

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Christine C. Quinn
Speaker of the Council

Hon. Robert Jackson
Chair, Committee on Education



Hearing on the Fiscal 2014 Preliminary Budget & the Fiscal 2013 Preliminary Mayor's Management Report

Department of Education

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Regina Poreda Ryan, Deputy Director

Christina Perrotti, Legislative Financial Analyst

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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 1,750 schools, and employs approximately 73,000 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.

In addition to providing standard K-12 education, the Department provides adult literacy education through its Office of Adult and Continuing Education (OACE). OACE is the largest provider of adult literacy education services in the state, offering over 900 classes for adults age 21 and over. It operates four Adult Learning Centers located in Brooklyn, Manhattan, Queens, and the Bronx and offers day and evening classes at more than 175 sites in all five boroughs.

This report presents an analysis of the Department of Education's Fiscal 2014 budget as proposed in the Preliminary Expense Budget and the Fiscal 2013 Preliminary Mayor's Management Report. It highlights significant budget actions included in the Financial Plan, followed by an overview of the 2013-14 State Executive Budget. DOE's Preliminary Budget and changes since Fiscal 2013 are presented in the Financial Plan Summary, and the discussion following the Financial Plan Summary provides details of the Preliminary Budget. A summary of the contract budget is presented in Appendix A. Adjustments to the Fiscal 2013 Budget proposed in either the November 2012 Financial Plan or the Preliminary Fiscal 2014 Budget are summarized in Appendix B.

Fiscal 2014 Preliminary Budget Highlights

	2012	2013	2013	2014	*Difference
<i>Dollars in Thousands</i>	Actual	Adopted	Jan. Plan	Jan. Plan	2013-2014
Personal Services	\$12,519,485	\$12,628,886	\$12,413,568	\$12,582,854	(\$46,032)
Other Than Personal Services	6,763,771	7,092,027	6,809,224	6,944,534	(147,494)
Agency Total	\$19,283,255	\$19,720,913	\$19,222,792	\$19,527,387	(\$193,526)

**The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.*

The Fiscal 2014 Preliminary Budget would decrease by \$193.5 million as compared to the Adopted Budget for Fiscal 2013. The net funding decrease would result from a \$46 million reduction in personal services (PS) and a \$147.5 million drop in other than personal services (OTPS). The PS reduction would include a substantial cut to general education spending in schools, which would be partially offset by rising costs for special education instruction and fringe benefits. The OTPS reduction would include a sizeable cut to general education instruction, as

well. In addition, substantial savings would be achieved in special education pre-kindergarten and contract schools, areas of mandated spending where costs have historically been very difficult to control. Central administration faces cuts to both PS and OTPS.

Several notable highlights of the Preliminary Budget, which will be discussed further following the Financial plan Summary, include:

- **Elimination of \$250 Million in State Aid Growth**

The 2013-14 State Executive Budget proposes to eliminate the previously planned State Aid increase of \$250 million for the Department of Education in Fiscal 2013, which was scheduled in the Department's Budget as Foundation Aid. The January Financial Plan removed \$250 million in State Aid from the Department's Fiscal 2013 budget. This funding was contingent upon New York City reaching a State-approved teacher evaluation agreement between the Department of Education and United Federation of Teachers (UFT). The parties failed to meet the January 17, 2013 deadline, resulting in the budget reduction.

The Department included in the Preliminary Budget a \$250 million base-line reduction as well, assuming the cut would reduce the base upon which future State Aid increases will be calculated. However, according to a March 13, 2013 *New York Post* article, "Schools to take a \$single hit", the forfeited funds would not reduce the base. Rather, a State Aid increase for Fiscal 2014 would be based on the Fiscal 2013 State Aid amount plus \$250 million. It is unclear exactly how this would impact the Fiscal 2014 budget projection for the Department of Education.

Table 2 – State Funding Reduction from No Teacher Evaluation Agreement

<i>Dollars in Thousands</i>	FY 2013	FY 2014
Elimination of Undisbursed School Funds	(\$59,884)	-
Attrition of Pedagogical School Staff	(33,059)	(128,063)
Reduction in Use of Substitute Teachers	(5,000)	(18,984)
Reduction of School Aide Work Schedule	(8,600)	-
Administrative OTPS Reductions	(16,338)	-
Elimination of Central Vacancies	(8,918)	-
Reduction in Non-Mandated Contracts	(16,801)	-
UI Efficiencies	(4,000)	-
District 75 Re-estimate	(50,000)	-
Title I Revenue Offset	(7,809)	-
Transportation Revenue Offset	(15,050)	-
SCA Revenue Offset	(22,148)	-
Education Jobs Act Revenue Offset	(2,809)	-
School Non-Pedagogical Attrition	-	(4,720)
Per Session Reduction	-	(31,469)
School OTPS Reduction	-	(66,763)
Total	(\$250,416)	(\$249,999)

- **Reduction to School Budgets – General Education Instruction**

The Preliminary Budget proposes to decrease funding for the units of appropriation that make up school budgets by \$238.2 million, including \$109.6 million in PS and \$128.6 million in OTPS. Within school budgets, General Education Instruction and School Leadership would decrease by \$225 million, of which \$129 million would be in PS and \$96 million would be in OTPS. The PS reduction would result in a corresponding headcount reduction of approximately 1,500 teachers and other full-time pedagogical school staff and 100 full-time non-pedagogical staff, as compared to the Adopted Budget.

- **Programs to Eliminate the Gap**

The Preliminary Budget includes \$298 million Program to Eliminate the Gap for Fiscal 2014, which was introduced in the November 2012 Plan. Notably, the DOE projects contractual savings in several areas of special education, including special education pre-kindergarten, related services, and contract schools.

The Administration had proposed a PEG to increase school lunch fees from \$1.50 to \$2.50 per meal. The 67 percent fee increase would have been implemented in the second half of this school year and would have resulted in \$4.4 million in revenue in Fiscal 2013. After much opposition from the City Council, the Administration postponed this PEG in the January Financial Plan for Fiscal 2013. The Department may implement this PEG in the 2013-14 school year.

- **Medicaid Revenue Adjustment**

The Preliminary Budget includes a \$100 million reduction to the DOE's estimate of federal Medicaid revenue in Fiscal 2013 and a \$50 million reduction to the estimate in Fiscal 2014. The Adopted Budget projects \$167 million in Medicaid revenue in each of these fiscal years. As of the Preliminary Budget, the DOE expects to collect \$67 million in Fiscal 2013 and \$117 million in Fiscal 2014 from reimbursements for claims to Medicaid.

- **Reduction in Special Education**

After years of tremendous growth in special education pre-k and school-age contract schools, the Preliminary Budget includes a revised projection for Fiscal 2014. The revised projection for special education pre-k spending is a decrease of \$50 million from Fiscal 2013 and the re-estimate for contract schools is \$39 million less than the Fiscal 2013 Adopted Budget.

Financial Plan Summary

The Department's expense budget is organized by unit of appropriation (U/A), each of which represents a function of the Department. The Financial Plan Summary table displays the DOE's budget by U/A. 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 U/As are bundled into the following 12 programs:

1. Public Schools (U/As 401, 402, 403, 404, 481 and 482);
2. Special Education (U/As 421, 422, 423 and 424);
3. Charters/Contract/Foster Care (U/A 472);
4. Special Education Pre-Kindergarten (U/A 470);
5. Pupil Transportation (U/A 438);
6. School Facilities, Energy and Leases (U/As 435, 436 and 444);
7. School Food Services (U/As 439 and 440);
8. Central Administration (U/As 453 and 454);
9. Fringe Benefits and Collective Bargaining (U/As 461 and 491);
10. School Support Services (U/As 415 and 416);
11. School Safety (U/A 442); and
12. Non-Public Schools and FIT (U/A 474).

The Financial Plan Summary illustrated in Table 3 shows the Department's budget by U/A. The discussions of Program Areas on pages 9-28 provide further detail for notable program areas.

Table 3 - Financial Plan Summary

<i>Dollars in Thousands</i>	2012	2013	2013	2014	*Difference
	Actual	Adopted	Jan. Plan	Jan. Plan	2013-2014
Budget by Unit of Appropriation					
401 - GE Instr. & Sch Ldrshp - PS	\$5,505,617	\$5,582,545	\$5,485,783	\$5,453,579	(\$128,966)
402 - GE Instr. & Sch Ldrshp - OTPS	510,245	493,480	475,427	397,572	(95,908)
403 - SE Instr. & Sch Ldrshp - PS	1,178,384	1,099,020	1,099,056	1,161,020	62,000
404 - SE Instr. & Sch Ldrshp - OTPS	2,876	6,825	6,825	5,825	(1,000)
481 - Categorical Programs - PS	1,282,529	1,145,310	1,116,713	1,102,701	(42,609)
482 - Categorical Programs - OTPS	909,625	841,036	818,510	809,310	(31,726)
421 - Citywide SE Instr. & Sch Ldrshp - PS	742,798	815,020	765,084	807,806	(7,214)
422 - Citywide SE Instr. & Sch Ldrshp - OTPS	16,795	23,415	23,428	23,415	0
423 - SE Instructional Support - PS	234,874	258,021	258,026	263,299	5,278
424 - SE Instructional Support - OTPS	291,386	348,837	302,837	326,044	(22,793)
472 - Charter/Contract/Foster Care - OTPS	1,421,509	1,600,295	1,529,291	1,655,821	55,526
470 - SE Pre-K Contracts - OTPS	1,008,569	1,193,402	1,041,137	1,142,770	(50,632)
438 - Pupil Transportation - OTPS	1,073,697	1,132,167	1,132,749	1,163,167	31,000
435 - School Facilities - PS	391,293	396,320	397,219	389,440	(6,879)
436 - School Facilities - OTPS	343,591	201,854	257,573	200,140	(1,714)
444 - Energy & Leases - OTPS	456,961	508,850	508,850	505,304	(3,545)
439 - School Food Services - PS	199,247	195,927	195,931	195,927	0
440 - School Food Services - OTPS	190,208	214,010	214,065	215,384	1,375
453 - Central Administration - PS	142,212	137,059	130,799	120,782	(16,277)
454 - Central Administration - OTPS	156,479	140,810	113,948	109,297	(31,513)
461 - Fringe Benefits - PS	2,701,352	2,871,488	2,836,785	2,962,499	91,011
491 - Collective Bargaining - PS	0	0	0	0	0
415 - School Support Orgs. - PS	141,179	128,177	128,173	125,802	(2,375)
416 - School Support Orgs. - OTPS	12,594	11,961	9,499	10,898	(1,063)
442 - School Safety - OTPS	298,111	303,940	303,940	308,440	4,500
474 - Non-Public and FIT - OTPS	71,124	71,146	71,146	71,146	0
TOTAL	\$19,283,255	\$19,720,913	\$19,222,792	\$19,527,387	(\$193,526)
Positions					
FT Pedagogical	107,623	107,264	106,567	107,105	(159)
FT Non-Pedagogical	11,091	10,958	10,958	10,859	(99)
TOTAL	118,714	118,222	117,525	117,964	(258)

*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan funding.

