



New York City Council

Christine C. Quinn, Speaker

Finance Division

Preston Niblack, Director

Jeffrey Rodus, First Deputy Director

**Hearing on the Mayor's Fiscal Year 2012 Preliminary Expense Budget &
the Fiscal Year 2011 Preliminary Mayor's Management Report**

Department of Education

April 7, 2011

Committee on Education

Hon. Robert Jackson, Chair

Regina Poreda Ryan, Assistant Director
Christina Perrotti, Legislative Financial Analyst
Phylesia Steele, Legislative Financial Analyst

Summary and Highlights

Table 1
Department of Education
(dollars in thousands)

	2010 Actual	2011 Adopted	2011 Jan Plan	2012 Feb Plan	Difference 2011 – 2012*
Personal Services	\$12,481,805	\$12,585,983	\$12,680,329	\$12,519,268	(\$66,715)
Other than Personal Services	\$6,016,700	\$6,012,451	\$6,139,297	\$6,600,396	\$587,946
Total	\$18,498,505	\$18,598,433	\$18,819,626	\$19,119,664	\$521,231

**The Difference column in this and all tables in this report shows the increase or decrease from the FY 2011 Adopted Budget to the FY 2012 Preliminary Budget.*

The Department of Education's budget will grow to \$19.1 billion next year from \$18.6 billion as adopted last June. The Preliminary Plan introduces a variety of budget cuts and other adjustments that produce this \$521 million increase. The discontinuation of the American Recovery and Reinvestment Act (ARRA) after Fiscal 2011 reduces the Fiscal 2012 Preliminary Budget by \$853 million. State aid is projected to decrease by just over \$1 billion, in large part due to an \$891.4 million Gap Elimination Adjustment (GEA) and a summer school special education shift in funding that would cost the City \$120.8 million. The City backfills both the ARRA funding and GEA in the Preliminary Budget. The November 2010 Financial Plan's PEG Program reduces spending by \$350 million. The Administration has also introduced a new citywide PEG program that might require the Department of Education (DOE) to come up with an additional \$188 million PEG, but this is not reflected in the Fiscal 2012 Preliminary Budget.

The combination of cuts, adjustments and previously projected spending trends leads to a \$66.7 million reduction in Personal Services ("PS") spending. All of the growth in the Department's budget is in the other-than-personal-services ("OTPS") budget, which is projected to increase by \$587.9 million or ten percent. This growth is driven largely by increased spending on charter schools, contract schools, special education pre-kindergarten contracts, and bus contracts.

Education related spending includes more than just the DOE's budget, however. The two greatest categories of education spending budgeted outside of the DOE's agency budget are pensions and debt-service, which will continue to escalate in Fiscal 2012 and total nearly \$4.6 billion. Pension spending will grow by \$488.1 million and debt service spending will increase by \$48.4 million. Considering these non-Departmental components of the education budget, the City will spend about \$23.7 billion on the public school system next year. This amounts to 36.2 percent of the City's entire \$65.6 billion expense budget for Fiscal 2012.

Fiscal 2011 Preliminary Plan Highlights

- **Teacher Layoff:** In order to achieve a PEG savings of \$350 million in Fiscal 2012, the Administration intends to eliminate 5,778 teachers. Of this cut, 1,500 teachers would be lost through attrition for a savings of \$81 million and 4,278 teachers would be laid off. With just over 60,000 non-special education teachers in the system, this equates to eliminating about 10 percent of the general education teaching force. Other PEGs to reduce spending in Fiscal 2012 include reductions of the central supply and travel budgets, central restructuring that reduces part-time workers, and central cuts that mitigate direct cuts to the classroom. As has been the case for most of the Administration's cuts to the DOE budget, the proposed PEG program directly targets classroom spending while leaving much of the remaining budget untouched. Student transportation, school safety, special education contracts, and leases, to name a few examples, are not the focus of the DOE's cost savings effort.
- **Proposed State Reductions:** The Executive State Budget for 2011-2012 includes several measures to cut State spending on education. Most significantly, the Gap Elimination Adjustment (GEA) would decrease New York City's school aid by \$891.4 million. The Fiscal 2012 Preliminary Budget proposes filling this gap with \$891.4 million City Tax-Levy dollars. The other state cuts include a summer school special education cost shift to the City amounting to \$120.8 million and a \$50 million cut to school budgets as funding for blind and deaf schools shifts to Private Excess Cost Aid. The estimates of State revenue for next year that are included in the Preliminary budget for Fiscal 2012 are based on the State Executive Budget for 2011-2012. Since the City released the Preliminary Budget, the State has adopted a budget for next year that will cut school aid to New York City by less than projected in the Financial Plan. The City Executive Budget for Fiscal 2012 will adjust the State aid projections to reflect the adopted State budget.
- **State Freeze of Foundation Aid.** Foundation Aid is the primary source of unrestricted school aid. It was introduced to drive more money, over the course of four years, to New York City's schools pursuant to the *Campaign for Fiscal Equity* lawsuit. The State froze funding for Foundation Aid in 2009-10 at \$6.19 billion. Despite increases in student enrollment and labor costs, the Executive Budget would continue this freeze through the 2011-12 school year. The Executive Budget also recommends extending the full phase-in of Foundation Aid until the 2016-17 school year – the aid would have been fully phased in in 2011-12 had it not been delayed. Extending the Foundation Aid freeze through next year would have no impact on the DOE's Fiscal 2012 budget because the budget already assumes that this aid would remain at the current level.
- **Freeze of Contracts for Excellence Program.** This aid is a subset of Foundation Aid that must be used to support participating school districts' approved Contracts for Excellence ("C4E"). The Executive State Budget would require all 23 school districts in the State to remain in the program, including the Big Five city school districts (New York City, Buffalo, Rochester, Syracuse and Yonkers). School districts that remain would be required to maintain funding on existing Contract for Excellence programs less the percentage reduction of the Gap Elimination Adjustment. New York City would be permitted to reduce its C4E program by \$80 million, from \$645 million in 2010-2011 to \$565 million in the 2011-2012 school year.
- **Discontinuation of American Recovery and Reinvestment Act (ARRA) funding:** The Federal government began allocating ARRA funding to states in Fiscal 2010 in order to help them maintain services through the economic recession that began in 2008. The DOE received \$853 million in ARRA funding in Fiscal 2011, the final year of the two-year funding stream. The funds enabled the DOE to maintain 14,190 positions that would have otherwise been eliminated. The City backfilled the full amount of lost ARRA funding in the November 2010 Financial Plan to avert teacher layoffs.

Issues

- **Impact of School Closures:** The DOE's school closure policy impacts thousands of students, teachers, and school staff, and costs the DOE a significant amount of money. Teachers from closing schools who lose their jobs join the Absent Teacher Reserve (ATR) pool, remaining on payroll and collecting benefits until they find a new permanent assignment. There are also significant facilities costs associated with closing and reopening schools. Additionally, the DOE allocates more funding to each student in a closing school than it does to comparable students in other schools. Furthermore, large schools are often closed and replaced with multiple smaller schools in the same building. Each school requires its own administrative staff and offices, increasing spending on these positions. The Administration has expressed a policy of closing ten percent of all schools. Given the costs of reshuffling schools and students, the alternative school improvement policies, and the extreme budgetary constraints facing the DOE, the merits of the school closing policy should be reexamined.
- **Impact of Teacher Layoffs on Class Size:** Despite past efforts to reduce class size, the average number of students per class has been increasing since Fiscal 2008. As of January 28, 2011, class sizes this year average 22.9 students in grades K-3, 25.2 in grades 4-5, 26.9 in grades 6-8, and 26.5 in grades 9-12. The Preliminary Budget's plan to lay off 4,666 teachers will directly result in rising class sizes again in Fiscal 2012.
- **Changes in State Test Proficiency Levels:** In July 2010, the New York State Education Department announced that they were recalibrating the proficiency levels for the state's English Language Arts (ELA) and Math tests. As a result, tens of thousands of students who would have otherwise passed the tests failed to meet the new standards and, as such, many were held back to repeat fourth or eighth grade. Heading into the 2010-2011 school year, schools were forgiven their responsibility to provide mandatory support for all Level 1 and 2 students (those below passing levels). However, mid-year the DOE provided an additional \$10 million total to those schools with more than two-thirds of students scoring below Level 3 to provide additional academic supports to these students. The long-term cost of holding students back also falls largely on the City.
- **Contracts Spending:** Year-to-year growth of the DOE's contract spending has been significant. From the Fiscal 2011 Adopted Budget to the Fiscal 2012 Preliminary Budget, contract spending increases 18 percent, from \$3.8 billion to \$4.5 billion. The Department's 5,321 contracts constitute 22.3 percent of its budget, up two percent from Fiscal 2011. Professional development, busing, and IT-related contracts are a few of the service areas for which the Department chooses to use contracting. The largest category of contract spending is for payments to contract schools, which totals \$2.1 billion and makes up 48.1 percent of the DOE's contract budget.
- **PCBs:** Polychlorinated biphenyls, or PCBs, are toxic chemicals that were used in the production of materials such as caulk and lighting fixtures between 1950 and 1979, when PCB production was banned in the United States. In summer 2010 the Environmental Protection Agency (EPA) and the DOE began a pilot study on remediation of PCBs in caulk. The joint study revealed high levels of PCBs in several schools, and further testing has revealed high levels of PCBs in schools throughout the City. The EPA has identified PCB-containing light fixtures as a significant source of elevated PCB levels, and the City has since developed a citywide plan to replace light fixtures in over 700 schools. The plan's expense lies mostly in the DOE's Capital Plan, but the plan could also impact facilities costs. The Preliminary Budget does not include any funding adjustments related to the ongoing emergency PCB remediation work in schools.
- **Deferred Planning Program Initiative (DPPI):** The DPPI, more commonly referred to as the school roll program, is a practice that allows principals to set aside school funds from one school

year to be used in the following year. It is an option that has been considered on a year-by-year basis. Because of the impending budget reductions, the DOE announced in March 2011 that it would collect 50 percent of unused school funds that were set aside by principals during the 2010-2011 school year. The funds would be used to help offset cuts in the 2011-2012 school year. More recently, after much criticism, the Department announced that it would retain only 30 percent of the funds that principals had set aside. According to the Department, as of March 28, 2011 it has collected approximately \$32 million, rolled by approximately 220 schools.

Department of Education

The Department of Education provides primary and secondary education to over 1 million pre-kindergarten to grade 12 students in 32 school districts and roughly 1,700 schools, and employs approximately 75,000 teachers. The DOE prepares students to meet grade level standards in reading, writing and math, and prepares high school students to pass Regents exams and to meet graduation requirements. The Department also operates the school food service program, maintains public school buildings and offices, and provides transportation services to students. Additionally, the DOE provides special education instructional services and related therapies to students enrolled in both public and private school settings. Finally, the Department distributes categorical supports to non-public schools and service providers.

Key Public Services Areas

- Improve academic performance.
- Ensure principal and teacher quality.
- Promote parental involvement in education.
- Ensure school safety.
- Ensure adequate and well-maintained classroom space.

Critical Objectives

- Increase student attendance.
- Improve performance on standardized English Language Arts and Math tests.
- Improve performance on Regents examinations.
- Increase graduation rates and decrease dropout rates for high school students.
- Improve the ability of non-English speaking students to learn English and improve academic progress.
- Ensure students are appropriately placed in special education.
- Ensure resources to support student academic performance.
- Increase the proportion of certified teachers and overall principal and teacher qualifications.
- Increase parent involvement in school programs.
- Address crime in schools.
- Improve building conditions.
- Work with the School Construction Authority to design, construct, modernize and repair durable, functional and attractive educational facilities, on schedule and within budget.

SOURCE: Mayor’s Management Report

The Department’s budget is divided into 26 units of appropriation (“UA”), each of which contains funding to support either personal services or other than personal services spending related to a particular service area or function. The following table displays the DOE’s budget by UA and shows how the Preliminary Budget for Fiscal 2012 differs from the Adopted Budget for Fiscal 2011.

The funding section of Table 2 shows how the functions of the Department are financially supported. The State funds 41.3 percent of the Department’s operations, while the City carries 49.2 percent. The Federal government carries nine percent of the cost of public schools. These are significant changes from Fiscal 2011 when federal funding totaled nearly 14 percent. The decrease can be attributed to the discontinuation of ARRA funding in Fiscal 2012, a loss of \$891.4 million to the Department’s budget. The GEA and other state cuts caused a decrease in the State’s portion of the budget, which was 42.8 percent last Fiscal Year. The City’s share of the DOE’s budget increases greatly, from 42.7 percent to 49.2 percent due to the backfills of ARRA funding and state cuts with City funds.

Growth in education spending has declined since Fiscal 2009. The Fiscal 2012 Preliminary Budget proposes to increase education funding by \$521.2 million from Fiscal 2011, a 2.7 percent change. By comparison, spending grew by 3.9 percent from Fiscal 2010-2011 and by 5.5 percent from Fiscal 2009-2010. According to the Office of Management and Budget, spending growth in Fiscal 2012 is below the rate of inflation. It estimates that a \$900 million year-to-year increase is necessary to maintain current service levels, which is significantly more than Fiscal 2012's \$521.2 million growth. In particular, health care costs are expected to increase by roughly \$150 million and special education costs are expected to go up by approximately \$400 million.

Following trends in recent years, special education pre-kindergarten contracts, charter schools, and contract schools continue to be areas of significant spending growth. The Preliminary Budget proposes a \$165,000, 17 percent increase for special education pre-kindergarten contracts from the Fiscal 2011 Adopted Budget. The budget for charter schools, contract schools and students in out-of-district foster care placements goes up by \$350 million, or 31.4 percent. Special Education Instructional Support increases by 22.7 percent, following a similarly large increase from Fiscal 2010 to Fiscal 2011. The Department struggles to limit spending growth in these areas.

