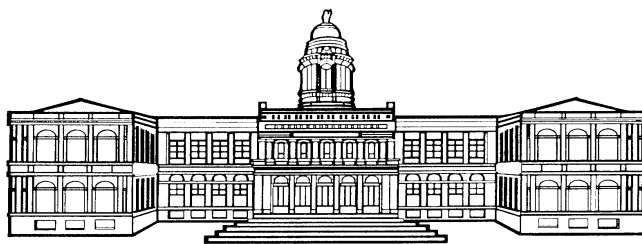


New York City Council



# BUDGET REPORT

Finance Division

March 2009

***Analysis of the  
Fiscal 2010 Preliminary Expense Budget  
and  
Fiscal 2009 Preliminary Mayor's Management Report  
for the  
Department of Education  
Thursday, March 26, 2009***

**Hon. Christine C. Quinn**  
Speaker

**Hon. David I. Weprin**, Chair  
Committee on Finance

**Hon. Robert Jackson**, Chair  
Committee on Education

**Preston Niblack**, Director

**Jeffrey Rodus**, First Deputy Director

**Latonia McKinney**, Deputy Director

**Regina Poreda Ryan**, Legislative  
Financial Analyst

## Preface

On March 26, 2009, at 10 a.m., the Committee on Education, chaired by the Hon. Robert Jackson will hold a hearing on the Mayor's Fiscal 2010 Preliminary Expense Budget and Fiscal 2009 *Preliminary Mayor's Management Report* (PMMR) for the Department of Education (DOE or the Department).

Section 236 of the New York City Charter requires the Mayor to submit by January 16<sup>th</sup> a preliminary budget for the upcoming fiscal year.<sup>1</sup> In addition, pursuant to Section 12 of the City Charter, the Mayor must make public and submit to the Council by January 30<sup>th</sup> a PMMR for the current fiscal year.<sup>2</sup> Among other things, the PMMR must contain "proposed program performance goals and measures for the next fiscal year reflecting budgetary decisions made as of the date of submission of the preliminary budget."<sup>3</sup> The Charter also requires the Council to hold hearings on the preliminary budget and to submit recommendations to the Mayor by March 25<sup>th</sup>.<sup>4</sup> This year, the Council will hold joint hearings on the Fiscal 2010 Preliminary Budget and the PMMR.

Beginning with the Fiscal Year 2008 Adopted Budget, the Council and the Mayor's Office of Management and Budget agreed to an additional budget presentation, referred to by OMB as the budget function analysis, and by the Council as the program budget. Two agencies were initially presented in the program budget form. Beginning with the January 2008 Financial Plan (Fiscal 2009 Preliminary Budget), a total of 16 agencies are now in program budget form. The Department of Education is not a program budget agency.

This report was prepared by Regina Poreda Ryan under the supervision of Deputy Director Latonia R. McKinney.

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<sup>1</sup> The Charter prescribes specific actions that are required as part of the annual budget submission process during a fiscal year. The Charter allows for changes, via local law, in the dates in the submission of the PMMR, as well as an extension for subsequent steps in the budget process. This year, Local Law 3 of 2009 changed the date for the submission of the Preliminary Budget to January 30<sup>th</sup>, and the date for the Council's Response to the Preliminary Budget to April 8<sup>th</sup>.

<sup>2</sup> Local Law 3 of 2009 changed the date of submission of the PMMR to February 13, 2009.

<sup>3</sup> New York City Charter, §12(b)(2).

<sup>4</sup> *See id.* at §247.

## Department of Education (040)

The Department of Education operates more than 1,400 schools for close to 1,000,000 children in grades pre-kindergarten through 12. This year just over 880,000 children are enrolled in general education programs and another 101,000 children are in special education programs in DOE schools.<sup>5</sup> Almost 24,000 children attend the 80 public charter schools in New York City<sup>6</sup>. The Department also supports the education of severely handicapped children who attend private schools, and pre-school children with special needs enrolled in special education pre-kindergarten programs. Another approximately 32,000 four year old children attend Universal pre-Kindergarten programs at private community based organizations. The DOE has the equivalent of 140,499 employees, 114,500 of whom are classified as pedagogical.<sup>7</sup> Of these employees, close to 100,000 work in schools and about 79,000 are teachers.<sup>8</sup>

In addition to providing educational services, the DOE provides support services to schools and students. These include one of the largest food service operations in the nation and a student transportation program costing more than \$1 billion a year. The DOE also is responsible for operating and maintaining all of the public school buildings in the City. The Department employs the School Construction Authority to implement its capital program, which includes site acquisition, construction, leasing and maintenance of schools, and maintenance of the DOE's capital assets. The DOE's Preliminary Capital Budget for Fiscal 2010, its Preliminary Five-Year Capital Plan, and the work of the School Construction Authority are the topic of a separate Committee on Education report and hearing.