The Department's budget would be \$19.53 billion in Fiscal 2014 and account for 27.3 percent of the City's entire \$71.66 billion expense budget. The DOE's Fiscal 2014 budget would be \$193.5 million less than the Fiscal 2013 budget as adopted in June. As shown in Table 3, the net reduction

would include significant cuts to many program areas. The largest cut would be to General Education Instruction and School Leadership and would be comprised of a \$129 million or 2.3 percent reduction to PS and a \$96 million or 19 percent reduction to OTPS. Other significant reductions would be in Categorical Programs, (\$74.3 million) or (3.7 percent); Special Education Pre-K Contracts, (\$50.6 million) or (4.2 percent); Central Administration (\$47.8 million) or (17.2 percent); and Special Education Instructional Support PS, (\$22.8 million) or (6.53 percent).

2013-2014 State Executive Budget Highlights

The 2013-14 Executive Budget would total \$21.1 billion statewide next year, an \$889 million or 4.4 percent increase from this year. Of this increase, School Aid would grow by \$611 million or three percent and total \$20.8 billion. The Governor has also included \$203 million for Fiscal Stabilization Funding to help relieve the burden of growing pension costs and other areas experiencing extraordinary growth. In addition, \$75 million will support the implement of various initiatives recommended by the *New NY Education Reform Commission*.

New York City's education budget is project to increase by \$224 million in State formula and building aids. The Executive Budget also would provide the City with \$14.1 million in Fiscal Stabilization Funding, and the City can potentially receive additional funds through competitive grants, such as those available for implementing the *New NY Education Reform Initiatives*. State Executive Budget highlights include:

- **Elimination of \$250 million State Aid Increase**

The Fiscal 2013-14 State Executive Budget proposes to eliminate the planned State Aid increase of \$250 million for the Department of Education in Fiscal 2013. The 2012-2013 Enacted State Budget included a \$250 million increase in State Aid for Fiscal 2013, but this funding was contingent upon New York City submitting and obtaining State approval for a teacher evaluation agreement between the Department of Education and United Federation of Teachers (UFT). The parties failed to meet the January 17, 2013 deadline, resulting in the budget reduction. It is unclear if the State Executive Budget would include the \$250 million reduction in the baseline.

- **Preschool Special Education Reform**

New York State has a unique public Preschool Special Education system in that these services are provided exclusively through contracted service providers. Parents of special education preschool students choose a provider for their child from a State approved list of providers, and the cost of these services is split between the State, county, and school district. Like other districts, New York City's system is restrained by State rules. More than 25,000 children in the City attend Preschool Special Education programs every year. While State spending for Preschool Special Education has doubled over the past ten years, the City's spending has grown by 150 percent and is projected to cost \$1.14 billion in Fiscal 2014. Recent audits by the Office of the State Comptroller revealed high levels of inappropriate billing by several Preschool Special Education providers, most of which were located in New York City. In order to address the unsustainable growth of this program, as well as concerns resulting from the audits, the Executive Budget proposes the following changes to slow expense growth:

- **Conduct a Large-Scale Audit of Preschool Special Education Providers**
- **Build Counties' Capacity to Monitor Providers**
- **Empower New York City**

Because Preschool Special Education costs are growing significantly faster in New York City than in the rest of the State – 150 percent compared to 100 percent statewide – New York City would be authorized to implement a process to select providers for Preschool Special Education services from the State's authorized list, and to set provider rates within certain State parameters. This change would allow the DOE to release a Request for Proposal to select providers for services beginning September 2013. The law would only apply to new students entering the system.

- **\$75 Million for New New York Education Reform Initiatives**

In April 2012 the Governor established the *New NY Education Reform Commission* to study the best practices in public education in order to make recommendations that would increase educational productivity and student performance in New York State. The Executive Budget includes \$75 million for the New York State Education Department to implement several competitive programs, based on the preliminary recommendations of the Commission. However, New York City would not be eligible for the competitive funds until the DOE and UFT reach a teacher evaluation agreement. The proposed initiatives include:

- **Full-Day Universal Pre-Kindergarten Expansion, \$25 million**
- **Extended Learning Time, \$20 million**
- **Community Schools, \$15 million**
- **Early College High School Programs, \$4 million**
- **Reward High Performing Teachers, \$11 million**

- **\$203 Million in Fiscal Stabilization Funds**

In recognition of extraordinary increases in school district fixed costs, such as pension growth, the Executive Budget includes a one-shot \$203 million in Fiscal Stabilization funds for the 2013-14 school year. Of this amount, New York City's share would be \$14.1 million or seven percent of statewide funds. The NYC Department of Education's pension costs alone are projected to reach \$2.83 billion in Fiscal 2013. The additional State funding would cover ten percent of the \$135.4 million growth.

Funding Summary

The Department of Education receives federal and State aid in addition to its City Tax Levy (CTL) funds. Table 4 below shows the various funding sources, including notable State and federal aids.

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014	2013 Percent of Total
City	N/A	\$9,230,126	\$9,097,038	\$9,283,506	\$53,380	47.5%
State						
Foundation Aid	N/A	\$5,528,366	\$5,277,950	\$5,412,293	(\$116,073)	27.7%
Formula Aid	N/A	1,404,912	1,397,957	1,425,297	20,385	7.3%
Building Aid	N/A	478,125	478,125	478,125	0	2.4%
Categorical Programs	N/A	330,478	325,978	316,588	(13,890)	1.6%
Special Education pre-K	N/A	680,258	592,566	650,498	(29,760)	3.3%
State Food Programs	N/A	13,657	10,787	13,657	0	0.1%
Revenue in Other Agencies	N/A	(2,500)	(2,500)	(2,500)	0	0.0%
Subtotal State	N/A	\$8,433,296	\$8,080,863	\$8,293,958	(\$139,338)	42.5%
Federal - Other						0.0%
Title I	N/A	\$795,800	\$769,016	\$730,847	(\$64,953)	3.7%
Title IIA	N/A	111,715	108,000	108,000	(3,715)	0.6%
IDEA	N/A	269,782	284,224	269,782	0	1.4%
Medicaid	N/A	167,000	67,000	117,000	(50,000)	0.6%
RTTT	N/A	84,450	84,450	74,956	(9,494)	0.4%
ARRA	N/A	2,038	2,038	1,232	(806)	0.0%
School Lunch	N/A	264,676	279,510	282,676	18,000	1.4%
Sandy Reimbursement	N/A	-	110,246	-	-	-
Other	N/A	246,569	251,364	256,569	10,000	1.3%
Revenue in Other Agencies	N/A	-	(53,360)	-	-	-
Subtotal Federal	N/A	\$1,942,030	\$1,902,488	\$1,841,062	(\$100,968)	9.4%
Federal - CD	N/A	4,500	4,500	4,500	\$0	0.0%
Intracity	N/A	\$14,344	\$18,995	\$8,784	(\$5,560)	0.0%
Other Categorical	N/A	\$96,618	\$118,907	\$95,579	(\$1,039)	0.5%
TOTAL DOE FUNDING	N/A	\$19,720,914	\$19,222,791	\$19,527,389	(\$193,525)	100.0%

Source: New York City Office of Management and Budget, "Monitors' Briefing Package", FY 2013 Adopted Budget and FY 2014 January Plan

The City's share of the DOE's budget has been increasing for several years and would constitute 47.5 percent of the budget in Fiscal 2014. The State and federal shares would be 42.5 percent and 9.4 percent, respectively.

State

- **Reduction in State Funding**

The loss of State funding as a result of the Administration and UFT not reaching a teacher evaluation agreement is reflected entirely in Foundation Aid, which would decrease by \$250.4 million from Fiscal 2013 at adoption to Fiscal 2013 as of the Preliminary Budget. The \$250 million reduction is also shown in Fiscal 2014, though projected growth in formula-based reimbursements such as pupil transportation would partially offset the cut, for a net loss of \$116.1 million next year.

Since the January Financial Plan was released, Governor Cuomo has stated that the \$250 million was a one-time cut and would not be taken from the baseline. In addition, New York City parents have filed a lawsuit challenging the state's attempt to cut funding to City schools, and the New York State Supreme Court issued preliminary injunctions against both the City and State, finding that the cuts pose a potential risk to children's right to a sound basic education. Given these developments, it is unclear what the implications of the State Aid cut, or reversal of the cut, would be in Fiscal 2013 and 2014.

Federal

- **Reduction in Title I Revenue**

As compared to the Adopted Budget, the Department's estimate for Title I revenue would decrease by \$26.8 million in Fiscal 2013 and \$65 million in Fiscal 2014. The cut to Title I funds stems from a re-estimate based on the City's share of families living in poverty. Though New York City has not experienced a decline in poverty rates, other jurisdictions in the United States have experienced growth, leading to a redistribution of Title I funds to these districts and away from New York City.

- **Medicaid Re-estimate**

The Preliminary Budget includes a \$100 million reduction to the DOE's estimate of federal Medicaid revenue in Fiscal 2013, reducing the projection from \$167 million to \$67 million. The projection has also been reduced by \$50 million in Fiscal 2014, from \$167 million to \$117 million. Since last year, the Department has expanded its program that employs doctors in schools to write prescriptions that are necessary for Medicaid reimbursement. In addition, it has released a Request for Proposal to create a system for tracking students using special education transportation, records which are also required for Medicaid reimbursement. The DOE is also expanding to over 200 schools its pilot program to claim Medicaid reimbursement for students in contract schools. The Department has made little progress in its attempts to submit claims for speech therapy, as the United Federation of Teachers has not permitted the Department to use its members' speech language pathologist licenses that are necessary for these services to qualify for reimbursement.