Categorical Programs faces a 15.2 percent, \$328.7 million decrease because of the end of ARRA funding, while General Education Instruction and School Leadership Spending drops by one percent, or \$57.8 million. The Mayor's Office of Management and Budget has voiced concern that the \$127.7 million drop in OTPS spending, specifically, creates an OTPS budget that is too low for schools to operate on and anticipates it will increase by the end of Fiscal 2012. Taken as a whole, the funding used to operate public schools (other than charter schools) will drop by \$329.5 million next year. Such a drop would essentially eliminate all the financial gains made by New York City's schools since the settlement of the Campaign for Fiscal Equity lawsuit. Service improvements and academic gains would be placed at risk, and thousands more students would find themselves in too-large classrooms with insufficient supplemental instructional services and enrichment programs. As proposed, the Preliminary Budget for Fiscal 2012 has the potential to devastate the public schools, while it chooses to leave billions of dollars in non-school education spending untouched.

Headcount

The headcount section of the table shows the number of full-time ("FT") jobs in the DOE's budget's position schedule. These are budgeted, not actual positions, and actual headcount can vary considerably from the position schedule.

The Preliminary Budget anticipates a FT pedagogical headcount reduction of 6,143 stemming from a number of actions. The addition of \$853 million of City funds to backfill ARRA preserves 14,190 positions. A \$23 million PEG conserves 380 positions by mitigating a reduction in school spending with a cut to Central Administration. A \$51 million restoration of state aid for summer school special education saves an additional 842 positions.

The Preliminary Budget includes two PEGs that would reduce headcount in General Education Instruction and School Leadership by a total of 5,778 pedagogical positions, 1,500 through attrition and 4,278 through layoffs. The Department also proposes to cut 3,569 FT positions from General Education and shift the cost-savings to Charters/Contracts/Foster Care in order to fulfill special education mandates. An additional 2,327 proposed layoffs in General Education would prevent an overall budget increase from rising school costs, and 9,904 positions are slated to be cut in response to a Fiscal 2012 funding drop planned prior to the November 2012 Plan.

Table 2
Department of Education Budget Summary
Dollars in Thousands

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	*Difference 2011-2012	Percent Change
Budget by Unit of Appropriation							
401-GE Instr. & Sch Leadership – PS	\$5,767,430	\$5,461,158	\$5,524,019	\$5,465,150	\$5,593,844	\$69,825	1.26%
402- GE Instr. & Sch Leadership - OTPS	631,802	590,955	561,688	543,036	434,015	(127,673)	(22.73%)
403-SE Instr. & Sch Ldrshp - PS	1,143,228	1,004,421	1,039,742	1,039,742	1,017,020	(22,722)	(2.18%)
404-SE Instr. & Sch Ldrshp - OTPS	3,695	2,664	6,825	6,825	6,825	0	0%
481-Categorical Programs PS	1,249,527	1,521,342	1,470,885	1,620,705	1,182,844	(288,041)	(19.58%)
482-Categorical Programs OTPS	710,535	806,823	693,910	764,202	653,292	(40,618)	(5.85%)
421-Citywide SE Instr. & Sch Ldrshp - PS	711,912	726,114	763,499	763,499	748,499	(15,000)	(1.96%)
422-CW SE Instr. & Sch Ldrshp - OTPS	17,401	16,105	21,415	21,415	23,415	2,000	9.33%
423-SE Instructional Support - PS	945,900	237,982	235,465	244,030	246,360	10,895	4.63%
424-SE Instructional Support - OTPS	227,246	232,350	286,739	286,739	351,838	65,099	22.70%
435-School Facilities - PS	233,988	404,510	394,372	397,973	402,322	7,950	2.02%
436-School Facilities - OTPS	212,647	372,211	148,764	198,178	160,048	11,284	7.59%
438-Pupil Transportation - OTPS	968,460	995,662	1,011,664	1,011,664	1,100,897	89,233	8.82%
439-School Food Services - PS	198,717	206,055	191,898	198,681	206,898	15,000	7.82%
440-School Food Services - OTPS	184,997	196,022	199,073	205,931	238,832	39,759	20%
442-School Safety - OTPS	217,002	294,679	295,621	295,621	299,621	4,000	1.35%
444-Energy & Leases - OTPS	393,840	422,748	467,884	467,884	467,884	0	0%
453-Central Administration - PS	188,951	185,592	138,431	136,015	146,309	7,878	5.70%
454-Central Administration - OTPS	182,681	170,052	159,567	153,168	177,800	18,233	11.40%
415-School Support Org. - PS	N/A	197,803	182,715	181,715	186,804	4,089	2.24%
416-School Support Org. - OTPS	N/A	14,915	8,664	8,664	20,204	11,540	133.19%
470-SE Pre-K Contracts - OTPS	739,296	852,591	964,313	963,313	1,129,313	165,000	17.11%
472-Charter/Contract/Foster Care - OTPS	764,305	977,903	1,114,926	1,141,259	1,465,266	350,340	31.42%
474-Non-Public School and FIT - OTPS	61,440	71,021	71,396	71,396	71,146	(250)	(0.35%)
461-Fringe Benefits - PS	2,314	2,502,861	2,619,156	2,620,510	2,746,715	127,559	4.87%
491-Collective Bargaining	41,156	33,967	25,800	12,309	41,651	15,851	61.44%
Total Department	\$15,798,470	\$18,498,506	\$18,598,431	\$18,819,624	\$19,119,662	\$521,231	2.8%
City Funds	N/A	N/A	\$7,942,589	\$7,722,248	\$9,410,211	\$1,467,622	18.48%
Other Categorical	N/A	N/A	94,970	129,971	\$62,970	(32,000)	(33.69%)
State	N/A	N/A	7,974,721	7,969,252	7,900,958	(73,763)	(0.92%)
Federal – CD	N/A	N/A	5,000	6,834	5,000	0	0%
Federal – Other	N/A	N/A	2,572,369	2,959,437	1,724,327	(848,042)	(32.97%)
Intra-City	N/A	N/A	8,784	31,883	16,198	7,414	84.40%
TOTAL	\$16,977,034	\$17,903,053	\$18,598,433	\$18,819,625	\$19,119,664	\$521,231	2.8%
Positions							
FT Pedagogical Positions	112,993	110,389	109,960	109,960	103,817	(6,143)	
FT Non-Pedagogical Positions	10,733	10,836	9,124	10,123	10,407	1,283	
TOTAL	123,726	121,225	119,084	120,083	114,224	(4,860)	

New York State Executive Budget for 2011-2012

The governor's proposed budget for 2011-2012 seeks to limit growth in the state's education spending by imposing a statewide \$2.8 billion cut on school aids and limiting state reimbursement for various other education funding. The proposed reductions would result in a \$1 billion, 5.4 percent cut to the Department's \$19.1 billion budget for next year. The reduction would stem largely from an \$891.4 million GEA that would decrease New York City's school aids. The formula is structured so that a low-wealth district would face a smaller percentage cut than a higher-wealth district. In addition, the GEA is adjusted for student need, administrative efficiency, and residential tax burden. As a permanent adjustment to the State Budget, the GEA is intended to slow growth in education spending.

The remainder of the \$1 billion cut stems from cost shifts from the state to the City. The 2011-2012 Executive Budget proposes to more closely align state reimbursement to school districts for summer school special education costs with wealth-based aid ratios used during the regular school year. The state's share of New York City's summer school special education costs would decrease from 70 percent to 41 percent. No district would be permitted to receive more than 45 percent of total state spending. The Fiscal 2012 Preliminary Budget estimates that the impact on New York City would be a loss of \$120.8 million. Because summer school special education is state mandated, this is a cost shift to the DOE.

In addition, the governor's proposed budget includes a shift of private school costs for blind and deaf students from the state to school districts that would result in a \$50 million reduction in general education spending in Fiscal 2012. Unlike other private special education schools, blind and deaf schools have historically been funded through a discrete state appropriation. The Executive Budget would consolidate these 11 private schools into the broader classification of private special education providers. State funding for the cost of students attending these schools would be provided through Private Excess Cost Aid, as is the case for students attending all other private special education schools at the direction of school districts. The City has no authority to negotiate tuition rates because they are set by the State Department of Education. The tuition rates paid to schools for blind and deaf students are higher than those paid to other private schools that enroll special education students, so New York City would be required to cover approximately \$12 million in excess tuition costs. Additionally, for Fiscal 2012 only, the DOE would not receive any reimbursement for students in schools for the blind and deaf due to the one-year lag in Excess Cost Aid reimbursements. As such, this proposal would shift the entire \$50 million cost of tuition for students at schools for the deaf and blind onto the DOE in Fiscal 2012, and in Fiscal 2013 the cost shift would total \$12 million.

Both the State Senate and Assembly have rejected the governor's proposals regarding summer special education and blind and deaf school spending. The elimination of these proposals from the plan would restore \$170.8 million to the City for Fiscal 2012. Though the information in this report is based on the Fiscal 2012 Preliminary Budget, on March 28 it was announced that the proposals will not be included in the Executive Budget.

The Executive Budget also recommends maintaining operating formula aid categories at current levels. However, the largest formula aid category, Foundation Aid, would continue to be frozen through 2011-12 and the full phase-in of Foundation Aid would be extended to a ten-year period (complete in 2016-17) rather than the seven-year period assumed in current law. In addition, the state permitted Contracts for Excellence funding reductions proportional to the GEA. Foundation Aid is the key source of budgetary support for public schools in the City. The City's Preliminary Budget now assumes that the DOE will receive \$5.3 billion in Fiscal 2012. Had the Foundation Aid formula been restarted, DOE would have received \$6.6 billion.

City Council Initiatives

A small, but significant part of the DOE's budget is funding added by the New York City Council to support particular programs or functions. These include a variety of initiatives that fund community-based organizations (CBOs) working with schools and students throughout the City such as the Dropout Prevention & Intervention Initiative and the Urban Advantage Program. The largest initiative, Teacher's Choice, reimburses public school teachers and other school staff for supplies purchased for use in student instruction. The full-day Pre-Kindergarten funding allowed the Department to expand from half- to full-day UPK programs in several CBOs throughout the City. Bridge to Tomorrow, a GED program that operates out of Workforce1 Centers, was created in Fiscal 2011 with the Council's support. In addition, the \$3 million for custodial operations partially reversed a budget cut proposed by the Administration for Fiscal 2011. This restoration, however, was reversed in the November 2010 Plan, which introduced a \$3.2 million PEG for custodial services.

Table 3
Council Changes to the FY 2010 Budget

Dollars in Thousands

Dropout Prevention & Intervention	\$1,500
Executive Leadership Institute (CSA)	300
Teacher's Choice	9,250
Urban Advantage-Science Education	2,250
Custodial Operations	3,000
Full Day Universal Pre-Kindergarten	2,750
Respect for All	300
Workforce 1 Center GED Pilot	1,255
Subtotal	\$20,605
Local Initiatives	\$1,705
TOTAL	\$22,310

Agency Functions

The DOE is charged with many tasks related to education. In the following pages all of the Department's functions, as defined by the DOE's budget's UA structure, are described. For direct service areas, meaning functions and services performed by DOE employees, the related PS and OTPS units of appropriation are paired. In the non-direct service areas, meaning functions that the DOE contracts out to private providers and programmatic funding allocations that flow through the DOE's budget to non-public schools and service providers, only OTPS units of appropriation exist. These functions are bundled into the following 13 programs:

1. Public Schools (page 11);
2. Special Education (page 23);
3. Fringe Benefits and Collective Bargaining (page 25);
4. School Support Services (page 27);
5. Central Administration (page 28);
6. School Food Services (page 30);
7. School Facilities, Energy and Leases (page 32);
8. Pupil Transportation (page 34);
9. School Safety (page 36);
10. Special Education Pre-Kindergarten (page 38);
11. Charters/Contract/Foster Care (page 40);
12. Non-Public Schools and FIT (page 42); and
13. Contracts (page 43)

The description of each UA or UA pair includes a table that shows the budget for each, along with funding summary and full-time headcount information. Significant changes introduced in the Preliminary Plan are discussed as are spending trends. Some of the critical performance indicators included in the *Mayor's Preliminary Management Report* (PMMR) related to the DOE are displayed.

Public Schools

The City's almost 1,700 public schools each have an individual school budget that is funded by the Department through a variety of allocation formulas and pass-throughs. All of the funding that is allocated to schools to support their operations is budgeted centrally within UAs 401, 402, 403, 404, 481 and 482 (although not all of the money budgeted in these UAs funds schools' budgets). In this section, the portions of the DOE's budget that fund the public schools' budgets and support school-based jobs will be discussed as a whole, and then the three UA pairs (UAs 401 & 402 -General Education Instruction and School Leadership; UAs 403 & 404-Special Education Instruction and School Leadership; and UAs 481 & 482 -Categorical Programs) will be examined.

The City's budget does not include information on how much money any individual school receives, and it does not show how many employees any particular school has or what specific courses of study are available. The budget information is citywide. More detailed school-level budgetary information is made available by the DOE on its website. See: <http://schools.nyc.gov/default.aspx>.

Citywide, spending on public schools will total about \$9 billion next year, approximately \$329.5 million less than had been budgeted for Fiscal 2012 at the Fiscal 2011 adoption, as displayed in Table 4. For consistency in presentation, the Fiscal 2011 Adopted Budget is compared to the Fiscal 2012 Preliminary Budget.

The \$329.5 million reduction in school funding includes a 15.2 percent, \$328.7 million decrease in Categorical Programs. Roughly \$288 million of this amount is in PS. The decrease in funding for Categorical Programs in Fiscal 2012 is a direct result of the end of ARRA funding after the current fiscal year.

General Education Instruction and School Leadership currently receives ARRA funds, as well. However the November 2010 Plan proposes to replace the lost ARRA funding with \$853 million in City funds scheduled in UA 401 In Fiscal 2012. In addition, the City plans to cover the \$891.4 million GEA proposed by the state, which comes entirely out of UA 401. Three PEGs in the November Plan also directly impact General Instruction and School Leadership in Fiscal 2012. The proposed layoff of 4,278 teachers would reduce spending in UA 401 by \$269 million, while reducing 1,500 pedagogical positions through attrition would result in a cost-savings of \$81 million. These controversial cuts would reduce the number of general education teachers citywide by approximately ten percent. Reducing the central supply budget (UA 402) would save the Department \$18.3 million in Fiscal 2012. As a whole, the Fiscal 2012 Preliminary Budget proposes a \$21.9 million, 0.4 percent increase in spending on General Education Instruction and School Leadership.