According to the PMMR the Department's goals are to improve the academic performance of all students and to prepare them to meet grade level standards in reading, writing and math. DOE seeks to prepare high school students to pass Regents exams and meet graduation requirements. The PMMR lists the DOE's many critical objectives. These include boosting student attendance rates, improving standardized test scores, increasing parent involvement in schools, and ensuring that special education placements are appropriate. Addressing crime in schools, improving building conditions, and increasing teacher and principal quality are also objectives.<sup>9</sup>

### PROGRAM TO ELIMINATE THE GAP

Since the adoption of the Fiscal 2009 Budget in June, the Office of Management and Budget has twice asked agency heads to submit Programs to Eliminate the Gap (PEGs) proposals. PEGs reduce the City's budget gap either by reducing an agency's spending, or by increasing City revenues. In the first round, in September, OMB sought PEG submissions equal to five percent of each agency's City tax-levy budget for Fiscal 2010. OMB sought a further seven percent PEG in December.

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<sup>5</sup> "Monthly Aggregate Registers by Grade" available at: <http://schools.nyc.gov/AboutUs/DOEData/Stats/Register/default.htm>. The enrollment statistics presented here are unaudited and unofficial.

<sup>6</sup> "Department of Education FY 2009 Executive Plan Monitor's Briefing Package," Office of Management and Budget. May 21, 2008. p. 8c.

<sup>7</sup> "Financial Status Report FY 2009 – January 2009" New York City Department of Education. February 13, 2009, p 12. The headcount information included in this report shows both full time and full time equivalent filled positions in the Department as of November 2008. The part-time workforce at DOE amounts to 16,697 positions and includes per-diem teachers and social workers, hourly school aides, guards, cafeteria staff and administrative employees.

<sup>8</sup> *Preliminary Mayor's Management Report for Fiscal Year 2009*. Michael R. Bloomberg. February 2009, p. 15.

<sup>9</sup> *Id.* at p. 15.

Table 1 below shows the value of the proposed Fiscal 2010 PEGs for the DOE included in the November and January Financial Plans. The percentage reduction is based on the Fiscal 2010 forecast City-funds budget when the Fiscal 2009 Budget was adopted in June 2008. As shown in Table 1, the DOE’s PEG program approaches nine percent of its City funds budget.

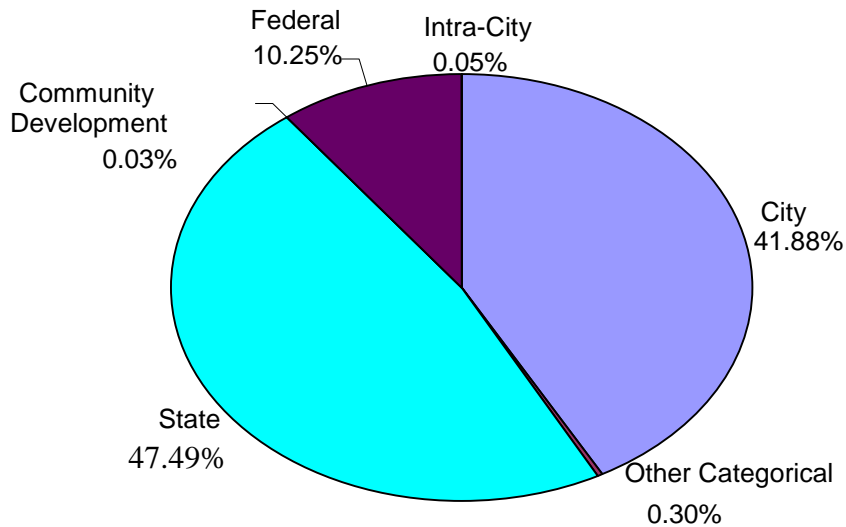
<b>Table 1: November and January Plan PEGs for Fiscal 2010</b> <i>(in 000s)</i>	
<b>Fiscal 2010 Forecast at Fiscal 2009 Adoption (June 2008)</b>	<b>\$7,907,051</b>
November Plan PEGs	\$385,353
January Plan PEGs	\$308,107
<b>Total Fiscal 2010 PEGs</b>	<b>\$691,460</b>
PEGs as a Percent of the Fiscal 2010 Forecast	8.74%