- **Funds for Superstorm Sandy Recovery**

As show in Table 4, the City's Fiscal 2014 Preliminary Budget includes \$110.2 million in federal revenue to cover costs incurred by the DOE as a result of Superstorm Sandy, including \$56.9 million the DOE's budget and \$53.3 million allocated temporarily to the Miscellaneous budget. All of these funds are scheduled for Fiscal 2013. The \$56.9 million already allocated to the

DOE's budget has been approved for reimbursement by the Federal Emergency Management Agency FEMA. The New York City Office of Management and Budget (OMB) projects that 90 percent of the projected revenue will come from FEMA and the remainder will be covered by other funding streams, such as the Community Development Block Grant. Table 5 below shows the DOE's budget for expenses related to Super storm Sandy by program area.

Table 5 – Superstorm Sandy Expense Budget

<i>Dollars in Thousands</i>	FY 2013 Funding		
	Personal Services	Other Than Personal Services	Total
Department of Education Budget			
Gen Ed Instruction & School Leadership	\$940	\$890	\$1,830
Special Ed Instruction & School Leadership	36	-	36
School Support Organizations	5	-	5
Citywide Special Ed Instruction & School Leadership	64	13	77
Special Ed Instructional Support	5	-	5
School Facilities	42	54,266	54,308
Pupil Transportation	-	583	583
School Food	4	37	41
Central Administration	1	-	1
TOTAL DOE BUDGET	\$1,097	\$55,789	\$56,886
Miscellaneous Budget	<i>N/A</i>	<i>N/A</i>	\$53,360
GRAND TOTAL	<i>N/A</i>	<i>N/A</i>	\$110,246

Source: NYC Office of Management and Budget, "Departmental Estimates, Fiscal Year 2014". January 29, 2013.

The table shows that the greatest costs associated with the storm are in School Facilities OTPS. The division of School Facilities is responsible for maintaining school buildings. Most of the costs associated with School Food, Pupil Transportation, and General Education Instruction & School Leadership are associated with the make-up days that were scheduled into the school calendar after Sandy caused the school system to shut down for a week.

In addition to presenting the Superstorm Sandy funds by unit of appropriation, the Preliminary Budget also classifies the funds into categories used by Federal Emergency Management Agency (FEMA). The funds by FEMA category are show in the table below.

Table 6 – Superstorm Sandy Expense Budget by FEMA Categories

Dollars in Thousands

FEMA Categories	FY 13 Funding
Category A - Debris Removal	\$2,500
Category B - Emergency Protective Measures	67,430
Category E - Buildings & Equipment	40,227
Category G - Parks, Recreational Facilities, & Other Items	89
TOTAL	\$110,246

Fair Student Funding – Superstorm Sandy Register Relief

In the 2012-2013 school year, schools were scheduled to receive their Fair Student Funding grade weight and portfolio weight allocation based on the audited register as of October 26, 2012, the last day schools were opened before Superstorm Sandy. Typically, schools do not receive these FSF allocations for students enrolled after the audited register deadline. However, this school year the DOE is providing a supplemental allocation to schools enrolling pupils that were relocated as a result of the storm after schools reopened on November 5th. School budgets will be adjusted for students enrolled due to Sandy related relocations through the end of January 2013. As of December 3rd there were 1,609 relocated students, resulting in school allocations totaling \$6.7 million for Superstorm Sandy Register Relief. It is not certain that this expense will be reimbursed by FEMA.

Other Categorical

Other Categorical Revenue in Fiscal 2014 includes private grants, \$35 million; Education Construction Fund revenue, \$32 million; School Construction Authority (SCA) Construction, \$8 million; non-resident tuition, \$3.3 million; and the Retirement System (BERS), \$5.1 million.

- **SCA Construction**

The DOE’s Division of School Facilities (DSF) completes capital projects such as minor school repairs, though the division is supported with expense funds. The School Construction Authority reimburses DSF for money spent on these capital projects, which is reflected in the Department’s expense budget as revenue from the SCA. The Preliminary Budget projects \$63.3 million in SCA revenue in Fiscal 2013, a \$22.1 million or 53.7 percent increase from the Adopted Budget.

In recent years, the DOE has received approximately \$40 million in SCA revenue annually. With the exception of the Fiscal 2013 Adopted Budget, which included a \$41.2 million SCA revenue projection, the OMB generally projects \$8 million in SCA revenue and recognizes a more accurate estimate later in the fiscal year, aligning it with the timing of the SCA’s actual reimbursement to the DOE. An \$8 million estimate is reflected in the Preliminary Budget for Fiscal 2014. It is unclear why the DOE does not more closely align its Fiscal 2014 projection to revenue actuals, especially considering the deep cuts the Department stands to face next fiscal year. By recognizing an additional \$30 million in revenue, for example, the DOE could fill approximately 430 of the 1,842 teaching positions that are expected to remain vacant as a result of not backfilling attrition.

Miscellaneous

The City's Financial Plan does not include the Department's miscellaneous revenue in the agency's total budget. Miscellaneous revenue would total \$66.7 million in Fiscal 2014 and include \$28.9 million in school lunch fees, \$2.8 million in grant refunds, \$28 million in extended use fees charged to organizations that rent space in school buildings on nights and weekends, and \$7 million in sundries such as United Federation of Teachers (UFT) fees.

- **School Lunch Fees**

The January Financial Plan includes a proposed PEG to increase school lunch fees from \$1.50 to \$2.50 per meal. The \$8.8 million or 67 percent fee increase would raise lunch fee revenue from \$20.1 million to \$28.9 million in Fiscal 2014. The Administration had proposed to implement the fee increase this past February, as reflected in the November 2012 Financial Plan. Thanks to the City Council's insistence, the Administration restored the Fiscal 2013 portion of the PEG in the January Financial Plan. Federal guidance requires the DOE to increase the price of school lunch to \$2.50, but allows the Department to increase the price over time according to a cost index. The PEG reflects the DOE's decision to meet this target in one shot, rather than gradually. The OMB estimates that if the Department increased the price of school lunch minimally as per the index, it would grow approximately ten cents per year.

New York City Council Initiatives

The City Council added \$19.9 million to the City's Fiscal 2013 Budget to fund a variety of education initiatives, which are listed in Table 7 below. None of this funding was base-lined.

Table 7 - Fiscal 2013 Council Changes at Adoption	
<i>Dollars in Thousands</i>	
General Education Instruction & School Leadership	
Bridge to Tomorrow	\$1,250
C.H.A.M.P.S.	\$125
Full Day Universal Pre-K	\$2,250
Non-Pedagogical School-Based Staff	\$3,000
Teacher's Choice	\$3,750
Immigrant Opportunities Initiative	\$14
Subtotal	\$10,389
Central Administration	
Council of School Supervisors & Admins.	\$300
Dropout Prevention & Intervention	\$1,000
MOUSE	\$275
Urban Advantage - Science Education	\$2,000
Chess in the Schools	\$200
Child Mind Institute	\$250
Community Schools Planning Grant	\$150
Subtotal	\$4,175
School Facilities	
Custodial Operations	\$3,000
Various	
Anti-Gun Violence Initiative	\$550
Subtotal without Local or Borough	\$18,114
Local Initiatives	\$1,730
Borough-Wide Initiatives	\$12
TOTAL	\$19,856

School Budgets

The City's 1,750 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 three program areas:

- General Education Instruction & School Leadership (U/As 401 & 402)
- Special Education Instruction & School Leadership (U/As 403 & 404)
- Categorical Programs (U/As 481 & 482)

Though not all of the money budgeted in these U/As funds schools' budgets, school budgets will generally be impacted by actions in the corresponding program areas. This section provides an overview of the parts of the DOE's budget that fund public schools' budgets and support school-based jobs, and then each of the three program areas will be examined in more detail.

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. The budget information is citywide. More detailed school-level budgetary information is made available by the DOE on its website at <http://schools.nyc.gov>.

Table 8 - School Budgets - U/As 401 & 402, 403 & 404, 481 & 482

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Personal Services	\$7,966,530	\$7,826,875	\$7,701,553	\$7,717,299	(\$109,576)
Other Than Personal Services	1,422,746	1,341,341	1,300,762	1,212,707	(128,634)
TOTAL	\$9,389,276	\$9,168,216	\$9,002,315	\$8,930,006	(\$238,210)
Positions					
FT Pedagogical	93,412	93,093	92,396	92,699	(394)
FT Non-Pedagogical	3,634	4,588	4,588	4,487	(101)
TOTAL	97,046	97,681	96,984	97,186	(495)

*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.

The Fiscal 2013 Preliminary Budget includes a \$238.2 million or 2.5 percent cut in Fiscal 2014 as compared to Fiscal 2013 at adoption, coupled with a headcount reduction of 495 full-time positions. The net reduction would include a \$109.6 million or 1.4 percent decrease to PS and a \$128.6 million or ten percent cut to OTPS. The reduction to school budgets stems largely from the \$250 million reduction in State Aid that would be imposed this year and is included in the baseline. The corresponding drop in pedagogical headcount would result from not backfilling teaching positions lost through attrition. All of these vacancies would be in general education. As shown in Table 9 below, the DOE has reduced its teacher headcount several years in a row.

Table 9 - Teacher Headcount

Performance Statistics	Actual			Target		4-Month	4-Month
	FY 10	FY 11	FY 12	FY 13	FY 14	Actual	Actual
Teachers	76,795	74,958	72,787	*	*	73,714	73,844
Teachers with 5 or more years teaching experience (%)	69.2%	72.2%	75.0%	*	*	74.6%	75.8%
Teachers hired to fill projected vacancies (%)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Principals with more than 3 years experience as principal (%)	59.7%	61.3%	61.6%	*	*	NA	NA
Teachers absent more than 10 days (%)	12.6%	12.8%	11.4%	*	*	1.3%	1.0%

Source: Fiscal 2013 Preliminary Mayor's Management Report

Reductions in teaching staff year after year are in part a cause of the increases in class size demonstrated in Table 10. A reduction in funds available for school budgets would likely cause class sizes to rise again next school year. The reduction to school budget funding scheduled for Fiscal 2014 would fall almost entirely in General Education Instruction and School Leadership, including a headcount reduction of 1,497 full-time pedagogical positions through attrition.