Table 4
Public Schools Budget Summary

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
GE Instr. & School Ldrshp	\$6,399,232	\$6,092,960	\$6,114,974	\$6,026,838	\$6,136,880	\$21,906
UA 401 - PS	\$5,767,430	\$5,461,158	\$5,524,019	\$5,465,150	\$5,593,844	\$69,825
UA 402 - OTPS	631,802	\$631,802	\$590,955	\$561,688	\$543,036	(\$47,919)
SE Instr. & School Ldrshp	\$1,146,923	\$1,007,085	\$1,046,567	\$1,046,567	\$1,023,845	(\$22,722)
UA 403 - PS	1,143,228	\$1,004,421	\$1,039,742	\$1,039,742	\$1,017,020	(\$22,722)
UA 404 - OTPS	3,695	\$2,664	\$6,825	\$6,825	\$6,825	\$0
Categorical Programs	\$1,960,062	\$2,328,165	\$2,164,795	\$2,384,907	\$1,836,136	(\$328,659)
UA 481 – PS	1,249,527	\$1,521,342	\$1,470,885	\$1,620,705	\$1,182,844	(\$288,041)
UA 482 - OTPS	710,535	\$806,823	\$693,910	\$764,202	\$653,292	(\$40,618)
TOTAL SCHOOL FUNDING	\$9,506,217	\$9,428,210	\$9,326,336	\$9,458,312	\$8,996,861	(\$329,475)

The class size reports provided by the DOE and published in the PMMR demonstrate the impact of school budget cuts. Average class sizes have increased in all grades. Additional details on class sizes, including school-specific statistics, are available on the Department’s website. (See: <http://schools.nyc.gov/AboutUs/data/classsize/classsize.htm>.)

Table 5
Performance Measures

	FY 08	FY 09	FY10	4-Month Actual FY11	Target FY 11
Average class size					
- Kindergarten	20.6	20.7	21.7	22.0	*
- Grade 1	21.1	21.3	22.0	22.9	*
- Grade 2	21.1	21.4	22.2	23.2	*
- Grade 3	21.0	21.9	22.5	23.8	*
- Grade 4	23.5	23.4	24.4	25.0	*
- Grade 5	24.1	24.2	24.8	25.4	*
- Grade 6	25.5	25.6	26.1	26.3	*
- Grade 7	26.2	26.5	26.8	27.1	*
- Grade 8	26.6	26.8	27.5	27.4	*

School Headcount

Table 6 displays the most current actual headcount information available for school-based employment. Headcount information provided by the DOE is richer than that in the City’s budget in that it provides details on part-time employees and shows the number of jobs supported by categorical funds but budgeted outside of the Categorical Programs UA. It is important to remember that the part-time employment figures have been converted into full-time equivalents, so the 8,341 part-time positions could represent many thousands more people who work in schools. This headcount table shows that public schools had the equivalent of 106,648 jobs in November 2010. In June 2009 there were 111,266 school employees, 99,621 of whom were pedagogs. Declining headcount has been a year-to-year trend for some time. According to the United Federation of Teachers (UFT), the number of teachers alone dropped from 79,726 in October 2008 to 74,927 as of February 2011, a six percent decline. This trend will likely continue next year with additional budget reductions.

Table 6
Department of Education School Headcount Actuals as of November 2010

Unit of Appropriation	Full-Time Actuals				Part-Time (FTE) Actuals				Total		
	PEDs	Ed Para PEDs	Non-PEDs	TOTAL	Per Diem PEDs	Hourly Admin.	Non-PEDs	TOTAL	Total PEDs	Total Non-PEDs	Grand Total FT / FTEs
401-GE Instr. & Schl Leadership	54,984	1,195	2,963	59,142	381	50	7,033	7,464	56,560	10,046	66,606
401-Reimbursable	3,929	252	19	4,200	22	-	235	257	4,203	254	4,457
403-SE Instr. & Schl Leadership	11,203	5,635	15	16,853	41	2	-	43	16,879	17	16,896
403-Reimbursable	70	2	-	72	1	-	-	1	73	-	73
481-Categorical Programs	12,733	4,790	517	18,040	155	7	414	576	17,678	938	18,616
Grand Total	82,919	11,874	3,514	98,307	600	59	7,682	8,341	95,393	11,255	106,648

Source: December 2010 Financial Status Report

Performance Measures for Public Schools

The PMMR presents a range of performance measures for public schools that are related to students' academic achievement, such as scores on standardized tests and graduation rates, school performance such as Quality Review and Progress Report grades, and a variety of input and output measures. The indicators present a broad overview of the Department's schools and can be useful for tracking broad trends in student achievement and student enrollment data. Many of the performance statistics that the Administration considers critical measures are reproduced here.

The data show a 38.4 percent drop in students in grades three to eight meeting or exceeding standards in English Language Arts and a 34 percent drop in Math from Fiscal 2009 to Fiscal 2010. The dramatic drop in performance can be attributed to the state's change in proficiency standards in Fiscal 2010, which increased proficiency levels. Several years preceding Fiscal 2010 show continual improvement in these performance areas. The DOE also faced ridicule for the lack of rigor in its own standards for measuring school performance with quality reviews and progress reports during the 2008-2009 school year, when 75.1 percent of schools received an 'A' on progress reports. The Department has since implemented tougher standards, resulting in 61.7 percent fewer schools scoring 'A's on progress reports in Fiscal 2010.

Many of the performance statistics shown in the next table do not include targets, even though individual schools do set performance targets for themselves. The DOE should attempt to report target performance statics in all critical areas. As is the case with school budgets, additional information about individual schools' performance is available on-line through each school's "Statistics" link on the school's web-page.

Table 7
Performance Measures

	FY 08	FY 09	FY 10	4-Month Actual FY11	Target FY 12
Percent of schools with scores of Well Developed on School Quality Reviews	NA	16.8%	43.8%	N/A	*
Percent of schools with scores of Proficient on School Quality Reviews	NA	67.5%	50.9%	N/A	*
Percent of schools with scores of Underdeveloped with Proficient Features on School Quality Reviews	NA	14.0%	3.3%	N/A	*
Percent of schools with scores of Underdeveloped on School Quality Reviews	NA	1.6%	2.0%	N/A	*
Percent of schools receiving an A on school Progress Report	38.0%	75.1%	28.8%	N/A	*
Percent of schools receiving a B on school Progress Report	41.0%	17.0%	33.5%	N/A	*
Percent of schools receiving a C on school Progress Report	15.0%	5.7%	32.0%	N/A	*
Percent of schools receiving a D on school Progress Report	4.0%	1.9%	4.7%	N/A	*
Percent of schools receiving an F on school Progress Report	2.0%	0.2%	1.0%	N/A	*
Student enrollment as of October 31 in grades pre-kindergarten to 12 (000) (Preliminary unaudited)	1,035.3	1,029.5	1,036.7	1,008.1	*
Average daily attendance (%)	89.8%	90.0%	90.7%	92.2%	90%
Students in grades 3 to 8 meeting or exceeding standards - English Language Arts (%)	57.6%	68.8%	42.4%	N/A	NA
- Math (%)	74.3%	81.8%	54.0%	N/A	NA
Percent of all students in cohort graduating from high school in 4 years (NYSED)	56.4%	59.0%	N/A	N/A	*
Percent of students with disabilities in cohort graduating from high school in 4 years (NYSED)	22.5%	24.7%	N/A	N/A	*
Percent of all students in cohort dropping out from high school in 4 years (NYSED)	13.5%	11.8%	N/A	N/A	*
Percent of students with disabilities in cohort dropping out from high school in 4 years (NYSED)	21.6%	21.0%	N/A	N/A	*
Students enrolled as English Language Learners (000)	148	149	165	N/A	*
English Language Learners testing out of ELL programs within 3 years (%)	52.5%	50.6%	54.1%	N/A	55%

UAs 401 & 402 General Education and School Leadership Spending

The first two units of appropriation in the DOE’s budget support the core school programs – General Education Instruction and School Leadership. This is a vast category that encompasses classroom teachers, substitute teachers, coaches, core subject area teachers, school administrators, assistant principals, deans, guidance counselors, school aids, text books, copying, teaching artists and all the other many personnel and supplies that schools use. As Table 8 indicates, this area of spending is huge, amounting to over \$6 billion a year, which is nine percent of the City’s entire \$65.6 billion expense budget. Most of school spending is for pedagogical staff salaries, overtime, and per session pay. The budget shows that schools will employ almost 58,000 pedagogical staff next year, and an additional 2,800 non-pedagogical staff.

Table 8
UAs 401 & 402 General Education and School Leadership Spending

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
Personal Services	\$5,767,429	\$5,461,159	\$5,524,018	\$5,465,149	\$5,593,844	\$69,826
Additional Gross Pay	404,821	246,284	287,552	287,552	287,503	(49)
Fringe Benefits	84,748	82,598	81,392	81,392	81,392	0
Full-Time Salaried - Civilian	89,726	104,049	109,388	105,888	112,526	3,138
Full-Time Salaried - Pedagogical	4,701,192	4,638,225	4,620,171	4,533,802	4,776,908	156,737
Other Salaried and Unsalaries	482,616	385,586	423,415	454,415	333,415	(90,000)
Overtime - Civilian	4,164	4,362	2,100	2,100	2,100	0
P.S. Other	162	55	0	0	0	0
Other Than Personal Services	\$631,802	\$590,955	\$561,688	\$543,036	\$434,015	(\$127,673)
Contractual Services	228,334	193,524	33,789	66,866	31,039	(2,750)
Fixed and Misc Charges	605	32,755	31,942	32,044	31,158	(784)
Other Services and Charges	70,062	65,129	43,759	45,146	43,759	0
Property and Equipment	189,732	167,034	134,942	135,263	134,951	9
Supplies and Materials	143,069	132,513	317,256	263,717	193,108	(124,148)
TOTAL	\$6,399,231	\$6,052,114	\$6,085,706	\$6,008,185	\$6,027,859	(57,847)
Funding						
<i>City Funds</i>	N/A	N/A	\$1,715,016	\$1,503,685	\$2,532,826	\$817,810
<i>Federal – Other</i>	N/A	N/A	264,975	419,747	14,547	(250,428)
<i>State</i>	N/A	N/A	4,073,716	4,052,754	3,480,486	(593,230)
TOTAL	N/A	N/A	\$6,053,707	\$5,976,186	\$6,027,859	(\$25,848)
Headcount						
FT – Non- Peds	2,111	2,323	1,808	2,808	2,816	1,008
FT - Peds	67,505	61,857	58,677	58,677	57,735	(942)
TOTAL	69,616	64,180	60,485	61,485	60,551	66

General Education and School Leadership spending decreases by \$57.8 million from the Fiscal 2011 Adopted Plan to the Fiscal 2012 Preliminary Budget. Much of this reduction is in OTPS, where the supplies and materials budget faces a \$124.1 million, 60.8 percent reduction in spending. This decrease in spending stems from a Fiscal 2010 November Plan PEG to reduce school spending. The Office of Management and Budget has stated that it is unrealistic for schools to operate with such little OTPS spending, and these figures will likely increase by the end of Fiscal 2012.

In the PS budget, spending on full-time salaried pedagogical employees increases by \$156.7 million, a 3.4 percent change from Fiscal 2011. It is important to consider this modest spending increase along with the companion decrease in categorical funding that schools use to pay for teachers. Despite the increase in this section of the DOE's budget, overall schools will have at least \$240.9 million less to spend on staff in Fiscal 2012 than they do this year (See Table 4 on page 11). The \$90 million reduction in spending on other salaried and unsalaried positions is the result of various actions in previous plans with Fiscal 2012 impacts.

The table shows a \$593.2 million drop in state funding in the Preliminary Budget, largely due to state cuts such as the \$891.4 million GEA. With the discontinuation of ARRA funding, federal spending also fell by \$250.4 million. The City's \$817.8 million increase in funding reflects the Preliminary Budget's proposal to backfill both of these cuts with City Tax Levy funds. The City fund increase is lower than the total amount of funding added by the City to make up for the loss of ARRA and state aid because it is offset by the PEGs introduced in the November 2010 Plan, as well as by previously planned reductions in City support for schools.

February 2011 Financial Plan Changes

The Fiscal 2012 Preliminary Budget introduced several changes to the General Education portion of the DOE's budget, most of which are reflections of the governor's 2011-2012 budget proposals. These include the following:

- **Gap Elimination Adjustment:** The GEA of \$891.4 million is a direct hit to UA 401 and is reflected in the \$593.2 million state spending reduction in General Education and School Leadership. The GEA is intended as a permanent fixture in the budget to slow spending growth. The Preliminary Budget reduces state aid by \$891.4 million to match the GEA proposal.
- **City Fund Increase:** The Administration increased City support for schools by \$891.4 million in the Preliminary Budget to offset the impact of the state aid cuts proposed by the governor. This increase is intended to help to maintain school budgets at operational levels.
- **Summer Special Education Cost Shift:** The summer special education cost shift takes \$38.1 million of state spending out of UA 401 in Fiscal 2012, shifting it to UA 472 to cover state mandated special education costs. In total the proposed cut is \$120.8 million.
- **Blind and Deaf Schools Cost Shift:** The state's move to consolidate blind and deaf schools into the broader classification of special education providers takes \$50 million out of UA 401, as well. It is moved to Charter/Contract/Foster Care spending (UA 472) along with an additional \$9 million of Foundation Aid generated by the cost shift.
- **State Transportation Aid Re-Estimate:** The Preliminary Budget reflects a \$27 million re-estimate reduction in state transportation aid, which contributes to the overall reduction in state funding. The adjustment shifts the \$27 million from UA 401 to cover expenses in busing.
- **Conversion of Part-Time to Full-Time Staff:** The Preliminary Budget recognizes an increase of 1,008 FT non-pedagogical employees. This action reflects principals' choices to convert part-time staff to full-time.