### **PRELIMINARY BUDGET HIGHLIGHTS**

The Preliminary Budget for Fiscal 2010 for the DOE is \$17.32 billion, \$440.3 million less than the Adopted Budget for Fiscal 2009, and \$1.37 billion less than the Fiscal 2010 Budget as forecast when the City Council adopted the Fiscal 2009 budget. Last June, the projected budget for Fiscal 2010 was \$18.69 billion. As shown in Table 1, the November Plan and the January Plan have included PEGs to lower the Fiscal 2010 Budget by \$691.5 million. Overall, the January Plan lowers the Fiscal 2010 budget by \$980.5 million. (See Table 9 on page 10.) The actions in the Plan include the PEGs that have a net budgetary impact of negative \$251.5 million, and additional State funding reductions totaling \$774.2 million. Collective bargaining increases, a revised estimate of employee health insurance costs, the CEO initiative, and Medicaid and State revenue re-estimates adjust the Fiscal 2010 budget upward.

The proposed budget cuts to the Department overall and the proposed budget cuts to schools, in particular, are the most significant initiatives in DOE’s Preliminary Budget. Table 1 above shows only half of the budget-cutting picture, because the \$691.5 million in PEGs only impact the City-funds portion of the DOE’s Budget. As shown in Chart 1, City-funds amount to almost 42 percent of DOE’s operating budget, while State revenue accounts for 47.5 percent. This State aid portion of the DOE’s budget has also been slashed in the Preliminary Fiscal 2010 Budget, by \$728 million. All of the cuts should be considered when reviewing the Preliminary Budget.

## DOE Fiscal 2010 Preliminary Budget



The Preliminary Budget targets most of the funding reductions directly at the Department's funding for public schools. Out of the DOE's \$17.32 billion operating budget for next year, \$5.3 billion is scheduled to fund school budgets. This is more than \$1 billion less than was included in the Adopted Fiscal 2009 Budget for schools. According to the Administration's estimates, the school cuts would result in a loss of at least 15,000 jobs if imposed. The jobs cuts would be made primarily through lay off and would target mostly teachers. This level of cuts would be absolutely devastating to the City's schools.

It is important to note, however, that the Preliminary Budget for Fiscal 2010 makes assumptions about the level of State aid that will be available to the DOE based upon the Governor's proposed State Budget for 2009-2010. It does not reflect the likely infusion of federal aid into City schools from the *American Recovery and Reinvestment Act*. The Financial Plan slashes the City's Fiscal 2010 estimate of Foundation Aid, the principal source of school budget funding, by \$648.7 million, and cuts the State revenue estimate overall by \$720 million. Almost all of the estimated State revenue reduction is carried in the school budget portion of the Department's Preliminary Budget. The Department's Budget for 2010 will rise significantly over the Preliminary Budget once the Financial Plan is adjusted to reflect the new federal aid.

### AGENCY FUNDING OVERVIEW

The public schools are supported by the federal, state, and city governments. Most school aid comes from the City and State, and in Fiscal 2010 both plan to reduce their funding commitments to schools. The change in the level of the City-funds budget for the Department in Fiscal Year 2010 since last June is a result of the November and January Financial Plan PEGs that total \$691.5 million, baseline budget growth of \$491.9 million and other changes to the Financial Plan. The State funds portion of the budget shows a year over year drop of \$287.7 million. This reduction reflects the cuts to State education funding proposed by Governor Patterson in his Executive State Budget. The impact of this State cut would be

significantly greater than the amount shown, however, because the City had expected and had budgeted an increase in State aid of approximately \$431.9 million for next year.

<b>Table 2: Funding Summary</b>				
<b>Agency Funding Sources</b>	<b>Fiscal 2009 Adopted Budget</b>	<b>Fiscal 2009 Modified as of 1/30/2009</b>	<b>Fiscal 2010 Preliminary Budget</b>	<b>Change Adopted to Preliminary</b>
City	\$7,415,129,111	\$7,415,166,111	\$7,252,307,656	(\$162,821,455)
State	\$8,511,321,550	\$8,515,071,550	\$8,223,634,880	(\$287,686,670)
Other Categorical	\$51,434,103	\$65,634,103	\$51,434,103	\$0
Community Development	\$5,000,000	\$5,027,000	\$5,000,000	\$0
Federal-Other	\$1,760,821,852	\$1,760,821,852	\$1,774,269,308	\$13,447,456
Intra-City	\$11,983,793	\$12,250,793	\$8,783,793	(\$3,200,000)
<b>Total</b>	<b>\$17,755,690,409</b>	<b>\$17,773,971,409</b>	<b>\$17,315,429,740</b>	<b>(\$440,260,669)</b>