Table 10 - Class Size

Performance Statistics	Actual			Target		4-Month	4-Month
	FY 10	FY 11	FY 12	FY 13	FY 14	Actual	Actual
Average class size (end of October) (Preliminary Unaudited) - Kindergarten	21.7	22.1	22.8	*	22.8	22.8	23.1
Grade 1	22.0	22.9	23.9	*	23.9	24.0	24.8
Grade 2	22.2	23.2	24.2	*	24.2	24.2	24.7
Grade 3	22.5	23.7	24.5	*	24.5	24.6	25.2
Grade 4	24.4	25.0	25.3	*	25.3	25.3	25.5
Grade 5	24.8	25.4	25.8	*	25.8	25.7	25.8
Grade 6	26.1	26.2	27.0	*	27.0	27.0	26.8
Grade 7	26.8	27.1	27.2	*	27.2	27.2	27.6
Grade 8	27.5	27.3	27.4	*	27.4	27.4	27.7
Schools that exceed capacity - Elementary schools (%)	31.0%	32.0%	NA	*	*	NA	NA
Middle schools (%)	9.0%	12.0%	NA	*	*	NA	NA
High schools (%)	37.0%	37.0%	NA	*	*	NA	NA
Students in schools that exceed capacity - Elementary/middle schools	24.0%	26.0%	NA	*	*	NA	NA
High schools (%)	53.0%	55.0%	NA	*	*	NA	NA

Source: Fiscal 2013 Preliminary Mayor's Management Report

General Education Instruction & School Leadership

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. Since Fiscal 2012, funding for networks that provide operational support to schools are also included here.

As Table 11 indicates, this area of spending is huge, amounting to 30 percent of the Department's budget and 8.3 percent of the City's entire \$72.15 billion expense budget. Most of school spending is for pedagogical staff salaries. The budget shows that schools will employ nearly 60,000 pedagogical staff next year and an additional 3,800 non-pedagogical staff. Approximately 765 of the positions in U/A 401 are network staff that provide support to schools but do not provide direct support to students, though this information is not transparent in the Department's budget.

Table 11 - General Education Instruction and School Leadership - U/As 401 & 402

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Spending					
Personal Services Subtotal	\$5,505,617	\$5,582,545	\$5,485,783	\$5,453,579	(\$128,966)
Full-Time Non-Pedagogical	140,193	113,143	144,340	136,874	23,731
Full-Time Pedagogical	4,693,858	4,824,083	4,729,510	4,719,361	(104,722)
Other Salaried and Unsalariated	361,547	274,289	235,211	249,785	(24,504)
Additional Gross Pay	211,549	287,538	293,209	264,047	(23,491)
Overtime Civilian	5,029	2,100	2,122	2,120	20
Other	93,440	81,393	81,393	81,393	0
Other Than Personal Services Subtotal	\$510,245	\$493,480	\$475,427	\$397,572	(\$95,908)
Contractual Services	162,136	33,688	127,175	117,905	84,217
Other	348,109	459,792	348,253	279,667	(180,125)
TOTAL	\$6,015,861	\$6,076,025	\$5,961,211	\$5,851,151	(\$224,875)
Positions					
FT Pedagogical	62,278	61,273	60,576	59,776	(1,497)
FT Non-Pedagogical	2,882	3,896	3,896	3,795	(101)
TOTAL	65,160	65,169	64,472	63,571	(1,598)

*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.

Table 11 illustrates that the \$238.2 million drop in the total funds available for school budgets in Fiscal 2014 would stem largely from a \$224.9 million cut to general education, including a \$129 million or 2.3 percent reduction in PS and \$95.9 million or 19 percent reduction in OTPS. More than 80 percent of the cut to PS would be to funding for full-time pedagogical staff. The impact of the cut will remain uncertain until the DOE releases school budgets and principals submit their spending proposals. However, cuts in personal services generally lead to larger class sizes and less extra instruction such as that which is provided in after-school programs.

Financial Plan Changes

The budget actions included in the January Financial Plan make up the \$224.9 million cut to general education.

Personal Services

Table 11 shows that PS spending in Fiscal 2014 would decrease by \$129 million as compared to Fiscal 2013 at adoption. The spending cut would result in a headcount reduction of 1,598 positions through attrition, including 1,497 pedagogues and 101 non-pedagogical staff. The January Financial Plan also includes a PS budget cut of \$96.8 million and a headcount reduction of 697 full-time pedagogical positions through attrition in Fiscal 2013. In both years, nearly the entire cut to general education personal services is a result of the elimination of the \$250 million State Aid increase. If the State Aid cuts do not take place the headcount should not drop. The actions affecting General Education Instruction & School Leadership PS, U/A 401, are:

- **PEG: Administration in Schools – PS Efficiencies.** This PEG will reduce spending in U/A 401 by \$4.1 million in Fiscal 2014 by reducing per session activity and vacancies in various field positions associated with centrally managed school programs.
- **Attrition of School Pedagogical Staff.** In Fiscal 2014, pedagogical headcount would drop by 1,497 positions, mostly general education teachers, for a savings of \$82.3 million in General Education. In Fiscal 2013, the headcount reduction of 697 school pedagogical staff will include the loss of approximately 500 teachers; the DOE will save \$26.2 million in U/A 401 by not filling vacancies that will result from attrition. Additional savings are reflected in Fringe Benefits, U/A 461, in each of these fiscal years. As discussed with School Budgets, having fewer teachers leads to increased general education class sizes.
- **Attrition of School Non-Pedagogical Staff.** In Fiscal 2014, a \$3.5 million cut to U/A 401 would result in the headcount reduction of 101 non-pedagogical school staff, such as school secretaries and community associates, through attrition.
- **Reduction in Per Session Hours.** The DOE proposes to cut \$29.1 million in General Education spending in Fiscal 2014 by decreasing school per session hours. This cut would reduce overtime for teachers, leading to fewer hours of support services such as after-school homework help for students.
- **Reduction of School Aide Work Schedule.** The Financial Plan estimates that the DOE would save \$8.6 million in Fiscal 2014 by reducing the work hours of school aides by 0.5 hours per week for those who work at least five hours per week. The DOE has not implemented the PEG, which would have saved \$5.5 million in U/A 401; the remaining savings would have been in Fringe Benefits.
- **Elimination of Undisbursed School Funds.** Of the \$96.8 million reduction in Fiscal 2013, \$60 million results from the elimination of school funds that have not yet been dispersed to schools this school year. The undisbursed funds include \$40 million that the DOE had saved from the Fiscal 2012 Deferred Program Planning Initiative (DPPI). In addition, \$20 million is funds that would have likely been rolled this year. There will be little to no direct impact on students. Principals will not be able to roll these funds to next school year.

However, if the \$250 million State cut is not implemented this year and State aid is not cut in Fiscal 2014, DOE will likely offer the DPPI to schools again.

- **Reduction in Use of Substitute Teachers.** The Department would save \$4.6 million in Fiscal 2013 by reducing the use of substitute teachers and instead using teachers for class coverage during their free periods.
- **School Hourly PS Reduction.** In addition to the cuts that would contribute to absorbing the State Aid reduction, the Preliminary Budget would reduce school hourly personal services by \$12.2 million in Fiscal 2014. The largest reductions would be to hours worked by per diem teachers, education paraprofessionals and school aides. This would result in \$6.8 million savings in Fringe Benefits, U/A 461, as well.

Other Than Personal Services

The Preliminary Budget shows that OTPS would decrease by \$18.1 million or 3.6 percent in Fiscal 2013 and \$95.9 million or 19.4 percent from Fiscal 2013 to Fiscal 2014. As mentioned above, the Admin in Schools – OTPS Efficiencies PEG introduced in the November Plan accounts for \$10.5 million of the reduction in Fiscal 2013 and \$18 million of the reduction in Fiscal 2014. Other significant reductions are reflected in the Preliminary Budget, including \$4.3 in Fiscal 2013 and \$65.8 in Fiscal 2014, which would absorb each year's cut to State Aid.

- **PEG: Administration in Schools – OTPS Efficiencies.** The DOE estimates it will achieve \$18 million in savings in Fiscal 2014 by reducing centrally managed programs in schools, such as professional development, education consultants, equipment maintenance and repairs; and general supplies and travel expenses. The Fiscal 2013 cut totals \$10.5 million.
- **PEG: Technology OTPS Efficiencies.** The Department would reduce equipment purchases and infrastructure maintenance to save \$1.7 million both Fiscal 2013 and Fiscal 2014.
- **Administrative OTPS Reductions.** The Preliminary Budget would reduce spending for administrative OTPS activities in Fiscal 2013, including a \$4.3 million cut to general education OTPS.
- **School OTPS Reduction.** Of the \$95.9 million cut in Fiscal 2014, \$65.8 million or 68.6 percent would be achieved through reductions in school OTPS spending. It will be difficult to predict where schools will take the cuts until principals submit their preliminary school budget. However, in past years the Financial Plan has often underestimated school OTPS spending projections at adoption only to make mid-year adjustments that significantly increase the funding level for U/A 402. As such, it is questionable whether schools would be able to absorb the entire cut in OTPS.

Special Education Instruction & School Leadership

The Special Education and School Leadership budget, U/As 403 and 404, supports the special education programs provided by schools. The largest of these programs is integrated co-teaching (ICT). ICT classes consist of one general education teacher and one special education teacher, providing a reduced student/teacher ratio while ensuring that students with disabilities are educated alongside age-appropriate peers in a general education classroom. Special education teachers, aids, and administrators and supplies and services purchased to support special education paid for by schools are funded through U/As 403 and 404. Almost all of the funding budgeted in these U/As 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 12 - Special Education Instruction and School Leadership - U/As 403 & 404

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Spending					
Personal Services Subtotal	\$1,178,384	\$1,099,020	\$1,099,056	\$1,161,020	\$62,000
Full-Time Non-Pedagogical	376	23,484	23,484	23,484	0
Full-Time Pedagogical	1,144,668	1,054,532	1,044,532	1,106,532	52,000
Other Salaried and Unsalaries	22,954	13,327	23,364	23,327	10,000
Additional Gross Pay	8,634	7,677	7,677	7,677	0
Overtime Civilian	146	0	0	0	0
Other	1,606	0	0	0	0
Other Than Personal Services Subtotal	\$2,876	\$6,825	\$6,825	\$5,825	(\$1,000)
Contractual Services	778	2,215	2,309	1,309	(906)
Other	2,098	4,610	4,516	4,516	(94)
TOTAL	\$1,181,260	\$1,105,845	\$1,105,881	\$1,166,845	\$61,000
Positions					
FT Pedagogical	20,448	20,972	20,972	22,084	1,112
FT Non-Pedagogical	4	5	5	5	0
TOTAL	20,452	20,977	20,977	22,089	1,112

**The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.*

Included in the net \$238.2 million cut to school budgets is a \$61 million increase in Special Education Instruction and School Leadership, which is projected to approach \$1.2 billion in Fiscal 2014. The growth results from a \$62 million or 4.6 percent increase to PS and a \$1 million or 14.7 percent reduction to OTPS. The \$1 million cut to special education OTPS is a small piece of the \$66.8 million School OTPS Reduction introduced in the Preliminary Budget to absorb the \$250 million reduction in State Aid.