November 2010 Financial Plan Changes

- **PEGS:** The Administration imposed a PEG program on the Department of Education in the November 2010 Financial Plan. In total, the PEGs reduced the DOE's Fiscal 2011 City-fund budget by \$215.1 million and the Fiscal 2012 Preliminary Budget by \$350 million.
 - **Teacher Layoffs:** The City would see a cost-savings of \$231.1 million in FY 2012 by laying off 4,278 teachers. It also expects to save \$81 million by cutting an additional 1,500 positions through attrition.
 - **School Cut Mitigation:** The DOE proposes \$20.5 million in cuts to Central Administration in order to mitigate direct cuts to UA 401. The PEG would preserve 380 pedagogical positions. The Department has not explained how these savings would be achieved.
 - **Reduction of Central School Supply Budget:** The DOE estimates that a reduction of the central supply budget would result in a cost-savings of \$18.3 million in Fiscal 2012. This PEG contributes to the overall \$124 million decrease in supplies and materials (UA 402) budget for schools.
- **Funding Shift from Schools to Special Education:** Proposed shifts in funding among UAs would enable the City to meet special education mandates without increasing the Department's overall budget. The shifts include a \$207.8 million reduction in UA 401, a direct cut to schools, which would result in a headcount reduction of 3,569 positions. The entire shift is \$270 million, with \$62.2 million

coming out of Fringe Benefits. The adjustment would move \$180 million to UA 470, Pre-Kindergarten Contracts, and \$90 million to UA 472, Charter Schools, Contracts, and Foster Care.

- **Headcount Reduction due to Expense Growth:** The November Plan includes a headcount reduction of 2,327 positions due to school expense growth.
- **City Fund Increase to Replace ARRA funding:** The discontinuation of ARRA funding is reflected in the reduction of federal aid for General Education and School Leadership. In the November 2010 Financial Plan the City added \$853 million to make up for the loss of ARRA funds; \$760.2 million of the increase is in UA 401. This funding will allow schools to continue to pay for the 14,190 staff positions in Fiscal 2012 that are supported with ARRA dollars in Fiscal 2011.
- **Federal Education Jobs Bill Funding:** The November 2010 Financial Plan includes \$190.1 million from the Education Jobs Bill. Of this amount, \$31 million was used to prevent school staff layoffs in Fiscal 2011. The remaining \$159.1 million was used to meet the Department's Fiscal 2011 PEG target of approximately \$215 million.

Universal Pre-Kindergarten

Universal Pre-Kindergarten (UPK) is an important program that is not clearly represented in the Department's budget. UPK operates through public schools and CBOs. The DOE contracts with providers and receives a per-child reimbursement from the state for half-day slots. Full-day UPK is funded by the City. Of the City's 61,510 slots, 45,883 are half-day and 15,627 are full-day. As of October 31, 2010, UPK enrollment for the 2010-2011 school year totaled 57,094. All full-day slots are filled and 41,399 half-day slots have been filled, leaving 4,484 vacancies. Most vacancies are in CBOs. Unfilled slots cost the Department money because it must pay each provider the contracted amount, regardless of the number of children being served. Filling all available slots continues to be a challenge for providers. The Preliminary Budget shows state reimbursement to be \$217.4 million in Fiscal 2012.

UAs 403 & 404 Special Education and School Leadership Spending

UAs 403 and 404 support the special education programs provided by schools, the largest of which is collaborative team teaching. Special education teachers, aids, and administrators and supplies and services purchased to support special education paid for by schools are funded through UAs 403 and 404. Almost all of the funding budgeted in these UAs is allocated directly to schools. Some of it, however, supports centrally administered programs and services that support the work of schools. Examples of such include professional development courses for school staff and some student assessment tools.

Table 9
UAs 403 & 404 Special Education and School Leadership Spending

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
Personal Services	\$1,143,228	\$1,004,421	\$1,039,742	\$1,039,742	\$1,017,020	(\$22,722)
Additional Gross Pay	2,480	4,498	7,677	7,677	7,677	0
Fringe Benefits	117	1,339	0	0	0	0
Full-Time Salaried - Civilian	825	849	8,479	8,479	23,484	15,005
Full-Time Salaried - Pedagogical	1,128,272	986,409	1,010,259	1,010,259	972,532	(37,727)
Other Salaried and Unsalariated	9,396	11,227	13,327	13,327	13,327	0
Overtime - Civilian	128	99	0	0	0	0
Other Than Personal Services	\$3,695	\$2,664	\$6,825	\$6,825	\$6,825	\$0

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011- 2012
Contractual Services	769	428	2,215	2,215	2,215	0
Other Services and Charges	\$251	\$190	\$363	\$363	\$363	\$0
Property and Equipment	1,438	1,031	782	782	782	0
Supplies and Materials	1,236	1,015	3,465	3,465	3,465	0
TOTAL	\$1,146,923	\$1,007,085	\$1,046,567	\$1,046,567	\$1,023,845	(\$22,722)
Funding						
<i>City Funds</i>	N/A	N/A	\$275,514	\$275,514	\$276,819	\$1,305
<i>Federal – Other</i>	N/A	N/A	17,000	17,000	17,000	0
<i>State</i>	N/A	N/A	754,053	754,053	730,027	(24,027)
TOTAL	N/A	N/A	\$1,388,826	\$1,041,203	\$1,023,845	(\$22,722)
Headcount						
FT – Non- Peds	3	8	5	5	5	0
FT - Peds	20,510	16,889	19,495	19,495	19,495	0
TOTAL	20,513	16,897	19,500	19,500	19,500	0

*Continuation from previous page

The Fiscal 2012 Preliminary Budget includes \$1 billion for Special Education and School Leadership, which is almost entirely for pedagogical PS spending. As shown in Table 9, the Fiscal 2012 budget for school-based Special Education is \$22.7 million or two percent less than the Fiscal 2011 Adopted Budget. All of the year-to-year change is in PS spending. There is a \$37.7 million reduction in spending for full-time pedagogical staff. This drop is offset by a \$15 million increase in spending for full-time civilian positions in Fiscal 2012. This growth is extraordinary. The DOE expects schools to spend 177 percent more on full time non-pedagogical staff for special education than they do this year. The \$23.5 million budgeted for Fiscal 2012 is almost 27 times greater than actual spending in Fiscal 2010.

Despite the changes in PS spending planned for Fiscal 2012, the budgeted headcount for Special Education and School Leadership spending remains unchanged from this fiscal year to next.

The Special Education and School Leadership Budget for Fiscal 2012 projects a \$24 million drop in state funds and a \$1.3 million increase in City funds to support spending.

Table 10 presents various performance measures related to special education enrollment, academic achievement and standardized test scores from the Fiscal 2011 PMMR.

- The special education enrollment statistics show increases in service provision since Fiscal 2008. From Fiscal Year 2009 to Fiscal Year 2010, there was an increase of 7,071 in students who received special education services and an increase of 6,072 school-age students enrolled in special education, 4,727 of whom are in public schools and 1,345 of whom attend non-public schools.
- Comparisons of the first four months of this fiscal year indicate the enrollment is continuing to increase. The table shows the number of students receiving special education services during the first four months of the school year, or 4-month actuals. Fiscal 2011 4-month actuals show the following:
 - An increase of 3,269 students receiving special education services, a 1.7 percent increase when compared to Fiscal 2010 4-month actuals;
 - 3,354 more students are enrolled in special education in grades K-12 for both public and non-public schools, a 1.9 percent increase when compared to Fiscal 2010 4-month actuals;
- The table also shows significant drops in test scores, including a 53 percent drop in English Language Arts, and a 36.9 percent drop in Math test scores between Fiscal 2009 and Fiscal 2010. This would indicate a need for additional support in for students with special needs.

Table 10					
Performance Measures					
	FY 08	FY 09	FY 10	4-Month Actual FY 10	4-Month Actual FY11
Students receiving special education services (Preliminary Unaudited)	195,201	206,760	213,831	192,340	195,609
Special education enrollment					
- school-age	173,856	184,020	190,092	176,484	179,838
- Public school	154,881	162,034	166,761	160,851	163,543
- Non-public school	18,975	21,986	23,331	15,633	16,295
Special education enrollment - pre-school	21,345	22,740	23,739	15,856	15,771
- English Language Arts (%)	55.3%	73.2%	20.2%	*	*
- Math (%)	45.9%	60.1%	23.2%	*	*

UAs 481 & 482 Categorical Programs

An important component of every school’s budget is the categorical aids that support particular student programs and services. UAs 481 and 482 in the Department’s budget include most, but not all, categorical aids. Most, but not all of the funds budgeted in UAs 481 and 482 flow directly to public schools; some of it supports categorical programs at non-publics schools. Since most of the categorical aids flow into public school budgets, they are included here.

These units of appropriation provide federal and state funds that are allocated for specific purposes, as well as grants and awards from non-public agencies and institutions. The largest federal program, Title I, provides schools with resources to support supplemental instructional services such as remedial reading and math programs. Federal Title III program funds support bilingual instructional programs. Other school programs for which the Department receives federal categorical aids include vocational education, adult basic education, integration efforts, and math and science education. State categorical aids include employment preparation education and bilingual education, which bolster the federal programs. The state aids also support alcohol and substance abuse prevention programs.

Table 11
UAs 481 & 482 Categorical Programs Spending

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
Personal Services	\$1,249,527	\$1,521,342	\$1,470,885	\$1,620,705	\$1,182,844	(\$288,041)
Additional Gross Pay	4,937	87,901	40,032	40,225	40,032	0
Fringe Benefits	271,036	256,740	302,844	302,844	322,040	19,196
Full-Time Salaried - Civilian	30,693	29,901	29,834	67,676	25,462	(4,372)
Full-Time Salaried - Pedagogical	912,066	1,090,111	1,073,710	1,184,270	770,845	(302,865)
Other Salaried and Unsalariated	30,414	56,106	23,053	24,050	23,053	0
Overtime - Civilian	380	569	1,413	1,413	1,413	0
Other Than Personal Services	\$710,535	\$806,823	\$693,910	\$764,202	\$653,292	(\$40,618)
Contractual Services	438,190	462,664	285,457	290,257	285,457	0
Fixed and Misc Charges	9,701	15,164	9,284	9,284	9,284	0
Other Services and Charges	161,176	198,567	167,980	217,096	144,927	(23,054)
Property and Equipment	18,254	13,137	48,705	48,705	48,705	0
Supplies and Materials	83,214	117,291	182,483	198,859	164,919	(17,564)
TOTAL	\$1,960,062	\$2,328,165	\$2,164,795	\$2,384,908	\$1,836,136	(\$328,659)
Funding						
<i>City Funds</i>	N/A	N/A	\$90	\$90	\$8,957	\$8,866
<i>Federal – Other</i>	N/A	N/A	1,708,089	1,850,085	1,310,888	(390,883)
<i>Intra City</i>	N/A	N/A	8,111	28,909	15,468	7,357
<i>Other Categorical</i>	N/A	N/A	34,700	34,700	34,700	0
<i>State</i>	N/A	N/A	420,123	471,123	466,124	46,001
TOTAL	N/A	N/A	\$2,164,795	\$2,384,908	\$1,836,136	(\$328,659)
Headcount						
FT – Non- Peds	677	515	612	612	612	0
FT - Peds	10,699	17,356	17,600	17,600	12,376	(5,224)
TOTAL	11,376	17,871	18,212	18,212	12,988	(5,224)

The Fiscal 2012 Preliminary Budget includes \$1.8 billion for the DOE's Categorical Programs. This is \$328.7 million less than the Fiscal 2011 Adopted Budget, an overall 15 percent decrease, with significant reductions in both PS and OTPS spending.

The Preliminary Budget shows a net change in PS spending of \$288 million, which includes a \$302.9 million reduction in spending for full-time pedagogical positions and a \$4.4 million reduction for full-time salaried civilian positions. This change results in a total headcount reduction of 5,224 full-time pedagogical positions in Fiscal 2012, as shown in Table 11. The table also shows a \$19.2 million increase budgeted for fringe benefits.

The February 2012 Financial Plan also shows a \$40.6 million reduction in other than personal services spending, comprised of a \$23 million reduction in other services and charges and a \$17.6 million drop in spending on supplies and materials.

The Preliminary Budget includes a \$390.9 million decrease in federal funds. This is associated with the expiration of the ARRA funding. Altogether the DOE will lose \$853 million in ARRA funding in Fiscal 2012 as compared to Fiscal 2011. As discussed earlier, the Administration added \$853 million to DOE's Fiscal 2012 Preliminary Budget to compensate for this loss. All of this backfill was budgeted in UA 401 – General

Education Instruction and School Leadership, while most of the ARRA funding included in the Fiscal 2011 Budget is scheduled in US 481.

February 2011 Financial Plan Changes

- **Summer School Special Education Growth:** The Preliminary Budget adds \$82.7 million in Fiscal 2012 and the out-years to cover projected cost increases for summer school special education.
- **Summer School Special Education State Funding Cut:** The Preliminary Budget reduces state funding for summer school special education by \$120.8 million in Fiscal 2012 and the out-years. A portion of this state reduction, \$38.1 million, is cut from UA 401 – General Education Instruction and School Leadership, while the remainder is cut from the Categorical Programs budget.
- **School Improvement Grants:** The Preliminary Budget recognizes the ARRA School Improvement Grant (SIG) funds, which total \$19.8 million in Fiscal 2011. Of this amount \$17.1 million is in UAs 481 and 482. The funding is used to improve student achievement in Title I schools identified as needing improvement, corrective action, or restructuring so as to enable those schools to make adequate yearly progress (AYP) and exit improvement status. These grants are targeted to support implementation of the fundamental changes needed to turn around some of New York's lowest-achieving schools.
- **Teacher Incentive Grant:** Also recognized in the Preliminary Budget is \$13.4 million of ARRA Teacher Incentive Grant funds, \$11 million of which falls in categorical funding in Fiscal 2011 only. This funding is intended to assist with implementation of a performance-based compensation system for teachers and principals in high-need schools.

