and maintain? The private sector, through PPPs, will have a lead role," a government source said.

A LAUNDRY LIST OF URGENT NEEDS

The ARRA and local funding will likely not be enough to meet the urgent need to invest in the construction, rehabilitation and overall maintenance of public schools, officials say.

"A repair and maintenance program, estimated to cost approximately \$1.4 billion, must be implemented just to bring existing schools



*Carlos M. García,
chairman of the board & president of
the GDB and chairman of the board
of directors of the PBA*

a long way toward that goal," said Méndez.

Of that amount, \$477 million would go to classrooms, \$241 million for bathrooms, \$138 million to electrical upgrades, \$94 million to recreational areas, \$86 million for security, \$71 million for the elimination of architectural barriers and \$30 million for parking facilities.

"The Education Department and its teachers face serious infrastructure problems that delay the start of every school year. Public-school facilities are neither appropriately equipped nor maintained to support high-quality education. The overall physical appearance and functionality of the premises have resulted in the projection of a negative public image and the development of stigmas that limit the demand for services to those families with economic constraints," the PBA chief said.

In addition, a rehabilitation and retrofit of facilities is required to bring them to a reasonable level of competitiveness in relation to private and parochial schools. The vast majority of public schools lack facilities such as science laboratories, recreational and sports areas, and modern communications and technology infrastructure.

to acceptable conditions. However, this \$1.1 billion we are going to get under ARRA and local funds will go

Méndez lamented the lack of a structured maintenance program to assure that schools are in optimal operating condition, resulting in improvised maintenance services, constant emergency repairs and a significant number of wasted academic days.

Also, the absence of a standard design or prototype to follow in the construction of new facilities results in inefficient designs and high construction costs, he said.

"Most recent projects have been at an average cost of approximately \$21 million with a construction area of approximately 100,000 square feet," Méndez said.

The 1,520 public schools operating around the island serve approximately 485,000 students. A large majority of some 70% of the schools were built more than 40 years ago, and some date back to the 1930s and 1940s. There are also 718 empty public-school buildings in Puerto Rico.

The public-school system is composed of 904 elementary schools (60%), 428 intermediate schools (30%) and 189 high schools and other institutions (10%). The average area ranges from 25,000 square feet for an elementary school to 40,500 square feet for a high school. ■