The growth in the PS budget corresponds with an increase of 1,112 full-time pedagogical positions. With the additional positions, there would be more than 22,000 full-time pedagogues. Growth in special education instruction directly impacts the general education budget. Though funding in U/As 403 and 404 generally goes into school budgets, special education mandates limit principals' discretion in how they spend the funds. Because special education mandates must be met, principals tend to spend their budgets on special education before spending for general education. Cuts to school budgets, therefore, are primarily cuts to general education services.

Categorical Programs

An important component of every school's budget is the categorical aids that support particular student programs and services. U/As 481 and 482 in the Department's budget include most, but not all, categorical aids. Most of the funds budgeted in U/As 481 and 482 flow directly to public schools, while some of it supports categorical programs at non-public 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. The DOE is scheduled to receive \$730.8 million in Title I funding in Fiscal 2013. Title IIA funds support professional development activities for teachers and other staff. 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. Much of the funding for universal pre-kindergarten is in Categorical Programs, as well. State categorical aids include employment preparation education and bilingual education, which bolster the federal programs.

Table 13 - Categorical Programs - U/As 481 & 482

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Spending					
Personal Services Subtotal	\$1,282,529	\$1,145,310	\$1,116,713	\$1,102,701	(\$42,609)
Full-Time Non-Pedagogical	45,171	35,396	35,454	37,771	2,375
Full-Time Pedagogical	803,952	720,822	603,008	588,429	(132,393)
Other Salaried and Unsalaries	73,406	23,053	68,631	67,634	44,581
Additional Gross Pay	111,938	44,229	87,810	86,538	42,309
Overtime Civilian	474	1,413	1,413	1,413	0
Other	247,589	320,397	320,397	320,915	518
Other Than Personal Services Subtotal	\$909,625	\$841,036	\$818,510	\$809,310	(\$31,726)
Contractual Services	536,951	434,359	505,685	493,872	59,513
Other	372,674	406,677	312,824	315,438	(91,239)
TOTAL	\$2,192,155	\$1,986,346	\$1,935,223	\$1,912,011	(\$74,335)
Positions					
FT Pedagogical	10,686	10,848	10,848	10,839	(9)
FT Non-Pedagogical	748	687	687	687	0
TOTAL	11,434	11,535	11,535	11,526	(9)

*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.

As shown in Table 13, funding for Categorical Programs would decrease by \$51.1 million or 2.6 percent in Fiscal 2013 and \$74.3 million or 3.7 percent in Fiscal 2014 as compared to Fiscal 2013 at adoption. In Fiscal 2014, \$42.6 million or 57.3 percent of the reduction would be in PS and

\$31.7 million or 42.7 percent would be in OTPS. The net \$42.6 million PS reduction stems from a \$132.4 million or 18.4 percent decrease in funding for full-time pedagogical staff, combined with a \$44.6 million increase in other salaried and unsalaried positions and a \$42.3 million increase in additional gross pay. Of the Fiscal 2013 cut, \$28.6 million or 56 percent would be in PS and \$22.5 million or 44 percent would be in OTPS.

Financial Plan Changes

- **Title I Reduction.** The Title I funds revenue estimate was reduced by \$34.6 million or 4.3 percent in Fiscal 2013, for a new estimate of \$769 million. The adjustment would reduce Title I revenue by \$65 million in Fiscal 2014 as compared to Fiscal 2013 at adoption. As previously explained in the Revenue discussion on page 9, Title I funds have been adjusted to reflect the decline in the City's proportion of students in poverty nationwide.
- **Title IIA Adjustment.** Federal Title IIA funds are projected to decrease by \$3.7 million or 3.3 percent in Fiscal 2013 and the out-years. The City is scheduled to receive \$108 million in Title IIA funds in Fiscal 2013 and Fiscal 2014.
- **Reduction in School Improvement Grants.** Because the DOE and United Federation of Teachers did not reach an agreement on teacher evaluations by January 17, 2013, New York City forfeited \$14.5 million in School Improvement Grants (SIGs).

Citywide Special Education & Special Education Instructional Support

Funds budgeted in Citywide Special Education Instruction and School Leadership, U/As 421 and 422, provide for direct citywide special education instruction and school supervision for severely handicapped children in self-contained classrooms and home and hospital instruction, and for instructional support services and related services. District 75 schools are funded here. U/As 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 providers to deliver mandated services to students. Funding budgeted here also pays for evaluations of students performed by school-based support teams.

	2012	2013	2013	2014	*Difference
<i>Dollars in Thousands</i>	Actual	Adopted	Jan. Plan	Jan. Plan	2013-2014
Spending					
Citywide SE - U/As 421 & 422					
Personal Services Subtotal	\$742,798	\$815,020	\$765,084	\$807,806	(\$7,214)
Full-Time Non-Pedagogical	35,551	16,884	16,884	16,884	0
Full-Time Pedagogical	637,441	766,266	716,266	759,052	(7,214)
Other Salaried and Unsalaries	36,356	22,842	22,906	22,842	0
Additional Gross Pay	32,210	8,962	8,962	8,962	0
Overtime Civilian	997	0	0	0	0
Other	243	66	66	66	0
Other Than Personal Services Subtotal	\$16,795	\$23,415	\$23,428	\$23,415	\$0
Contractual Services	2,760	3,145	3,209	3,209	63
Other	14,035	20,270	20,219	20,206	(63)
SUBTOTAL Citywide SE	\$759,593	\$838,435	\$788,512	\$831,221	(\$7,214)
SE Instr. Support - U/As 423 & 424					
Personal Services Subtotal	\$234,874	\$258,021	\$258,026	\$263,299	\$5,278
Full-Time Non-Pedagogical	92,518	90,878	90,878	90,878	0
Full-Time Pedagogical	104,943	142,078	142,078	147,356	5,278
Other Salaried and Unsalaries	26,766	23,337	23,337	23,337	0
Additional Gross Pay	8,700	1,728	1,728	1,728	0
Overtime Civilian	1,538	0	5	0	0
Other	409	0	0	0	0
Other Than Personal Services Subtotal	\$291,386	\$348,837	\$302,837	\$326,044	(\$22,793)
Contractual Services	285,801	341,312	294,839	318,526	(22,785)
Other	5,585	7,525	7,998	7,518	(8)
SUBTOTAL SE Instr. Support	\$526,260	\$606,858	\$560,863	\$589,343	(\$17,515)
TOTAL CW SE & SE Instr. Support	\$1,285,852	\$1,445,293	\$1,349,374	\$1,420,563	(\$24,729)

(Continuation from previous page)

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Positions					
FT Pedagogical	13,573	13,015	13,015	13,250	235
FT Non-Pedagogical	2,231	1,986	1,986	1,986	0
TOTAL	15,804	15,001	15,001	15,236	235

**The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.*

The special education budget is projected to be \$1.42 billion in Fiscal 2014, \$831.2 million of which would be for citywide special education and \$589.3 million of which would be for instructional support, or related services. Total funding for special education would decline by \$24.7 million or 1.7 percent in Fiscal 2014 as compared to Fiscal 2013 at adoption. This net reduction would include a \$7.2 million decrease in citywide special education PS, despite an increase of 235 full-time pedagogical positions. There would also be a \$22.8 million reduction in instructional support OTPS, and a \$5.3 million increase in instructional support PS.

The Preliminary Budget would reduce the Fiscal 2013 estimate for special education spending by \$95.9 million or 15.8 percent. The savings would be achieved primarily by a \$50 million or 6.1 percent reduction to Citywide Special Education PS and a \$46 million or 13.2 percent reduction to Special Education Instructional Support OTPS. These cuts stem from actions presented in the January Plan that would offset a portion of the \$250 million cut to State Aid.

Financial Plan Changes

- **PEG: Expense Adjustment.** The Fiscal 2014 Preliminary Budget includes a \$21 million or 2.6 percent reduction to citywide special education PS spending and a \$7 million or 2.7 percent reduction to related services PS spending in Fiscal 2014. The growth in special education has slowed, leading the OMB to revise its spending estimate. The cuts would more closely align the budget with actual spending in prior years.
- **PEG: Related Services.** This PEG would cut related services OTPS by \$18 million in Fiscal 2013 and \$19 million in Fiscal 2014.
- **Administrative OTPS Reductions.** The Preliminary Budget includes a \$4 million reduction to special education related services OTPS, U/A 424.
- **District 75 Re-estimate.** The Department proposes to reduce the budget for citywide special education personal services, U/A 421, by \$50 million in Fiscal 2013. The cut to classroom instruction and school supervision would not negatively impact students; rather it more closely aligns the budget with actual spending. Though special education costs continue to rise, the OMB has found that the growth rate is not as steep as it has been in recent years. However, the DOE suggests that more recent District 75 school spending trends show the reduction is likely to large and the OMB will have to restore a portion of the cut in the Executive Budget.
- **School Pedagogue PS Reduction.** Of the \$128.1 million School Pedagogue PS Reduction in Fiscal 2014, \$19 million would be in citywide special education. The \$19 million cut would

be associated with a reduction in projected headcount growth. Though the Preliminary Budget includes year over year headcount growth of 235 full-time positions from Fiscal 2013 to 2014, as demonstrated in Table 14, the increase is fewer positions than the DOE had previously projected. The reduced growth in headcount stems from slowed growth in special education. The Preliminary Budget includes additional savings in Fringe Benefits, U/A 461.

In addition to budget adjustments associated with the State Aid reduction, the Preliminary Budget includes other adjustments that would contribute to the reduction in the special education budget.