Table 12
Department of Education Categorical Headcount Actuals as of November 2010

Categorical Program	Full-Time Actuals				Part-Time (FTE) Actuals				Totals		
	PEDs	Ed Para PEDs	Non-PEDs	TOTAL	Per Diem PEDs	Hourly Admin.	Non-PEDs	TOTAL	Total PEDs	Total Non-PEDs	Grand Total FT / FTEs
Citywide Instr. & Oper. Admin.	28	0	1	29	0	0	0	0	28	1	29
Universal Pre-K (State)	533	673	0	1,206	0	0	0	0	1,206	0	1,206
Default Code (positions to be scheduled)	32	0	23	55	0	1	0	1	32	24	56
General Ed Instruction- Schools	5,550	231	339	6,120	122	0	377	499	5,903	716	6,619
SE Instruction-Schools	391	2,150	26	2,567	5	0	2	7	2,546	28	2,574
Non-Public Schools	325	7	9	341	11	0	0	11	343	9	352
Central School Programs	160	37	84	281	1	0	0	1	198	84	282
Title I Grants to LEAs, ARRA	4,679	142	0	4,821	10	0	35	45	4,831	35	4,866
IDEA, ARRA	988	1,550	1	2,539	6	0	0	6	2,544	1	2,545
McKinney Vento	0	0	9	9	0	0	0	0	0	9	9
ARRA IDEA Section 619	35	0	0	35	0	0	0	0	35	0	35
ARRA Automotive Repair Program	1	0	0	1	0	0	0	0	1	0	1
ARRA Culinary Arts Program	0	0	1	1	0	0	0	0	0	1	1
ARRA Internet & Computing	1	0	0	1	0	0	0	0	1	0	1
ARRA Adult Practical Nursing	5	0	3	8	0	0	0	0	5	3	8
ARRA EETT Competitive	5	0	15	20	0	6	0	6	5	21	26
ARRA Title IID – EETT3	0	0	5	5	0	0	0	0	0	5	5
ARRA School of One – i3	0	0	1	1	0	0	0	0	0	1	1
Reimbursable Adjustments	56	0	1,134	1,190	0	0	0	0	56	1,134	1,190
TOTAL	12,789	4,790	1,651	19,230	155	7	414	576	17,734	2,072	19,806

Source: December 2010 Financial Status Report

Table 12 provides a snap shot of the DOE's categorical headcount as of November 2010. The totals do not match the budgeted headcount for Categorical Programs exactly due to the usual mid-year misalignment. The table also shows the relative significance of some of the categorical supports. It also shows that all of the personnel, other than those scheduled in "Citywide Instructional and Operational Administration" and "Non-Public Schools" are school staff.

There is a significant amount of ARRA funds that support 7,411 school staff this year. Once ARRA funding is gone, the DOE will have to pay for these positions. The loss in federal funding will be made up with \$853 million in City funds and support a headcount of 14,190 in schools.

Special Education

Funds budgeted in UAs 421 and 422 – Citywide Special Education Instruction and School Leadership provide for direct citywide special education instruction and school supervision for severely handicapped children in self-contained classrooms, home and hospital instruction along with appropriated funds for instructional support services and related services. District 75 schools are funded here. UAs 423 and 424 – Special Education Instructional Support hold money used for centrally-managed special education related services such as occupational therapy, physical therapy and nurses. The Department uses both employees and contractual therapists to deliver mandated services to students. Funding budgeted here also pays for evaluations of students performed by school-based support teams.

Table 13
UAs 421, 422, 423 & 424 Central Special Education Spending

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
Personal Services UA 421	\$711,912	\$726,114	\$763,499	\$763,499	\$748,499	(\$15,000)
Additional Gross Pay	13,487	26,402	8,962	8,962	8,962	0
Fringe Benefits	235	238	66	66	66	0
Full-Time Salaried - Civilian	24,301	25,888	31,884	31,884	16,884	(15,000)
Full-Time Salaried - Pedagogical	650,089	641,938	699,745	699,745	699,745	0
Other Salaried and Unsalariad	23,083	30,754	22,842	22,842	22,842	0
Overtime - Civilian	717	892	0	0	0	0
Other Than Personal Services UA 422	\$14,599	\$16,105	\$21,415	\$21,415	\$23,415	\$2,000
Contractual Services	2,011	2,277	3,145	3,145	3,145	0
Other Services and Charges	3,272	3,217	5,122	5,122	5,122	0
Property and Equipment	4,389	4,918	7,532	7,532	7,532	0
Supplies and Materials	4,927	5,693	5,616	5,616	7,616	2,000
SUBTOTAL UA 421 & 422	\$726,511	\$742,219	\$784,914	\$784,914	\$771,914	(\$13,000)
Personal Services UA 423	\$233,988	\$237,982	\$235,465	\$244,030	\$246,360	\$10,985
Additional Gross Pay	7,400	28,568	1,728	1,728	1,728	0
Fringe Benefits	391	391	0	0	0	0
Full-Time Salaried - Civilian	91,494	97,541	83,822	83,822	85,878	2,056
Full-Time Salaried - Pedagogical	104,629	102,116	126,578	135,143	135,417	8,839
Other Salaried and Unsalariad	28,820	7,805	23,337	23,337	23,337	0
Overtime - Civilian	1,254	1,534	0	0	0	0
Other Than Personal Services UA 424	\$212,647	\$232,350	\$286,739	\$286,739	\$351,838	\$65,099
Contractual Services	209,751	229,561	281,363	281,363	346,463	65,099
Fixed and Misc Charges	0	2,100	0	0	0	0
Other Services and Charges	1,487	1,530	3,995	3,995	3,995	0
Property and Equipment	438	507	763	763	763	0
Supplies and Materials	971	749	617	617	617	0
SUBTOTAL UA 423 & 424	\$446,636	\$470,332	\$522,204	\$530,769	\$598,198	\$75,994
TOTAL	\$1,173,146	\$1,212,551	\$1,307,118	\$1,315,683	\$1,370,112	\$62,994
Funding						
<i>City Funds</i>	N/A	N/A	\$914,843	\$914,843	\$981,142	\$66,299

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011-2012
<i>Federal – CD</i>	N/A	N/A	\$30,086	\$38,651	\$5,000	(\$25,086)
<i>Other Categorical</i>	N/A	N/A	3,000	3,000	3,000	0
<i>State</i>	N/A	N/A	\$359,189	\$359,189	\$380,970	\$21,781
TOTAL	N/A	N/A	\$1,307,118	\$1,315,683	\$1,370,112	\$62,994
Headcount						
UA 421 – FT Non-Peds	430	454	380	380	380	0
UA 421 – FT Peds	11,552	11,833	11,607	11,607	11,607	0
TOTAL	11,982	12,287	11,987	11,987	11,987	0
UA 423 – FT Non-Peds	1,655	1,712	1,406	1,406	1,406	0
UA 423 – FT Peds	1,511	1,293	1,408	1,408	1,408	0
TOTAL	3,166	3,005	2,814	2,814	2,814	0
TOTAL Central Special Ed. Headcount	15,148	15,292	14,801	14,801	14,801	0

**Continuation from previous page*

The Fiscal 2012 Preliminary Budget for the DOE's Special Education spending is \$1.4 billion, comprised of \$771.9 million for Citywide Special Education and \$598.1 million for Special Education Instructional Support.

For direct Citywide Special Education Instruction and School Supervision spending (UA 421) the Preliminary Budget includes \$748.4 million for personal services, which is \$15.0 million less than in the Adopted Budget for Fiscal 2011, as shown in Table 13 above. This decrease specifically impacts spending on full-time salaried civilian positions. Although there is a reduction in PS spending, there is no change in headcount in Fiscal 2012. The Preliminary Budget also shows a slight increase of \$2.0 million for supplies and materials (UA 422), from the Fiscal 2011 Adopted Budget. These result in a net change of \$13 million in overall Citywide Special Education spending.

Included in the Preliminary Budget is \$598.2 million for Special Education Instructional Support. It includes a \$65.1 million increase in contractual services. Spending on contracted related services is one of the primary cost drivers in the DOE's budget, as shown by the steady increase in spending since Fiscal 2009.

The Preliminary Budget shows \$246.4 million in PS spending for Special Education Instructional Support, an \$11 million increase from the Fiscal 2011 Adopted Budget. As a whole, the Department's spending in this area continues to trend upward indicating both increasing costs and increasing special education enrollments. The Preliminary Budget recognizes a decrease of \$25.1 million in federal funds. Both state aid and City funds will rise in Fiscal 2012 to cover increasing costs and compensate for the cut in federal dollars.

February 2011 Financial Plan Changes

- The February 2011 Financial plan made no significant changes to the Special Education UAs.

Fringe Benefits and Collective Bargaining

The Department of Education, unlike other City agencies, maintains units of appropriation for fringe benefits costs, which include social security, health insurance, payments to welfare funds, annuity contributions, workers compensation and unemployment benefits, and for a reserve to fund costs associated with collective bargaining agreements.

Table 14
UAs 461 & 491 Fringe Benefits & Collective Bargaining

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
Fringe Benefits –PS	\$2,314,142	\$2,502,860	\$2,619,156	\$2,620,510	\$2,746,715	\$127,559
Additional Gross Pay	53	95	75	75	75	0
Fringe Benefits	2,314,090	2,502,765	2,619,081	2,620,435	2,746,640	127,559
Full-Time Salaried - Civilian	0	0	0	0	0	0
Collective Bargaining - PS	\$41,156	\$33,966	\$25,799	\$12,309	\$41,651	\$15,852
Additional Gross Pay	41,156	33,966	0	0	0	0
Amounts to be Scheduled	0	0	25,799	12,309	41,651	15,852
TOTAL	\$2,355,298	\$2,536,826	\$2,644,955	\$2,632,819	\$2,788,366	\$143,411
Funding						
City Funds-461	N/A	N/A	\$1,829,012	\$1,805,411	\$1,988,721	\$159,709
Federal-461	N/A	N/A	191,080	245,763	244	(190,836)
Other Categorical-461	N/A	N/A	12,165	12,165	12,165	0
State-461	N/A	N/A	586,898	556,890	745,527	158,629
City Funds-491	N/A	N/A	15,952	7,385	24,990	9,038
State-491	N/A	N/A	9,847	4,923	16,660	6,813
TOTAL	N/A	N/A	\$2,644,954	\$2,632,537	\$2,788,307	\$143,353

The Preliminary Budget proposes a \$143.4 million increase in Fringe Benefits and Collective Bargaining from the Fiscal 2011 Adopted Budget. Most of this, \$127.6 million, stems from a rise in fringe benefits costs, which has been trending upward in recent years. Health insurance and unemployment benefits, especially, have seen significant year-to-year growth. Health insurance spending is anticipated to rise seven percent, an increase of \$117.9 million, and unemployment benefits is estimated to increase 712 percent, or \$21.6 million, as a result of the projected layoffs in Fiscal 2012. Collective bargaining spending goes up by \$15.9 million, a 61.4 percent increase from the Fiscal 2011 Adopted Budget. These added funds were previously budgeted for miscellaneous settlements and will be reevaluated during the Executive Budget process.

Changes in funding sources for these UAs are significant, with the federal contribution to Fringe Benefits down \$190.8 million (nearly 100 percent) because of the end of ARRA funding. The City's spending is up \$159.7 million (8.7 percent). The state's funding increases by 27 percent, \$158.6 million, in the Fiscal 2012 Preliminary Budget. To cover the \$15.9 million hike in collective bargaining, the City's funding increase by 56.7 percent and the state's contribution goes up by 69.2 percent.

February 2011 Financial Plan Changes

- **Funding Shift to Charter Schools:** The Preliminary Budget shifts excess funding budgeted for Fringe Benefits and Collective Bargaining to UA 472 – Charters/Contracts/Foster Care. It moves \$25 million from UA 461 and \$20 million from UA 491, resulting in a \$45 million increase in UA 472 to cover charter school tuition.
- **Expense Re-Estimates:** Expense re-estimates result in a shift of \$10 million from Fringe Benefits to Central Administration (UAs 435 and 436).
- **HIP Rate Decrease:** The Preliminary Budget includes a \$25.6 million HIP rate decrease in UA 461.

November 2010 Plan Changes

- **End of ARRA Funding:** The \$190.8 million reduction of federal funds for Fringe Benefits can be attributed to the end of ARRA funding. The City backfilled this loss with \$92.8 million, contributing to the City's overall \$159.7 million increase in funding for UA 461.
- **Summer Special Education Mandates:** A shift of \$62.2 million from UA 461 to UA 470, Pre-K Contracts, and UA 472, Charter School, Contracts, and Foster Care, enable the Department to meet mandated special education and Charter school spending requirements without increasing the budget as a whole. In combination the funding shifts from UA 461 and UA 401 result in an additional \$270 million for UAs 470 and 472.
- **PEGs:**
 - The Department's plan to lay off 4,278 teachers would result in a cost-savings of \$46.9 million in Fringe Benefits in Fiscal 2012. The PEG saves the DOE \$350 million in total.
 - The Administrative Mitigation of School Cuts PEG adds \$2.5 million to Fringe Benefits by making cuts to Central Administration. Savings from the entire PEG amount to \$23 million.
- **HIP Rate Adjustment:** A HIP rate adjustment of \$50 million accounts for a portion of the increase in City funding for Fringe Benefits. When considering the \$25.6 million decrease in the Preliminary Budget, the overall impact would be a \$23.4 million increase in spending in Fiscal 2012.
- **Mandated Autism Coverage Veto:** The Fiscal 2011 Adopted Budget includes \$16 million in funding for mandated autism coverage in Fiscal 2012. The mandate has since been vetoed, allowing a \$16 million reduction in anticipated spending.

School Support

Funding budgeted for School Support enables the DOE to provide field-based administrative and operational support through its structure of networks and clusters. This structure is new to the Department in Fiscal 2011 and was implemented to reduce costs and facilitate information sharing among schools. This allocation also supports the community school superintendents, the community district education councils, family engagement staff, student placement offices and the five integrated service centers ("ISC") the provide business, special education and operational support to schools.