### HEADCOUNT OVERVIEW

The Financial Plan shows that the DOE now has an authorized headcount of 139,590 full-time and full-time equivalent (“FTE”) employees. This would drop to 124,175 positions if the proposed budget were adopted. The corresponding drop in the DOE’s personnel services budget is \$451.1 million, from \$12.3 billion in the Fiscal 2009 Adopted Budget to \$11.85 billion in the Preliminary Budget. The DOE routinely publishes actual headcount information in its Financial Status Reports. The most recent report shows that as of January 2009 the Department has 139,832 employees, 711 more than its forecast headcount for the current year<sup>10</sup>.

The headcount reductions shown in Table 3 are associated with PEGs in the November and January Financial Plans. The 475 non-pedagogical position drop derives from several proposals introduced in the November Plan to eliminate administrative and school support positions such as skilled trades workers and integrated support center staff. All of these positions are scheduled to be eliminated during the current fiscal year. As of the writing of this report, the DOE has not shown which jobs it would cut to achieve the PEG savings. The remainder of the job losses stem from PEGs in the Preliminary Budget that target school staff. The Plan projects that a \$91 million cut to school budgets would be achieved eliminating 1,440 pedagogical positions through attrition. State funding cuts would lead to 13,930 layoffs and another 260 pedagogical jobs lost through attrition.

<sup>10</sup> “Financial Status Report, FY 2009.” February 2009, p.11.

<b>Table 3: Budgeted Headcount</b>				
<b>Headcount</b>	<b>Fiscal 2009 Adopted Budget</b>	<b>Fiscal 2009 Forecast</b>	<b>Fiscal 2010 Preliminary Budget</b>	<b>Change Adopted to Preliminary</b>
Pedagogical – City	96,921	96,921	81,894	(15,027)
Pedagogical - Non-City	17,182	17,182	17,269	87
<b>Subtotal</b>	<b>114,103</b>	<b>114,103</b>	<b>99,163</b>	<b>(14,940)</b>
Non-Pedagogical – City	23,298	22,822	22,823	(475)
Non-Pedagogical – Non-City	2,189	2,189	2,189	0
<b>Subtotal</b>	<b>25,487</b>	<b>25,011</b>	<b>25,012</b>	<b>(475)</b>
<b>Grand total</b>	<b>139,590</b>	<b>139,114</b>	<b>124,175</b>	<b>(15,415)</b>

### **PRELIMINARY BUDGET REVIEW**

The operating budget of an agency is structured into several levels that provide details regarding the agency's spending plans. The City Charter requires that U/A's represent the amount appropriated for personal services (i.e. salaries) or Other Than Personal Services (i.e. supplies) for a particular program, purpose, activity or institution. What follows is a description of the DOE's budget by functional or programmatic area as far as can be defined by the DOE's unit of appropriation structure. The DOE's U/As have been grouped into the following five categories: 1) Direct Student Services; 2) Administration; 3) School Support Services; 4) Fringe Benefits and Collective Bargaining; and 5) Private and Charter School Pass-Throughs. Each category is discussed below and includes a table that shows the related U/As in the DOE budget, comparing the Fiscal 2009 Adopted Budget to the Fiscal 2010 Preliminary Budget. The Fiscal 2009 Modified Budget reflects DOE's Fiscal 2009 budget as of January 30, 2009. Changes introduced in the January Plan are discussed in each sections.

A review of the DOE's budget by discrete programmatic areas cannot be done. The City's budget structure is not fully aligned with the Department's internal accounting and budgeting systems, which makes it difficult to track spending on particular programs, particularly school based programs. For example, in order to isolate the budgets for the Children First Initiatives such as parent coordinators or the accountability initiative, the DOE's budget would require far greater detail and accuracy than is currently in place. The Administration has aligned the DOE's OTPS budget with its internal budgeting system in order to impose greater spending controls on the DOE. This change, however, has not improved the clarity of the Department's budget because there remain too few budget codes to display the budgets of all of the Departments many programs and organizations.