- **State Aid Growth Rate Adjustment.** The Department's projected decrease in spending for special education, based on slowed growth, would result in a corresponding decrease in State Aid for special education. State Aid for special education would decrease by \$20.9 million in Fiscal 2014, including a \$5.9 million reduction to Citywide Special Education PS and a \$15 million reduction to Special Education Instructional Support OTPS.
- **Medicaid Re-estimate.** As discussed previously, the Department reduced its Medicaid revenue projections by \$100 million in Fiscal 2013 and \$50 million in Fiscal 2014. The DOE would take \$24 million of this reduction in instructional support OTPS in Fiscal 2013 and \$15 million in Fiscal 2014. Additionally, spending for citywide special education would decrease by \$4 million in Fiscal 2014 to offset the reduction in revenue.

Table 15 below illustrates the slowed growth in Special Education, which has experienced rapid growth in recent years. Though there is growth in all performance statistics that show the number of students in various special education programs, the growth is much less between Fiscal Years 2011 and 2012 than it was between Fiscal Years 2010 and 2011. The Preliminary Budget assumes that this slowed growth will continue in Fiscal 2013 and Fiscal 2014.

Because of State and federal mandates, the Department must provide special education students with the services they are entitled to, including related services documented on their IEP. As costs for special education have risen at a faster pace than the DOE's budget as a whole in recent years, non-mandated program areas have felt the squeeze. Budget reductions in the past several years have led to cuts in these non-mandated program areas, such as general education and central administration. The slowed growth in special education could enable the DOE to reduce special education spending and therefore make fewer cuts to general education.

Table 15 - Special Education Enrollment

Performance Statistics	Actual			Target		4- Month Actual	4- Month Actual
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 12	FY 13
Students receiving special education services (Preliminary unaudited)	213,831	220,289	221,661	*	*	193,583	195,460
Special education enrollment - school-age	190,092	194,503	194,073	*	*	177,380	179,296
- Public school	166,761	169,948	169,503	*	*	162,069	164,884
- Non-public school	23,331	25,253	24,570	*	*	15,311	14,412
Special education enrollment - pre-school	23,739	25,786	27,588	*	*	16,203	16,164
- Public school	748	699	703	*	*	302	369
- Non-public school	22,991	25,087	26,885	*	*	15,901	15,795
Students recommended for special education services	22,967	15,528	15,653	*	*	4,708	4,229
Students no longer in need of special education services	6,469	6,438	6,689	*	*	2,389	2,557
Students in special education scoring below standards progressing into a higher level – English Language Arts (%)	20.0%	36.4%	29.3%	*	29.3%	NA	NA
- Math	23.2%	42.0%	37.7%	*	37.7%	NA	NA

Source: Fiscal 2013 Preliminary Mayor's Management Report

Charters, Contract Schools, and 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 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 law suits in which the DOE is ordered by a court to reimburse parents for tuition costs at any private school after making a showing that the public school placement is inadequate. Finally, this program area includes funding to pay for schooling provided to foster care children placed outside the New York City school district.

Given charter schools’ dissimilarity to contract schools, carter cases, and foster care that are characterized by mandated spending for special education or foster care students to receive education in a private school setting, the City Council has asked both the DOE and OMB to remove charter schools from U/A 472. As Units of Appropriation are intended to organize the budget according to the function of program areas, charter schools should be moved to a newly created unit of appropriation to improve transparency and accountability. The Contract Budget, which similarly lumps all contract schools into the single budget code “670 – Payments to Contract/Corporate Schools”, should also be amended to include a new object code specifically for charter schools.

Table 16 - Charters, Contract Schools, and Foster Care - U/A 472

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Spending					
Other Than Personal Services Subtotal	\$1,421,509	\$1,600,295	\$1,529,291	\$1,655,821	\$55,526
Charter Schools	715,746	828,448	828,448	899,320	70,872
Contract Schools (In State)	296,877	368,220	308,216	338,329	(29,891)
Contract Schools (Out of State)	33,670	48,700	37,700	39,700	(9,000)
Carter Cases	263,258	236,228	236,228	256,228	20,000
Foster Care	32,765	45,260	45,260	48,805	3,545
Other	79,193	73,439	73,439	73,439	0
TOTAL	\$1,421,509	\$1,600,295	\$1,529,291	\$1,655,821	\$55,526

*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.

Table 16 shows that U/A 472 would be \$1.66 billion in Fiscal 2014, a \$55.5 million or 3.5 percent increase from Fiscal 2013. This net growth would stem from increases in charter school and Carter case spending, which is offset by a reduction to spending for contract schools. Funding for charter schools would grow by \$70.9 million or 8.6 percent and total \$899.3 million in Fiscal 2014, accounting for 54.3 percent of spending within the program area. Carter cases would make up \$256.2 million or 15.4 percent of total spending for U/A 472 in Fiscal 2014. The projection is a

\$20 million or 8.5 percent increase from Fiscal 2013. Spending for contract schools, which would account for 22.8 percent of the program area's budget in Fiscal 2014, would decline by \$38.9 million. The projected reduction comes after years of rapid growth in contract school spending, as is evident by the 26.1 percent increase between Fiscal 2012 and the Fiscal 2013 Adopted Budget.

Financial Plan Changes

- **Reduction to Contract Schools.** The January Financial Plan includes a \$49 million or 11.8 percent decrease in contract school spending, including a \$38 million or 10.3 percent reduction to in-state schools and an \$11 million or 22.6 percent reduction to out-of-state schools.
- **Medicaid Re-estimate.** The DOE reduced its Medicaid revenue estimate in the Preliminary Budget by \$50 million in Fiscal 2014. The DOE would reduce Fiscal 2014 spending in several program areas in order to absorb the reduction in projected revenue, including a \$14 million reduction to in-state contract schools.
- **State Aid Data Adjustment.** The Preliminary Budget would reduce the State's share of funding for in-state contract schools by \$15.6 million in Fiscal 2014.

Though the reduction in contract school spending is an important step toward reigning in mandated spending, the City can take additional steps to control growth. Last year the Office of the State Comptroller conducted audits of special education pre-kindergarten providers, which operate as contract schools, and found fraud and overbilling within the system. The Governor's Executive Budget for 2013-2014 proposes to give New York City greater authority in selecting its providers, as well as other measures to improve oversight of the program, as discussed on page 6 of this report. The Department should advocate that these same measures be applied to school-age contract schools, which may experience similar problems given the nearly identical nature of the system. Regardless of State action, now that the DOE is aware of the overbilling and fraudulent activity that is prevalent in contract schools, the Department should improve its own oversight of the school-age contract school system to limit these problems.

The cost of contract schools can be partially offset by claiming Medicaid for the students that attend these schools. The Department is in the process of expanding to over 200 schools its pilot program to file Medicaid claims for services provided to contract school students.

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 this program area, U/A 470, are directly provided by DOE. The DOE also provides door-to-door bus transportation for these children.

Table 17 - Special Education Pre-Kindergarten - U/A 470

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Spending					
Other Than Personal Services	\$1,008,569	\$1,193,402	\$1,041,137	\$1,142,770	(\$50,632)
Tuition	491,597	741,598	517,023	622,380	(119,218)
Related Services	394,992	304,203	409,778	406,054	101,851
Pupil Transportation	121,980	147,601	114,336	114,336	(33,265)
TOTAL	\$1,008,569	\$1,193,402	\$1,041,137	\$1,142,770	(\$50,632)

*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.

As demonstrated in Table 17, Special Education Pre-Kindergarten is comprised of three service areas: tuition, related services, and transportation. Tuition is the largest spending area and would total \$622.4 million in Fiscal 2014, or 54.5 percent of the preschool special education budget. Related services spending for preschool special education students is projected to reach \$406.1 million in Fiscal 2014 and would make up 35.5 percent of spending for the program area. Ten percent of preschool special education spending would be allocated to pupil transportation, which would drop to \$114.3 million next fiscal year.

Though the budget for special education pre-k is projected to continue to grow, the January Financial Plan projects it will grow less than expected in Fiscal Years 2013 and 2014. Spending in Fiscal 2013 is projected to decrease by \$152.3 million or 12.8 percent as compared to adoption. The reduction includes a \$224.6 million or 30.2 percent decrease in tuition expenses and a \$33.3 million or 22.5 percent decrease in pupil transportation, coupled with a \$105.6 million or 34.7 percent increase in spending for related services. In Fiscal 2014 there would be a \$50.6 million or 4.2 percent reduction in the preschool special education budget as compared to Fiscal 2013 at adoption. The reduction would include a \$119.2 million or 16.1 percent decrease in tuition and a 22.5 percent reduction in pupil transportation spending. Spending for related services would increase by \$101.9 million or 33.5 percent.

Financial Plan Changes

- PEG: Special Education Pre-K Tuition Savings.** The Preliminary Budget includes a PEG that lowers the budget for special education pre-k tuition by \$42 million in Fiscal 2013 and \$60 million in Fiscal 2014. The PEG would include savings for both the City and State each year; the City's share is 40.5 percent and the State's share is 59.5%. Of the total savings, the PEG would reduce City costs by \$18 million in Fiscal 2013 and \$26 million in Fiscal 2014, while the State would save \$24 million this fiscal year and \$34 million next year.

- **PEG: Special Education Pre-K Transportation Savings.** This PEG would reduce the budget for preschool special education transportation services by \$33.3 million in both Fiscal 2013 and Fiscal 2014. The 22.5 percent decrease in spending stems from contractual savings that the DOE anticipates will result from new busing contracts, which became effective in at the start of the 2012-2013 school year. The \$114.3 million spending estimate is a \$7.6 million reduction from actual spending in Fiscal 2012.

Pupil Transportation

According to the City's budget, funding budgeted in U/A 438 supports the safe, reliable and efficient transportation service for the students of New York City. Approximately 600,000 students take advantage of DOE-provided transportation services each school day. Services include mandated 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 U/As. Administrative costs associated with transportation, including the Office of Pupil Transportation, are budgeted in the Central Administration program area, U/As 453 and 454.

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Spending					
Other Than Personal Services	\$1,073,697	\$1,132,167	\$1,132,749	\$1,163,167	\$31,000
General Education	257,504	255,650	255,650	265,650	10,000
Special Education	747,132	804,918	804,918	825,918	21,000
Other	69,061	71,599	72,181	71,599	0
TOTAL	\$1,073,697	\$1,132,167	\$1,132,749	\$1,163,167	\$31,000

**The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.*

As shown in Table 18, the Pupil Transportation budget would grow to \$1.16 billion in Fiscal 2014, comprising six percent of the Department's entire expense budget. The \$31 million or 2.8 percent growth is less than growth in recent years; between Fiscal 2012 and Fiscal 2013 the projected spending increase is \$58.5 million or 5.4 percent. Special education busing would make up 71 percent of Pupil Transportation spending in Fiscal 2014 and total \$825.9 million.