Table 15
UAs 415 & 416 School Support Spending

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
Personal Services	\$202,265	\$197,804	\$182,714	\$181,714	\$186,803	\$4,089
Additional Gross Pay	2,547	14,791	7,132	6,132	7,132	0
Fringe Benefits	3	0	718	718	718	0
Full-Time Salaried - Civilian	70,824	70,423	56,673	56,673	63,567	6,894
Full-Time Salaried - Pedagogical	127,961	110,395	98,050	98,050	98,745	695
Other Salaried and Unsalariad	323	1,681	19,361	19,361	15,861	(3,500)
Overtime - Civilian	607	514	780	780	780	0
Other Than Personal Services	\$17,401	\$14,915	\$8,664	\$8,664	\$20,204	\$11,540
Contractual Services	7,426	\$3,890	944	944	944	0
Other Services and Charges	3,760	3,994	640	640	640	0
Property and Equipment	2,684	2,970	329	329	329	0
Supplies and Materials	3,531	4,061	6,751	6,751	18,291	11,540
TOTAL	\$219,666	\$212,719	\$191,378	\$190,378	\$207,007	\$15,629
Funding						
City Funds	N/A	N/A	\$112,880	\$112,880	\$109,380	(\$3,500)
State	N/A	N/A	78,500	77,500	97,628	\$19,129
TOTAL	N/A	N/A	\$191,380	\$191,380	\$207,008	\$15,629
Headcount						
FT – Non- Peds	1,084	1,083	1,055	1,055	1,105	50
FT - Peds	1,023	984	969	969	992	23
TOTAL	2,107	2,067	2,024	2,024	2,097	73

PS spending for School Support increases by \$4.1 million in the Fiscal 2012 Preliminary Budget, a 2.2 percent increase from the Fiscal 2011 Adopted Budget. The rise in spending comes after a decline in Fiscal Years 2010 and 2011. Within personal services, spending on full-time salaried positions is slated to increase by \$7 million for civilian positions and \$695,000 for pedagogical positions. At the same time, spending on other salaried and unsalaried positions is reduced by \$3.5 million in the Fiscal 2012 Preliminary Budget. The savings translate to the \$3.5 million decline in City funding for School Support and were achieved by reducing part-time work. This central restructuring action is an adjustment made in the November 2010 Financial Plan. State funding for School Support has increased by \$19.1 million.

Central Administration

U/As 453 and 454 include funding for the DOE's administrative offices. Functions include portfolio planning, operations, finance and school budget planning, and enrollment. Additional central office functions include school safety, youth development, special investigations, intergovernmental affairs, equal opportunity, public information, community engagement, legal services and labor relations.

Table 16
UAs 453 & 454 Central Administration Spending

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
Personal Services	\$188,951	\$185,591	\$138,430	\$136,014	\$146,309	\$7,879
Additional Gross Pay	4,552	10,606	11,809	11,809	9,202	(2,607)
Fringe Benefits	5	1	0	0	0	0
Full-Time Salaried - Civilian	152,882	148,985	104,473	102,058	127,568	23,095
Full-Time Salaried - Pedagogical	24,517	21,706	17,605	17,605	6,323	(11,282)
Other Salaried and Unsalaries	6,435	3,608	2,745	2,745	1,418	(1,327)
Overtime - Civilian	1,298	1,240	1,795	1,795	1,795	0
P.S. Other	(738)	(\$556)	0	0	0	0
Other Than Personal Services	\$182,681	\$170,051	\$159,566	\$153,167	\$177,800	\$18,234
Contractual Services	123,360	110,796	102,824	93,186	116,317	13,492
Fixed and Misc Charges	1,993	407	408	409	121	(287)
Other Services and Charges	38,045	37,495	23,191	25,156	36,852	13,661
Property and Equipment	5,549	9,514	8,956	8,554	5,121	(3,835)
Supplies and Materials	13,734	11,838	24,185	25,860	19,386	(4,798)
TOTAL	\$371,632	\$355,642	\$297,966	\$289,183	\$324,109	\$26,113
Funding						
City Funds	N/A	N/A	\$224,552	\$220,301	\$214,305	(\$10,246)
Federal – Other	N/A	N/A	34,755	34,691	34,444	(310)
Other Categorical	N/A	N/A	4,487	4,487	4,487	0
State	N/A	N/A	34,202	29,702	70,871	\$36,669
TOTAL	N/A	N/A	\$297,997	\$289,182	\$324,109	\$26,113
Headcount						
FT – Non- Peds	1,084	1,083	1,055	1,055	1,105	50
FT - Peds	1,023	984	969	969	992	23
TOTAL	2,107	2,067	2,024	2,024	2,097	73

There are several notable changes from the Fiscal 2011 Adopted Budget to the Preliminary Budget shown in Table 16. The budget for full-time civilian positions increases by \$23.1 million, or 22.1 percent. The budget for full-time pedagogical positions decreases by \$11.3 million, a 64.1 percent decline from Fiscal 2011. Though this spending has been declining since Fiscal 2009, the drop in the Fiscal 2012 Preliminary Budget is much greater than in previous years. OTPS spending goes up by \$26.1 million due to increases in contractual spending and other services and charges. To support the Central Administration budget, the state's share of funding climbs 107.2 percent from \$36.7 million to \$70.9 million. At the same time, the City's share decreases by \$10.2 million, or 4.6 percent.

The headcount total in the Preliminary Budget for Fiscal 2012 is 2,097, 73 positions above the Fiscal 2011 level with an addition of 50 full-time non-pedagogical employees and 23 full-time pedagogical employees. The Department has not provided an explanation for the aforementioned changes in the Preliminary Budget.

School Food Services

The Department's Office of School Food runs the Department's breakfast and lunch programs. According to DOE, School Food works to promote healthy food choices by students and maintain high nutritional standards while offering delicious, healthy, and satisfying menu choices. School breakfast is served at every school before school starts and is free and available to any student. Lunch is served in all schools and is priced according to family income. School lunch is supported by the federal government and free and reduced price lunches are offered according to federal income eligibility guidelines. Students whose families' incomes exceed the federal cut off may purchase lunch for \$1.50. Menus for lunch and breakfast are posted in all schools, and are available on-line at <http://www.opt-osfns.org/osfns/>.

In addition to feeding students, the DOE strives to use its school food program and its food policies to improve students' health and well-being. According to the DOE, it will "continue developing and reinforcing nutritional standards and policies in an effort to combat the spread of childhood obesity and the serious diseases associated with it." In Fiscal 2010 the Department became the subject of ridicule because of the revised Chancellor's Regulation A-812. The regulation seeks to restrict student access to "junk" foods during the school day by requiring that all food sold to students meet the same high nutritional standards as food provided by School Food. However, some of the foods that the DOE considers to have high nutritional standard are Doritos and Pop Tarts, while home-baked goods are prohibited. The revised regulation remained a significant issue related to School Food in Fiscal 2011.

Table 17
UAs 439 & 440 School Food Services Spending

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
Personal Services	\$198,717	\$206,054	\$191,898	\$198,680	\$206,898	\$15,000
Additional Gross Pay	6,649	11,605	700	700	700	0
Fringe Benefits	51	0	0	0	0	0
Full-Time Salaried - Civilian	66,673	67,697	77,018	77,018	77,018	0
Other Salaried and Unsalaries	123,524	124,728	112,664	119,446	127,664	15,000
Overtime - Civilian	1,821	2,022	1,514	1,514	1,514	0
Other Than Personal Services	\$184,997	\$196,021	\$199,073	\$205,931	\$238,831	\$39,758
Contractual Services	19,591	21,263	8,804	8,804	8,804	0
Fixed and Misc Charges	0	0	1,262	1,262	1,262	0
Other Services and Charges	5,373	5,148	31,372	38,230	36,372	5,000
Property and Equipment	4,683	3,202	1,730	1,730	1,730	0
Supplies and Materials	155,349	166,407	155,904	155,904	190,662	34,758
TOTAL	\$383,714	\$402,075	\$390,971	\$406,611	\$445,729	\$54,758
Funding						
<i>City Funds</i>	N/A	N/A	\$43,818	\$43,818	\$84,702	\$40,884
<i>Federal – Other</i>	N/A	N/A	328,701	342,342	337,250	8,548
<i>State</i>	N/A	N/A	18,450	18,450	23,776	5,325
TOTAL	N/A	N/A	\$390,971	\$406,611	\$445,729	\$54,758
Headcount						
TOTAL FT – Non- Peds	1,913	1,912	1,769	1,769	1,769	0

The Fiscal 2012 Preliminary Budget for School Food includes a \$15 million increase in personal services, bringing funding back up to Fiscal 2010 levels. This increase may be an indication of the DOE’s failure to meet the Fiscal 2011 School Food PEG targets. The OTPS budget also increases by \$39.8 million, \$34.8 million of which is for supplies and materials. The OTPS adjustments applied to Fiscal 2012 began several years ago. For example, in Fiscal 2009 the City added resources to Fiscal 2012 in anticipation of rising food prices. The Office of Management and Budget has suggested that recent events in the Middle East and Japan could cause unforeseen cost increases that would cause spending levels to rise further.

City funding for School Food goes up \$40.9 million to \$84.7 million in the Preliminary Budget, from \$43.8 million in the Fiscal 2011 Adopted Budget. This 93.3 percent increase makes the City’s share of School Food funding 19 percent, up from 11.2 percent in the current fiscal year. At \$328.7 million, federal funding currently makes up 84.1 percent of the Fiscal 2011 budget for School Food services. With only an \$8.5 million, 2.6 percent increase in the Fiscal 2012 Preliminary Budget, the federal share is estimated to drop to 75.7 percent. The state’s spending on School Food increases by less than one percent.

Performance Measures

The PMMR includes only two output measures related to the DOE’s food programs. The average number of breakfasts served daily has remained relatively flat since Fiscal 2010. This is an area in which the DOE has struggled. Free breakfast for all students, regardless of income, is available daily at schools. However, fewer than 221,000 breakfasts are served daily. The average number of lunches served daily is much greater and has risen by 3.7 percent to 642,000. The Department estimates it will serve 223,674 daily breakfasts and 651,799 daily lunches in the 2011-2012 school year.

The simple counts of the average number of lunches and breakfasts served each day, however, are inadequate measures of the Department’s performance in the area of its food service operations and its related health and nutrition programs. School meals are a critical source of nutrition for hundreds of thousands of children in the City, and the DOE has tried to use its food service operation and food policies to improve the health and well being of children. This significant public service mission should be recognized in the PMMR and the Administration should introduce performance measures related to the DOE’s wellness and nutrition goals. For example, the Department has struggled to collect lunch money from all students receiving lunch. As of February 2011, there was approximately \$7 million in uncollected lunch fees citywide. The difficulty in collecting lunch fees stems in part from the challenge of collecting lunch forms from students. Many of the students owing fees might qualify for free or reduced-price lunch, but without turning in a form they are assumed to owe \$1.50 for every lunch served.

Table 18
School Food Performance Measures

	FY 08	FY 09	FY 10	4-Month Actual FY11	Target FY 11
Average lunches served daily	624,266	623,039	642,264	666,606	*
Average breakfasts served daily	198,990	205,317	220,923	219,368	*

School Facilities, Energy & Leases

Funding in UAs 435, 436, and 444 supports the DOE's building maintenance and custodial operations, pays for utilities, and pays for leases.

Table 19
UAs 435, 436 School Facilities & 444 Energy and Leases Spending

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011-2012
Personal Services	\$412,964	\$404,509	\$394,371	\$397,972	\$402,221	\$7,850
Additional Gross Pay	1,322	4,576	250	250	250	0
Fringe Benefits	2,216	2,163	1,000	1,000	1,000	0
Full-Time Salaried - Civilian	61,329	57,912	60,350	58,951	58,200	(2,150)
Other Salaried and Unsalariated	345,683	337,510	330,793	335,793	340,793	10,000
Overtime - Civilian	2,414	2,348	1,978	1,978	1,978	0
Other Than Personal Services	\$729,914	\$794,956	\$616,650	\$666,064	\$627,934	\$11,284
Contractual Services	144,565	169,869	112,379	161,793	123,113	10,734
Fixed and Misc Charges	158,546	171,854	1,384	1,384	1,384	0
Other Services and Charges	7,781	7,743	7,357	7,357	7,357	0
Other Services and Charges (UA 444)	350,485	369,955	404,248	404,248	404,248	0
Property and Equipment	336	161	550	550	600	50
Supplies and Materials	24,846	22,582	27,095	27,095	27,595	500
Supplies and Materials (UA 444)	43,355	52,792	63,637	63,637	63,637	0
TOTAL	\$1,142,878	\$1,199,465	\$1,011,021	\$1,064,036	\$1,030,155	\$19,134
Funding						
City Funds	N/A	N/A	\$808,480	\$815,480	\$815,480	\$7,000
Federal – CD	N/A	N/A	5,000	6,515	5,000	0
Intra City	N/A	N/A	672	2,694	672	0
Other Categorical	N/A	N/A	8,000	43,001	8,000	0
State	N/A	N/A	184,868	184,868	196,148	11,280
TOTAL	N/A	N/A	\$1,007,020	\$1,052,558	\$1,025,300	\$18,280

After two years of declining spending in School Facilities personal services, the Fiscal 2012 Preliminary Budget increases PS spending in UA 435 by \$7.8 million. This two percent change is the result of a \$10 million increase in spending on other salaried and unsalaried positions. Custodial allocations, specifically, are going up by \$7 million. Contractual services increase by \$10.7 million to \$123.1 million, nearly a ten percent change from the Fiscal 2011 Adopted Budget. This is for custodial contracts.

Table 19 separates the other services and charges and the supplies and materials to show the Energy and Leases spending. Spending on energy comprises \$233.4 million of the \$467.9 million total spending for Energy and Leases in Fiscal 2012.

Preliminary 2011 Financial Plan Changes

- **Funding Adjustment:** In order meet the \$19.1 million total increase in spending, the Fiscal 2012 Preliminary Budget includes an expense re-estimate that adds \$5 million each to UAs 435 and 436, for a

total increase of \$10 million in City funding. The funding is taken from UA 461, Fringe Benefits, and does not impact the Department’s total budget amount.

- **PCBs:** The issue of PCBs came into light this past year as a pilot study beginning in spring 2010 revealed high levels of PCBs in New York City schools. The DOE has since been working with the Environmental Protection Agency to create a citywide PCB remediation plan. While the DOE has proposed to include \$140.6 million in its Five-Year Capital Plan for PCB remediation, there may be additional costs to Facilities, such as overtime pay or contract costs.

November 2010 Financial Plan Changes

- **Custodial PEG:** The Fiscal 2011 Adopted Budget included a \$3 million restoration of a cut to custodial operations. The November 2011 Financial Plan, however, includes a \$3 million cut to UA 435 in Fiscal 2011 that cancels out the Council’s restoration. It includes an additional cut to UA 461, Fringe Benefits, for an overall \$3.2 million reduction that would lead to an anticipated reduction of 150-200 custodial staff.

Performance Measures

The PMMR includes the statistics shown in Table 20 related to the Division of School Facilities. The DOE uses these ratings to determine how to prioritize repair work. Due to limited fiscal resources the Division of School Facilities focuses its work almost entirely on emergency repairs and conditions rated “poor”. To improve the relevance of these indicators, the report should report the numbers of buildings rather than the percentage and it should show the number of students who attend the schools. The Administration should also consider including quality measures associated with school custodians.

Table 20					
School Facilities Performance Measures					
	FY 08	FY 09	FY 10	4-Month Actual FY11	Target FY 11
School building ratings					
- Good condition (%)	2.4%	1.7%	1.7%	NA	*
- Fair to good condition (%)	37.1%	46.2%	47.2%	NA	*
- Fair condition (%)	60.3%	52.0%	51.0%	NA	*
- Fair to poor condition (%)	0.1%	0.2%	0.1%	NA	*
- Poor condition (%)	0.0%	0.0%	0.0%	NA	*

Pupil Transportation

According to the City's budget, funding budgeted in UA 438 supports the safe, reliable and efficient transportation service for the students of New York City. Almost 500,000 students take advantage of DOE-provided transportation services each school day. Services include door-to-door bus transportation for special education students in need of such, and stop-to-school yellow bus transportation for elementary school qualifying students. Older students receive free passes for common carrier bus and train lines. These include New York City Transit buses and trains and Staten Island Rapid Transit trains. Funding included in UA 438 does not include all of the DOE's spending on student transportation. Additional student transportation services are budgeted in UA 470 – Special Education Pre-Kindergarten and other UAs, and administrative costs, including the Office of Pupil Transportation, associated with transportation are budgeted in the Central Administration UAs.

Table 21
UAs 438 Pupil Transportation Spending

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
Other Than Personal Services						
Contractual Services	\$883,758	\$903,086	\$912,413	\$906,051	\$1,001,646	\$89,233
Fixed and Misc Charges	79,451	85,830	89,377	89,377	89,377	0
Other Services and Charges	2,922	4,141	4,622	4,622	4,622	0
Property and Equipment	409	495	1,929	1,929	1,929	0
Supplies and Materials	1,921	2,110	3,323	3,323	3,323	0
TOTAL	\$968,460	\$995,662	\$1,011,664	\$1,011,664	\$1,100,897	\$89,233
Funding						
<i>City Funds</i>	N/A	N/A	\$377,397	\$377,397	\$404,397	\$48,287
<i>Other Categorical</i>	N/A	N/A	300	300	300	0
<i>State</i>	N/A	N/A	633,967	633,967	654,584	40,946
TOTAL	\$968,460	\$995,662	\$1,011,664	\$1,011,664	\$1,100,897	\$89,233

The Fiscal 2012 Preliminary Budget includes a \$89.2 million increase in Pupil Transportation spending from the Fiscal 2011 Adopted Budget, as shown in Table 21 above. This increase falls entirely in contractual services. The Preliminary Budget shows \$48.2 million in additional City funds and a \$40.9 million increase in state funds that make up an \$89.2 million total increase in pupil transportation funding in Fiscal 2012. Only the City and state fund student busing. The state reimburses the DOE for a portion of its busing costs according to the state's student transportation formula aid.

Performance Measures

The PMMR includes no measures related to student transportation despite the fact that the DOE's pupil transportation program is one of the largest services provided by any City agency. It is a program costing more than \$1 billion a year and serving hundreds of thousands of children. The Department keeps track of its bus contractors and should have the ability to report statistics related to the safety, timeliness, and efficiency of the bus services. The Administration should include reporting on student transportation in the Mayor's Management Report.

Issues

- In the 2010-2011 school year, the DOE changed its busing policy to obtain Fiscal 2011 PEG savings. By eliminating school-wide busing waivers the DOE hoped to achieve savings of \$3.4 million in Fiscal 2011. Despite repeated requests to do so, the DOE has not provided any information to show whether this PEG has produced any savings this fiscal year.

School Safety

The Department has, in essence, contracted-out its school security services to the New York City Police Department (NYPD). The Department pays the NYPD via an intra-city payment to provide security services at all public schools. The security personnel who work in the schools are employees of the NYPD, not the DOE. A Memorandum of Understanding between the two departments outlines the Police Department's roles in securing the schools.

Table 22
UA 442 School Safety Spending

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
Other Than Personal Services						
Other Services and Charges	\$217,002	\$294,679	\$295,621	\$295,621	\$299,621	\$4000
TOTAL	\$217,002	\$294,679	\$295,621	\$295,621	\$299,621	\$4000
Funding						
<i>City Funds</i>	N/A	N/A	\$295,621	\$295,621	\$299,621	\$4000
TOTAL	N/A	N/A	\$295,621	\$295,621	\$299,621	\$4000
Headcount						
FT- Non-Peds	5,181	5,022	5,147	5,147	5,147	0
FT - Peds	207	196	278	278	278	0
TOTAL	5,388	5,218	5,425	5,425	5,425	0

In order to curtail budget growth, the Department's budget has been through several rounds of budget cuts. Almost every service area of the Department has felt the budget crunch except for school safety. The DOE has not sought to impose efficiency improvements or overtime controls on School Safety. The DOE has claimed that the Police Department is responsible for establishing the appropriate size of the school safety force, while the NYPD claims it operates the division within the bounds of the resources provided by the DOE. Because each agency involved in school safety refuses to take accountability for the division's budget, the School Safety budget remains untouched, while other key services areas are cut.

The table above shows the Preliminary Budget for School Safety is \$295.6 million, a \$4.0 million increase from the Fiscal 2011 Adopted budget, and a 38% increase since Fiscal 2009.

The PMMR includes three statistics related to school safety, as shown in Table 23 below. These are reported in both the Police and Education Departments' sections of the report. Like most of the PMMR indicators, the crime and incident statistics are useful only for tracking broad, citywide trends. The PMMR does not report the school safety information collected on the parents, students, and staff from annual surveys, nor does it provide any information about the relative safety of different types of schools. Finally, the report makes no mention of the deep dissatisfaction with the school safety operations among many students, parent and advocacy groups. The PMMR's reporting on school safety should be expanded and improved.

Table 23					
School Safety Performance Measures					
	FY 08	FY 09	FY 10	4-Month Actual FY11	Target FY 12
<i>School safety</i>					
- <i>Seven major crimes</i>	1,042	902	839	172	*
- <i>Other Criminal categories</i>	4,533	3,559	3,302	653	*
- <i>Other Incidents</i>	7,456	5,843	5,354	919	*

Special Education Pre-Kindergarten

The Department provides special education instructional services and related therapeutic services to pre-kindergarten aged children through contracts with non-public schools and private providers. None of the services funded in UA 470 are directly provided by DOE. The DOE also provides door-to-door bus transportation for these children.

Table 24
UA 470 Special Education Pre-Kindergarten Contract Payments

<i>Dollars in Thousands</i>	2009	2010	2011	2011	2012	Difference
	Actual	Actual	Adopted	Feb Plan	Feb Plan	2011–2012
Other Than Personal Services						
669-Transportation of Pupils	\$91,428	\$106,359	\$147,886	\$147,886	\$147,886	\$0
670-Pay. to Contract Schools	401,398	447,449	546,874	546,874	711,874	165,000
685-Direct Education Services	246,470	298,783	269,553	269,553	269,553	0
Contractual Services TOTAL	\$739,296	\$852,591	\$964,313	\$964,313	\$1,129,313	\$165,000
Funding						
<i>City Funds</i>	N/A	N/A	\$418,432	\$417,432	\$447,047	\$58,615
<i>Other Categorical</i>	N/A	N/A	318	318	318	0
<i>State</i>	N/A	N/A	545,563	545,563	651,948	106,385
TOTAL	N/A	N/A	\$964,313	\$963,313	\$1,129,313	\$165,000

UA 470 includes three contractual service components as displayed in Table 24. Spending on all three is projected to increase next year by a collective \$165.0 million, or 17 percent. Transportation spending in the Preliminary Budget remains flat at \$147.9 million and related services spending will remain flat at \$269.6 million in Fiscal 2012. However, tuition payments increase from \$546.9 million to \$711.9 million, a 30 percent, \$165.0 million increase in Fiscal 2012. Projected increases in both tuition costs and enrollment were used to establish the budget for Fiscal 2012, although the DOE has not provided any back up to support their estimate.

The DOE considers Special Education Pre-Kindergarten spending uncontrollable. The services provided are mandatory and the DOE cannot reduce or eliminate the services to cut spending. Further, tuition rates are set by the State Department of Education, making it difficult for the DOE to negotiate directly with providers over price. Busing prices are established by the DOE through negotiations with the private, for-profit providers, but the DOE has not been able to cut spending here. According to the Office of Management and Budget, there is steep growth rate in Special Education Pre-K enrollment and an 18 percent increase in overall Special Education service costs. The Enrollment and Costs Table below demonstrates how enrollment and costs have risen since Fiscal 2006. The current and out-year enrollment and cost projections are based on historical trends, but have not been updated since last year.

Table 25
DOE – Non-Public School SE Pre-K Enrollment and Costs

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected
SE Pre-K Enrollment	27,647	29,316	32,031	33,981	36,049	38,243	40,571	43,041
-growth rate	5.07%	6.04%	9.26%	6.09%	6.09%	6.09%	6.09%	6.09%
Super Start/Targeted Pre-K	1,073	1,101	1,104	1,120	1,136	1,152	1,169	1,186
-growth rate	18.56%	2.61%	0.27%	1.44%	1.44%	1.44%	1.44%	1.44%
Total Enrollment	26,574	28,215	30,927	32,861	34,913	37,091	39,402	41,855
-growth rate	4.58%	6.18%	9.61%	6.25%	6.25%	6.25%	6.25%	6.25%
Tuition Cost/Child	\$18,321	\$19,423	\$19,818	\$20,525	\$21,257	\$22,015	\$22,800	\$23,614
Related Services Costs/ Child	\$15,625	\$14,946	\$15,116	\$15,420	\$15,731	\$16,048	\$16,371	\$16,701
Av. Total Cost/Child	\$17,303	\$17,646	\$17,829	\$18,279	\$18,826	\$19,390	\$19,972	\$20,572

Source: Fiscal 2010 Executive Budget Monitors Report. New York City Office of Management and Budget, pp. 10b-10c.

November 2010 Financial Plan Changes

- **Budget Increase:** The November 2010 Financial Plan adds \$180 million for Fiscal 2012 to cover projected spending increases. The Administration has not provided revised enrollment and cost projections to support this increase.

Charter/Contract/ Foster Care

Funds budgeted in UA 472- Charter, Contract, and Foster Care provide for the payments to charter schools, in-state and out-of-state contract schools, Carter cases, and non-resident tuition for foster care placements. Charter schools are privately operated schools that run under a charter issued by either the DOE, the State Education Department or the State University of New York. They are considered public schools, but they are funded through the DOE's contractual services budget. Contract schools are private schools authorized by the state to provide special education instructional services and related therapies to children with conditions or disabilities who cannot be appropriately served by the City's public schools. Carter Cases refer to cases in which the DOE reimburses parents for tuition costs at any private school after making a showing that the public school placement is inadequate. Finally, UA 472 includes funding to pay for schooling provided to foster care children placed outside the New York City school district.

Table 26
UA 472 Charter/Contract/Foster Care Payments

<i>Dollars in Thousands</i>	2009	2010	2011	2011	2012	Difference
	Actual	Actual	Adopted	Feb Plan	Feb Plan	2011-2012
Other Than Personal Services						
Contractual Services	\$740,721	\$938,724	\$1,074,329	\$1,101,162	\$1,415,169	\$340,840
Fixed and Misc Charges	23,585	39,179	40,597	40,097	50,097	9,500
TOTAL	\$764,306	\$977,903	\$1,114,926	\$1,141,259	\$1,465,266	\$350,340
Charter School Spending	\$310,882	\$409,805	\$545,223	\$571,556	\$711,223	\$166,000
Contract Schools (In State)	\$247,133	\$260,751	\$294,780	\$294,780	\$402,720	\$107,940
Contract Schools (Out of State)	\$26,844	\$32,616	\$32,450	\$32,450	\$43,850	\$11,400
Carter Cases	\$145,179	\$217,727	\$191,228	\$191,228	\$246,228	\$55,000
Foster Care	\$19,135	\$32,140	\$36,555	\$36,805	\$46,805	\$10,250
Funding						
<i>City Funds</i>	N/A	N/A	\$842,629	\$864,038	\$1,102,433	\$259,804
<i>State</i>	N/A	N/A	272,297	277,220	362,832	90,535
TOTAL	N/A	N/A	\$1,114,926	\$1,141,258	\$1,465,265	\$350,339

Like UA 470, spending on charter schools, contracts schools, Carter Cases, and education for children in foster care is largely uncontrollable. UA 472 is expected to rise by \$350.3 million next year, an increase of 31.4 percent. Much of this increase - \$166 million - is related to charter school spending growth, as show in Table 25 above. The Fiscal 2012 Preliminary Budget's \$711.2 million for charter schools is based on enrollment projections and the per pupil tuition rate. As of February 2011 there were an estimated 39,143 students attending the City's 125 charter schools. An additional 18 charter schools are slated to open for the 2011-2012 school year, which will serve roughly 2,300 students. The Department's estimate of total enrollment growth is still pending. Figures will likely be adjusted in the Executive Plan to reflect an updated enrollment projection.

Charter schools are paid on a per capita basis by the DOE for all of the children they enroll, but the state sets the payment rate. At the Fiscal 2011 Budget Adoption, it was assumed the tuition rate would remain flat. However, Fiscal 2011 saw a rate increase when in July 2010 then-Governor David Paterson lifted the charter school tuition freeze by vetoing an education spending bill. At \$13,527, the basic tuition rate for Fiscal 2011 is a nine percent more than the Fiscal 2010 rate of \$12,443. This tuition increase required the DOE to shift \$32 million from traditional public schools to charter reimbursements in Fiscal 2011, despite a four percent cut to traditional public schools. The change in tuition rate and the enrollment increase

explains the jump in funding for charter schools from \$545.2 million in the Fiscal 2011 Adopted Budget to \$571.6 million in the Fiscal 2012 Preliminary Budget. The Preliminary Budget assumes the charter school rate will remain \$13,527 per pupil, but that enrollment will continue to rise.