General education busing is projected to increase by \$10 million or 3.9 percent in Fiscal 2014. The increase would make up 32.3 percent of the total growth in Pupil Transportation. The \$265.7 million projected spending for general education busing would comprise 22.8 percent of the entire Pupil Transportation budget.

Special education transportation spending is projected to total \$825.9 million in Fiscal 2014 and would make up 71 percent of the Pupil Transportation budget. Of the \$31 million estimated growth in U/A 438 from Fiscal 2013 to 2014, 67.7 percent would be for special education busing. The massive special education transportation budget may be partially offset with Medicaid reimbursements. The DOE has estimated that it could potentially claim \$20 million in reimbursements for transportation annually. The Department is currently working with a contracted vendor to create and implement an electronic system for tracking data required for Medicaid claims for transportation.

Financial Plan Changes

- **PEG: Operational Efficiencies, OTPS.** This PEG, which impacts several U/As, includes a \$2 million reduction to the Office of Pupil Transportation and is reflected in U/A 438. The savings is associated with the modernization of the school bus fleet, including retrofits for air filters. The cost of these retrofits is lower than previously anticipated, resulting in the \$2 million savings.

On December 20, 2012 the Department released a Request for Bid (RFB) to replace general and special education bus contracts that will expire in August 2013. The RFB will result in new contracts for one-sixth of bus routes beginning, at latest, in September 2013. The bid opening was held on February 12, 2013 and the DOE is in the process of selecting vendors. The Preliminary Budget does reflect any potential savings the DOE may achieve as a result of the RFB.

School Facilities & Energy and Leases

School Facilities is comprised of U/As 435 and 436, and Energy and Leases is represented by U/A 444. Funding for these program areas supports the DOE's building maintenance and custodial operations, and pays for utilities and leases.

Table 19 - School Facilities & Energy and Leases - U/As 435 & 436, U/A 444

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Spending					
Personal Services	\$391,293	\$396,320	\$397,219	\$389,440	(\$6,879)
Other Than Personal Services Subtotal	800,552	710,704	766,422	705,444	(5,259)
School Facilities	343,591 ¹	201,854	257,573	200,140	(1,714)
Energy and Leases	456,961	508,850	508,850	505,304	(3,545)
TOTAL	\$1,191,846	\$1,107,023	\$1,163,641	\$1,094,885	(\$12,138)

**The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.*

Table 19 shows a \$12.1 million decrease in from Fiscal 2013 to Fiscal 2014, with reductions in both School Facilities and Energy and Leases. School Facilities PS is projected to decrease by \$6.9 million or 1.7 percent and OTPS would experience a \$1.7 million or less than one percent reduction. Spending for Energy and Leases would also decline by less than one percent, or \$3.5 million.

Financial Plan Changes

- **PEG: Operational Efficiencies, PS and OTPS.** This PEG includes an \$11 million reduction to School Facilities in Fiscal 2014. The reduction is comprised of a \$2.3 million cut to OTPS and an \$8.7 million cut to PS. The Department would achieve savings through a combination of initiatives, such as reducing custodial allocations, delaying the completion of routine work orders and implementing attrition programs for various titles.
- **New Need: Super Storm Sandy.** Of the \$110 million in funding for recovery efforts following Super storm Sandy, \$54.3 million or roughly half would be allocated to the School Facilities Budget. Almost all of this amount would be for OTPS, and all of the funding is in Fiscal 2013.

¹ The Fiscal 2012 School Facilities OTPS budget includes pollution remediation funds totaling \$121.5 million, accounting for a Fiscal 2012 that is significant larger than the School Facilities OTPS budget in other years.

School Food Services

The Department’s Office of School Food runs the Department’s breakfast and lunch programs and is supported with funding allocated to U/As 439 and 440. 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/resources/SFMenuSystem/public1/default.aspx>.

Table 20 - School Food Services - U/As 439 and 440

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Spending					
Personal Services	\$199,247	\$195,927	\$195,931	\$195,927	\$0
Other Than Personal Services	190,208	214,010	214,065	215,384	1,375
TOTAL	\$389,455	\$409,937	\$409,996	\$411,312	\$1,375

**The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.*

Spending for School Food Services would remain relatively flat from Fiscal 2013 to 2014 and total \$411.3 million next year. PS would be \$195.9 million in Fiscal 2014 and OTPS would be \$215.4 million.

Financial Plan Changes

- **Operational Efficiencies, OTPS.** The Fiscal 2014 Operational Efficiencies OTPS PEG includes savings of \$5.6 million in School Food OTPS. The savings would stem from revised projections for OTPS costs.
- **Recognition of Revenue.** The Department projects it will receive an additional \$10 million in federal revenue for the Breakfast Program and \$18 million for Free and Reduced Price Lunch in Fiscal 2014, for a savings for \$28 million in City funds.

As shown in table 21 below, the PMMR for Fiscal 2013 shows that in recent years there has been growth in the number of school lunches served daily, while the number of breakfasts served has remained relatively flat since Fiscal 2010.

Table 21 - School Meals

Performance Statistics	Actual			Target		4-Month Actual	4-Month Actual
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 12	FY 13
Average lunches served daily	642,264	648,141	661,102	*	*	662,316	N/A
Average breakfasts served daily	220,923	224,623	224,641	*	*	217,981	N/A

Source: Fiscal 2013 Preliminary Mayor's Management Report

Central Administration

U/As 453 and 454 consist of 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 22 - Central Administration - U/As 453 & 454

	2012	2013	2013	2014	*Difference
<i>Dollars in Thousands</i>	Actual	Adopted	Jan. Plan	Jan. Plan	2013-2014
Spending					
Personal Services	\$142,212	\$137,059	\$130,799	\$120,782	(\$16,277)
Full-Time Non-Pedagogical	131,209	128,003	121,742	111,725	(16,277)
Full-Time Pedagogical	3,304	4,055	4,055	4,055	0
Other Salaried and Unsalaries	1,336	1,698	1,698	1,698	0
Additional Gross Pay	6,134	1,372	1,372	1,372	0
Overtime Civilian	863	1,932	1,932	1,932	0
Other	(634)	0	0	0	0
Other Than Personal Services Subtotal	\$156,479	\$140,810	\$113,948	\$109,297	(\$31,513)
Contractual Services	115,437	83,505	64,290	71,505	(12,000)
Other	41,043	57,305	49,658	37,792	(19,513)
TOTAL	\$298,691	\$277,869	\$244,747	\$230,079	(\$47,791)
Positions					
FT Pedagogical	26	164	164	164	0
FT Non-Pedagogical	1,781	1,555	1,555	1,557	2
TOTAL	1,807	1,719	1,719	1,721	2

*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.

Following the trend in recent years, the Department has introduced cuts to the Central Administration budget in Fiscal 2014. The \$47.8 million or 17.2 percent cut would include a \$16.3 million or 11.9 percent reduction to PS and a \$31.5 million or 22.4 percent reduction to OTPS. The entire PS cut would be to spending for full-time non-pedagogical positions. Most of the reduction to Central Administration would be achieved through a variety of efficiencies savings introduced as PEGs in the November Plan.

Financial Plan Changes

- Central Administration Efficiencies, PS and OTPS.** The November Plan PEGs for PS and OTPS would result in savings of \$2.8 million in Fiscal 2013 and \$41.3 million in Fiscal 2014. The cut in Fiscal 2014 would include a \$24.7 million reduction to OTPS and a \$16.6 million reduction to PS. The PS efficiencies in Fiscal 2014 would include the elimination of vacancies and provisional positions where responsibilities can be repurposed throughout

Central offices, as well as through the reduction or elimination of per session activity for non-mandated programs. The cut in Fiscal 2013 would primarily be in OTPS. OTPS savings would be achieved through efficiencies in offices across Central Administration.

The January Plan includes several reductions to Central Administration spending in order to absorb the \$250 million loss in State Aid in Fiscal Year 2013. The reductions would total \$29 million, including \$22.4 million in OTPS and \$6.6 million in PS.

- **Administrative OTPS Reductions.** The Department will reduce Central Administration spending by \$6.1 million in Fiscal 2013 through a variety of administrative reductions in OTPS.
- **Elimination of Central Vacancies.** The DOE will save \$6.6 million in Fiscal 2013 by eliminating Central vacancies. Additional savings are reflected in Fringe Benefits, U/A 461.
- **Reduction in Contracts.** The Preliminary Budget includes \$16.3 million in contractual savings within Central Administration in Fiscal 2013.

Other savings would be achieved through the Technology OTPS Efficiencies PEG, which is projected to save \$873,326 in each of Fiscal Years 2013 and 2014; and Operations Efficiencies, which would save \$335,845 in OTPS in Fiscal 2014.

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. The structure 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 and student placement offices. Funding and headcount for approximately 765 network positions and associated OTPS cost are budgeted in General Education Instruction and School Leadership.

Table 23 - School Support - U/As 415 & 416

	2012	2013	2013	2014	*Difference
<i>Dollars in Thousands</i>	Actual	Adopted	Jan. Plan	Jan. Plan	2013-2014
Spending					
Personal Services Subtotal	\$141,179	\$128,177	\$128,173	\$125,802	(\$2,375)
Full-Time Non-Pedagogical	57,526	36,716	36,716	36,900	184
Full-Time Pedagogical	65,096	68,208	68,198	65,698	(2,509)
Other Salaried and Unsalaries	2,292	14,177	14,177	14,127	(50)
Additional Gross Pay	15,337	7,954	7,954	7,954	0
Overtime Civilian	927	404	410	404	0
Other	2	718	718	718	0
Other Than Personal Services Subtotal	\$12,594	\$11,961	\$9,499	\$10,898	(\$1,063)
Contractual Services	3,745	4,281	4,265	4,223	(58)
Other	8,849	7,679	5,233	6,674	(1,005)
TOTAL	\$153,773	\$140,138	\$137,671	\$136,700	(\$3,438)
Positions					
FT Pedagogical	612	992	992	992	0
FT Non-Pedagogical	982	440	440	440	0
TOTAL	1,594	1,432	1,432	1,432	0

*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.