Contract schools are private schools that enroll students who have conditions that public schools cannot accommodate within public school settings. The so-called contract schools are authorized by the state to serve children, and DOE pays the associated tuition costs according to a fee schedule determined by the state. Contract schools are located within and outside of New York State. In-State contract school spending will rise by \$107.9 million, or 36.6 percent, to \$402.7 million. Out-of-state contract school spending will rise by \$11.4 million to \$43.9 million in Fiscal 2012. Increases result from the blind and deaf school cost shift as well as regular growth. The Department has not, however, provided updated cost and enrollment projections to back up its Fiscal 2012 Budget for contract schools.

Carter Cases are budgeted here, as well, and are one of the major cost drivers in the DOE's budget. Carter Cases are the lawsuits brought by parents seeking reimbursement for tuition payments made on behalf of their children to attend private school. These cases stem from disagreements over whether public school placements are appropriate. When the DOE fails to prove that Carter Case children can be accommodated in public schools or in contract schools, the DOE must repay families for tuition payments when ordered to do so by a court. The majority of Carter Case funds are spent on settlements and a much smaller portion is spent on legal fees. There were 2,804 closed settlements from the 2008-2009 school year, with an average settlement of \$29,815 per case. The DOE expects that it will spend about \$246.2 million on Carter Cases next year, \$55 more than in Fiscal 2011, an increase of 28.8 percent. This spending growth is considerable, especially in comparison to the Adopted Fiscal 2009 Carter Case budget of \$35.4 million.

Preliminary 2012 Financial Plan Changes

- **State Cut for Blind and Deaf Schools:** The Preliminary Plan adds \$59 million to UA 472 in accordance with the governor's proposal to consolidate blind and deaf schools into the broader classification of private special education providers. State funding for the cost of students attending these schools would be provided through Private Excess Cost Aid, as is the case for students attending all other private special education schools at the direction of school districts. The tuition rates paid to schools for blind and deaf students are higher than those paid to other private schools that enroll special education students, so New York City would be required to cover approximately \$12 million in excess tuition costs. Additionally, for Fiscal 2012 only, the DOE would not receive any reimbursement for students in schools for the blind and deaf due to the one-year lag in Excess Cost Aid reimbursements, so the proposal would shift the entire \$50 million cost of tuition for students at schools for the deaf and blind onto the DOE in Fiscal 2012. The Preliminary Budget covers this cost by moving \$50 million of state funding from UA 401, General Education spending, into UA 472. This action generates an additional \$9 million of Foundation Aid, leading to a total of \$59 million in spending for blind and deaf schools. In Fiscal 2013 the cost shift stemming from the governor's proposal would total \$12 million.
- **Funding Shift:** The Preliminary Budget proposes to shift \$45 million from Fringe Benefits and Collective Bargaining, UAs 461 and 491, to UA 472 in Fiscal 2012. Of this amount, \$27.8 million is City funds and \$17.2 million is state funds. The action contributes to the increased funding amount from each source seen in Table 25.

November 2010 Financial Plan Changes

- **Funding Shift:** The November 2010 Financial Plan includes a \$90 million shift in City funding from UAs 401 and 461 to UA 472.

Non-Public Schools & FIT

The DOE passes state aids for textbooks, library books, data processing supplies, and other school supplies to non-public schools. The Department also provides support for the Fashion Institute of Technology. Of the \$71.4 million budgeted in UA 474, \$45.6 million will support FIT, and the remaining \$25.8 million will support non-public schools in the City. The Preliminary Budget reflects a decrease of \$250,000 is associated with a decrease in support for FIT, as shown in the table below. The DOE does not control the amount of funding budgeted in UA 474; all of the allocations are formulaic pass-throughs required by the state.

Table 27

UA 474 Non-Public Schools & FIT

<i>Dollars in Thousands</i>	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2011–2012
Other Than Personal Services						
Fixed and Misc Charges	\$38,197	\$45,544	\$45,624	\$45,624	\$45,374	(\$250)
Property and Equipment	19,667	21,313	21,364	21,364	21,364	0
Supplies and Materials	3,576	4,163	4,409	4,409	4,409	0
TOTAL	\$61,440	\$71,021	\$71,396	\$71,396	\$71,146	(\$250)
Funding						
<i>City Funds</i>	N/A	N/A	\$68,350	\$68,350	\$68,100	(\$250)
<i>State</i>	N/A	N/A	3,046	3,046	3,046	0
TOTAL	N/A	N/A	\$71,396	\$71,396	\$71,146	(\$250)

Fiscal 2012 Preliminary Contracts Budget

The New York City Charter mandates the preparation of a Contract Budget to identify expenditures for contractual services, which are defined as any technical, consultant or personal service provided to the City by means of a contract. The Contract Budget is actually a subset of the OTPS portion of the City's Expense Budget. The Administration prepares a Contract Budget twice each fiscal year. It is prepared with the Departmental Estimates in January, and in late April it is submitted to the Council with the Executive Budget. Finally, the Council adopts the entire budget (Expense, Revenue, Contract and Capital) before the end of each fiscal year.

The Contract Budget sets forth anticipated contractual spending for each agency by unit of appropriation, broken down by object codes, number of contracts per category and the corresponding dollar value anticipated to be expended in each category. The Contract Budget is a plan -- an agency's forecast of what services it anticipates it will need to purchase during the next fiscal year. The following table provides the Department of Education's Contract Budget for Fiscal 2012

Category	2011 ADP Contract Budget	2012 Prelim Contract Budget	Number	Pct of DOE Total	Pct. Change from 2011 ADP
Contractual Services General	\$69,766,802	\$84,300,559	29	1.9%	20.8%
Telecommunications Maintenance	16,194,624	17,127,848	177	0.4%	5.8%
Maint & Repair of Motor Vehicle Equipment	76,600	76,600	5	0.0%	0.0%
Maint & Repair, General	3,079,741	37,741	10	0.0%	-98.8%
Office Equipment Maintenance	5,821,250	5,527,440	225	0.1%	-5.0%
Data Processing Equipment	9,676,388	3,949,792	40	0.1%	-59.2%
Printing Contracts	5,061,921	6,311,701	42	0.1%	24.7%
Security Services	320,822	320,822	2	0.0%	0.0%
Temporary Services	20,306,238	22,521,055	123	0.5%	10.9%
Cleaning Services	99,751	99,751	4	0.0%	0.0%
Transportation Expenditures	5,021,213	5,021,213	47	0.1%	0.0%
Bus Transp Reimbursable Prgrms	59,044	59,044	9	0.0%	0.0%
Transportation of Pupils	1,058,201,512	1,147,434,522	443	25.7%	8.4%
Payments to Contract Schools (DOE)	1,643,706,643	2,146,296,643	289	48.1%	30.6%
Training Programs for City Employees	15,464,150	4,049,233	7	0.1%	-73.8%
Maint & Oper of Infrastructure	37,502,240	33,648,579	156	0.8%	-10.3%
Payments to Delegate Agencies	59,225	59,225	1	0.0%	0.0%
Professional Services: Accounting & Auditing	2,246,138	2,246,138	5	0.1%	0.0%
Professional Services: Legal Services	13,313,465	13,313,465	35	0.3%	0.0%
Professional Services: Engineer & Architect	87,447	87,447	2	0.0%	0.0%
Professional Services: Computer Services	28,822,640	52,458,880	81	1.2%	82.0%
Professional Services: Direct Educ Serv	774,985,334	840,058,185	3,315	18.8%	8.4%
Professional Services: Other	42,809,337	48,521,678	66	1.1%	13.3%
Bank Charges Public Asst Acct	153,864	153,864	7	0.0%	0.0%
Professional Services: Curriculum & Professional Development	28,760,538	29,563,752	196	0.7%	2.8%
Education & Recreation for Youth Programs	379,430	379,430	5	0.0%	0.0%
Preliminary Budget	\$3,781,976,357	\$4,463,624,607	5,321	100.0%	18.0%

The Department has historically had one of the largest agency contract budgets and in Fiscal 2012 it makes up 43 percent of the City's total \$10.2 billion Contract Budget. The Preliminary 2012 Contract Budget includes a total of \$4.4 billion for the DOE's contract budget, an 18 percent increase from its Fiscal 2011 Adopted contract budget.

As shown in the table above, the DOE's largest categories of contractual spending in Fiscal 2012 are:

- \$2.1 billion in Contract School Payments, 289 contracts;
- \$1.1 billion for Pupil Transportation, 443 contracts;
- \$840 million in Direct Educational Services, 3,315 contracts
- \$84.3 million in General Contractual Services, 29 contracts;
- \$52.5 million in Computer Services, 81 contracts; and
- \$48.5 million in Professional Services: Other, 66 contracts.

The Department's Fiscal 2012 Preliminary Contract Budget also has significant changes since the Fiscal 2011 Adopted Contract Budget in the following categories:

- **Increases.** There are increases to the following contract categories: 20.8 percent increase in General Contractual Services; a 24.7 percent increase in Printing contracts; a 10.9 percent increase in Temporary Services contracts; a 30.6 percent increase in Payments to Contract Schools; a 5.8 percent increase for Telecommunication Maintenance contracts, a 8.4 percent in Pupil Transportation contracts, and an 82 percent increases in contracts for Computer Services.
- **Decreases.** There are decreases to the following contract categories: a 98.8 percent decrease in General Maintenance & Repair contracts, a 59.2 percent decrease in Data Processing Equipment contracts, a 73.8 percent decrease in Training for City Employee contracts, a 10.3 percent decrease in Maintenance & Operation of Infrastructure contracts, and a 5.0 percent drop in Office Equipment Maintenance contracts.

Appendix A: Budget Actions in the November and February Plans

<i>Dollars in thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
DOE Budget as of July 2010 Plan	\$7,954,964	\$10,655,846	\$18,610,810	\$7,889,978	\$10,598,441	\$18,488,419
November 2010 Plan						
Program to Eliminate the Gap (PEGs)						
School Cut - Layoff	\$0	\$0	\$0	(\$269,048)	\$0	(\$269,048)
School Cut - Attrition	0	0	0	(81,000)	0	(81,000)
Reduction of central supply budget	(617)	0	(617)	(18,280)	0	(18,280)
Reduction of central travel budget	(1,000)	0	(1,000)	(1,000)	0	(1,000)
Central restructuring - PT cut	0	0	0	(3,768)	0	(3,768)
Admin Mitigation of School Cut	0	0	0	23,048	0	23,048
Ed. Jobs Bill Mitigation	(159,141)	159,141	0	0	0	0
Summer SE Mitigation	(51,000)	51,000	0	0	51,000	51,000
Facilities Reduction	(3,230)	0	(3,230)	0	0	0
CEO-LPN Career Ladder	(100)	0	(100)	0	0	0
Total PEGs	(\$215,088)	\$210,141	(\$4,947)	(\$350,048)	\$51,000	(\$299,048)
New Needs						
HIP Rate Adjustment	\$7,000	\$0	\$7,000	\$50,000	\$0	\$50,000
Total New Needs	\$7,000	\$0	\$7,000	\$50,000	\$0	\$50,000
Other Adjustments						
CTL Backfill of ARRA	\$0	\$0	\$0	\$853,011	\$0	\$853,011
ARRA Initiatives	0	108,943	108,943	0	14,926	14,926
DSF Revenue	0	35,001	35,001	0	0	0
Education Jobs Bill Funding	0	31,000	31,000	0	0	0
Mandated Autism Coverage Veto	(15,969)	0	(15,969)	(15,969)	0	(15,969)
Mobility Tax Adjustment	0	(80)	(80)	(124)	0	(124)
State FMAP Cut	0	(52,071)	(52,071)	0	0	0
Title IID Adjustment	0	(14,366)	(14,366)	0	(14,366)	(14,366)
Other Adjustments	581	4,235	4,816	(194)	0	(194)
Total Other Adjustments	(\$15,388)	\$112,662	\$97,274	\$836,724	\$560	\$837,284
Total November Plan Changes	(\$223,476)	\$322,803	\$99,327	\$536,676	\$51,560	\$588,236
February 2011 Plan						
New Needs						
HIP Rate Decrease	(\$3,742)	\$0	(\$3,742)	(\$25,615)	\$0	(\$25,615)
Total New Needs	(\$3,742)	\$0	(\$3,742)	(\$25,615)	\$0	(\$25,615)
Other Adjustments						
Summer Special Education Cost Shift	\$0	\$0	\$0	\$0	(\$120,759)	(\$120,759)
ARRA Initiatives	0	33,178	33,178	0	0	0
Blind and Deaf Schools	0	0	0	0	9,000	9,000
CEO-LPN Career Ladder	0	0	0	548	0	548
CTL Backfill of State Cut	0	0	0	1,008,500	0	1,008,500
DOE HRA Medicaid Claiming	0	(4,500)	(4,500)	0	0	0

<i>Dollars in thousands</i>	Fiscal 2011			Fiscal 2012		
	City	Non-City	Total	City	Non-City	Total
Federal Aid Technical Adjustments	\$0	\$42,577	\$42,577	\$0	\$8,075	\$8,075
GEA Backfilled by CTL	0	0	0	0	(891,439)	(891,439)
Intracity Adjustments	0	4,116	4,116	0	0	0
Mobility Tax Adjustment	0	181	181	0	1,003	1,003
State Formula Aids Adjustment	0	0	0	0	(1,995)	(1,995)
Summer Special Education Growth	0	0	0	0	82,694	82,694
Title I Competitive Grant	0	43,178	43,178	0	0	0
Transportation Aid Adjustment	0	0	0	0	(27,000)	(27,000)
Council Reductions	(5,500)	0	(5,500)	0	0	0
Total Other Adjustments	(5,500)	\$118,730	\$113,230	\$1,009,048	(940,421)	\$68,627
Total February 2011 Plan Changes	(9,242)	\$118,730	\$109,488	\$983,433	(940,421)	\$43,012
Total Changes	(9,242)	\$441,533	\$208,815	\$1,520,109	(888,861)	\$631,248
DOE Budget as of February 2011 Plan	\$7,722,246	\$11,097,379	\$18,819,625	\$9,410,087	\$9,709,580	\$19,119,667

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