The budget for School Support is projected to total \$136.7 million in Fiscal 2014, a \$3.4 million or 2.5 percent decrease from Fiscal 2013 as of adoption. The reduction includes a \$2.4 million or 1.9 percent reduction to PS, which would stem primarily from a \$2.5 million cut to spending for full-time pedagogical positions. OTPS faces a \$1 million or 8.9 percent reduction in Fiscal 2014.

Financial Plan Changes

- **School Support PS Efficiencies.** The Financial Plan includes a \$2.5 million reduction to School Support PS in Fiscal 2014, which would be achieved by backfilling vacancies at a lower cost, reducing per session expenses, and eliminating various positions where the support can be repurposed amongst existing staff. The PEG would also result in \$9.4 million in savings in Fiscal 2013.
- **School Support OTPS Efficiencies.** This PEG would save \$1 million in Fiscal 2014 by reducing supplies and materials and restructuring OTPS needs throughout the Networks.

Fringe Benefits & 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 24 – Fringe Benefits and Collective Bargaining – U/As 461 and 491

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Spending					
Personal Services Subtotal	\$2,701,352	\$2,871,488	\$2,836,785	\$2,962,499	\$91,011
Fringe Benefits	2,701,352	2,871,488	2,836,785	2,962,499	91,011
Collective Bargaining	0	0	0	0	0
TOTAL	\$2,701,352	\$2,871,488	\$2,836,785	\$2,962,499	\$91,011

**The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.*

The Preliminary Budget does not include any funds for collective bargaining in Fiscal 2013 or 2014. The program area’s entire projected budget for Fiscal 2014 is in Fringe Benefits. The OMB estimates spending for Fringe Benefits will reach nearly \$3 billion and comprise 15.2 percent of the Department’s entire expense budget next year. The 3.2 percent growth from Fiscal 2013 at adoption to Fiscal 2014 is modest compared to growth in previous years. The slowed growth stems from several actions in the November and January Financial Plans.

Financial Plan Changes

- **HIP Rate Adjustment.** The November Plan includes a HIP rate adjustment that would reduce spending by \$11 million in Fiscal 2013 and \$76.4 million in Fiscal 2014.
- **PEG: Expense Adjustment.** The Department projects \$7.1 million in Fringe Benefits savings in Fiscal 2013, stemming from various savings in personal services.

The January Financial Plan includes savings in Fringe Benefits as a result of the various reductions in personal services spending that would offset the \$250 million State Aid reduction. Savings to fringe benefits associated with actions discussed in the other program areas include:

Fiscal 2013

- Elimination of Unfilled Central Vacancies: (\$2.3 million)
 - Reduction in Use of Substitute Teachers: (\$365,087)
 - Reduction of School Aide Work Schedule: (\$3.1 million)
- As previously stated, the DOE does not plan to implement this PEG.*
- Unemployment Insurance Efficiencies: (\$4 million)

Fiscal 2014

- School Hourly PS Reduction: (\$6.8 million)
- School Non-PED PS Reduction: (\$4.7 million)
- School Pedagogue PS Reduction: (\$26.8 million)
- School Per Session Reduction: (\$2.4 million)

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 25 – U/A 442 - School Safety

<i>Dollars in Thousands</i>	2012 Actual	2013 Adopted	2013 Jan. Plan	2014 Jan. Plan	*Difference 2013-2014
Spending					
Other Than Personal Services	\$298,111	\$303,940	\$303,940	\$308,440	\$4,500
TOTAL	\$298,111	\$303,940	\$303,940	\$308,440	\$4,500

**The difference of Fiscal 2013 Adopted compared to Fiscal 2014 January Plan Funding.*

Data from the Fiscal 2013 PMMR shows criminal activity in schools has been trending downward since Fiscal 2010.

Table 26 – School Safety Measures

Performance Statistics	FY 10	Actual		Target		4-Month	4-Month
		FY 11	FY 12	FY 13	FY 14	Actual FY 12	Actual FY 13
School safety - Seven Major Crimes	839	801	812	*	*	202	151
Other criminal	3,302	3,089	3,295	*	*	595	511
Other	5,354	5,119	5,365	*	*	1,046	806

Source: Fiscal 2013 Preliminary Mayor's Management Report

Appendix A: Contract 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 and 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 following table provides the Department of Education's Contract Budget for Fiscal 2014.

The Department has historically has one of the largest agency contract budgets and in Fiscal 2014 it would make up 45 percent of the City's total \$11 billion Contract Budget. The Preliminary 2014 Contract Budget includes a total of \$5 billion for the DOE's contract budget.

Department of Education Fiscal 2014 Preliminary Contract Budget				
Category	Number	Budgeted	Pct of DOE Total	Pct of City Total
Contractual Services General	8	62,765	1.26%	13.80%
Telecommunications Maintenance	47	14,498	0.29%	29.58%
Maint & Rep Motor Veh Equip	6	178	0.00%	1.33%
Office Equipment Maintenance	58	4,306	0.09%	34.10%
Data Processing Equipment	70	3,771	0.08%	1.91%
Printing Contracts	52	4,348	0.09%	13.66%
Security Services	4	322	0.01%	0.36%
Temporary Services	75	21,177	0.42%	59.28%
Cleaning Services	3	181	0.00%	0.82%
Transportation Expenditures	24	4,882	0.10%	35.62%
Bus Transportation Reimbursable Programs	1	53	0.00%	100.00%
Transportation of Pupils	343	1,176,180	23.54%	100.00%
Payments Contract/Corporate Schools	1,241	2,318,194	46.39%	100.00%
Training Program City Employees	2	4,020	0.08%	25.92%
Maintenance & Operation of Infrastructure	416	102,039	2.04%	54.97%
Payments to Delegate Agencies	1	59	0.00%	0.02%
Prof Services Accounting & Auditing	2	1,785	0.04%	6.79%
Prof Services Legal Services	52	11,032	0.22%	11.79%
Prof Services Engineer and Architect	7	238	0.00%	4.13%
Prof Services Computer Services	99	36,739	0.74%	37.43%
Prof Services Direct Education Services	1,244	1,098,747	21.99%	99.97%
Prof Services - Other	332	70,116	1.40%	40.69%
Bank Charges Public Asst Acct	1	154	0.00%	38.99%
Prof Services - Curriculum and Prof Development	601	61,415	1.23%	100.00%
Education and Rec for Youth Program	25	379	0.01%	0.29%
Preliminary Budget	4,714	\$4,997,578	100.00%	45.36%

Appendix B: Budget Actions in the November and Preliminary Plans

<i>Dollars in Thousands</i>	FY 2013			FY 2014		
	City	Non-City	Total	City	Non-City	Total
DOE Budget as of FY 2013 Adoption	\$9,230,126	\$10,490,787	\$19,720,913	\$9,648,787	\$10,706,952	\$20,355,739
Program to Eliminate the Gap (PEGs)						
SE Pre-K Transportation Savings	(13,472)	(19,793)	(33,265)	(13,472)	(19,793)	(33,265)
Admin in Schools Efficiencies	(12,138)	-	(12,138)	(22,138)	-	(22,138)
School Support Efficiencies	(30)	-	(30)	(3,530)	-	(3,530)
Technology OTPS Efficiencies	(1,694)	-	(1,694)	(1,694)	-	(1,694)
Central Admin Efficiencies	(2,868)	-	(2,868)	(41,305)	-	(41,305)
Operations Efficiencies	-	-	-	(19,058)	-	(19,058)
Related Services	(18,000)	-	(18,000)	(19,000)	-	(19,000)
SE Contract Schools	(49,000)	-	(49,000)	(45,000)	-	(45,000)
SE Pre-K Tuition Savings	(18,000)	(24,000)	(42,000)	(26,000)	(34,000)	(60,000)
Expense Adjustments	(7,100)	-	(7,100)	(38,000)	-	(38,000)
Recognition of Revenue	-	-	-	(60,000)	60,000	-
School Lunch Fees	-	-	-	(8,800)	-	-
SUBTOTAL PEGs	(\$122,302)	(\$43,793)	(\$166,095)	(\$297,997)	\$6,207	(\$282,990)
Other Adjustments						
Elimination of Undisbursed School Funds	-	(\$59,884)	(\$59,884)	-	-	-
Attrition of Pedagogical School Staff	-	(33,059)	(33,059)	-	(128,063)	(\$128,063)
Reduction in Use of Substitute Teachers	-	(5,000)	(5,000)	-	-	-
Reduction of School Aide Work Schedule	-	(8,600)	(8,600)	-	-	-
Administrative OTPS Reductions	-	(16,801)	(16,801)	-	-	-
Elimination of Central Vacancies	-	(8,918)	(8,918)	-	-	-
Reduction in Youth Dev, PD, and IT Contracts	-	(16,338)	(16,338)	-	-	-
Unemployment Insurance Efficiencies	-	(4,000)	(4,000)	-	-	-
District 75 Re-estimate	-	(50,000)	(50,000)	-	-	-
School Hourly PS Reduction	-	-	-	-	(18,984)	(18,984)
School Non-Pedagogical Attrition	-	-	-	-	(4,720)	(4,720)
Per Session Reduction	-	-	-	-	(31,469)	(31,469)
School OTPS Reduction	-	-	-	-	(66,763)	(66,763)
Title I Adjustment	-	(34,592)	(34,592)	-	(64,953)	(64,953)
School Improvement Grants	-	(14,507)	(14,507)	-	-	-
Super Storm Sandy Revenue	-	56,884	56,884	-	-	-
Medicaid Re-estimate	-	(101,000)	(101,000)	-	(72,500)	(72,500)
HIP Rate Adjustment	(10,961)	-	(10,961)	(76,383)	-	(76,383)
Other Adjustments	175	(25,427)	(25,252)	300	(81,824)	(81,524)
SUBTOTAL Other Adjustments	(\$10,786)	(\$321,242)	(\$332,028)	(\$76,083)	(\$469,276)	(\$545,359)
Total All Changes	(\$133,088)	(\$365,035)	(\$498,123)	(\$374,080)	(\$463,069)	(\$828,349)
DOE Budget as of FY 2014 Preliminary Plan	\$9,097,038	\$10,125,752	\$19,222,790	\$9,274,707	\$10,243,883	\$19,527,390