**Table 4: Direct Student Services**

U/A #	U/A Name	FY09 Adopted Budget	FY09 Modified Budget	FY10 Preliminary Budget	Change Since Adoption	
					Value	Percent
401	GE Instr & Sch Leadership	\$5,646,266,257	\$5,646,716,257	\$4,878,604,989	(\$767,661,268)	-13.60%
402	GE Instr & Sch Leadership-OTPS	\$734,546,367	\$737,706,367	\$418,096,696	(\$316,449,671)	-43.08%
403	SE Instr & Sch Leadership	\$1,385,389,985	\$1,385,389,985	\$1,327,401,565	(\$57,988,420)	-4.19%
404	SE Instr & Sch Leadership-OTPS	\$6,142,994	\$6,142,994	\$6,424,052	\$281,058	4.58%
421	CW SE Instr & Sch Leadership	\$685,655,620	\$685,655,620	\$683,962,070	(\$1,693,550)	-0.25%
422	CW SE Instr & Sch Leadership-OTPS	\$23,415,090	\$23,415,090	\$23,415,090	\$0	0.00%
423	SE Instructional Support	\$209,978,255	\$209,978,255	\$235,782,665	\$25,804,410	12.29%
424	SE Instructional Support-OTPS	\$153,743,594	\$153,743,594	\$185,312,356	\$31,568,762	20.53%
481	Categorical Programs	\$1,279,509,055	\$1,279,509,055	\$1,261,283,981	(\$18,225,074)	-1.42%
482	Categorical Programs-OTPS	\$636,074,010	\$636,341,010	\$634,200,243	(\$1,873,767)	-0.29%
<b>Total</b>		\$10,760,721,227	\$10,764,598,227	\$9,654,483,707	(\$1,106,237,520)	-10.28%

Units of appropriation 401 and 402 fund school budgets and school services and supplies that are provided by central DOE offices. Each school organization has a budget that principals use to pay teachers, aides, parent coordinators and other staff and to purchase school supplies and services like books, professional development, and artist residencies. Units of appropriation 401 and 402 also include funds for vocational high schools, alternative schools, career education, school correction facilities, off-site education centers and the Universal Pre-Kindergarten program. Funding in U/A 403 and 404 pays for special education instruction and related services provided to students in DOE schools. Direct special education instruction, school supervision and related services for severely handicapped students in District 75 schools and other settings are supported by funds in U/A 421 and 422. U/A 423 and 424 support special education instructional services that are centrally managed such as speech and occupational therapy and nurses, as well as some evaluations. U/A 481 and 481 contain State and federal aids provided to the DOE for myriad specific programs such as drug abuse prevention and Title I, most of which support instructional services provided by DOE schools.

The January Plan proposes changes to funding of direct student services that would amount to an overall, drastic reduction to spending on public schools by New York City. The Plan removes \$769.8 million from school budgets (U/As 401 and 402) in Fiscal 2010, and almost all of this proposed reduction stems from the potential cut in State education aid. The State cuts reflected in the school budget portion of the DOE's budget include an \$89.8 million loss in State Support for special education pre-kindergarten services, and a \$ 601.8 million cut in State formula aids, including Foundation Aid. Other cuts that would hit school budgets include a \$300,000 reduction in professional development spending, a \$400,000 cut to non-school support staff, elimination of an early literacy program, and elimination of support for a truancy program operated in conjunction with the District Attorneys. The Plan also adds \$20.3 million to cover collective bargaining increases and adds funding to pay for two CEO programs. These are the LPN Career Ladder Program and instructional services for inmates at Rikers Island. As compared to the Adopted Budget for Fiscal 2009, school PS budgets for next year fall by 13 percent and their OTPS budgets fall by 43 percent. Schools would collectively lose \$1.07 billion next year if the Preliminary Budget were adopted as proposed.



The Department’s budget includes several units of appropriation related to special education. The January Plan includes a single adjustment to U/As 403 and 404 - Special Education Instruction and School Leadership. The DOE expects to begin receiving \$8.5 million in Medicaid reimbursement for targeted case management services provided to students. This initiative swaps federal Medicaid funds for City funds. Year-over-year, the budget for personnel services is projected to fall in this area, although this drop is not related to adjustments included in the January Plan.

Funding for special education schools (U/As 421 and 422) likewise was not adjusted in the financial plan. The year-over-year reduction forecast in U/A 421 derives from an across the board budget cut to District 75 schools proposed in the November Plan. The January Plan boosts the budget for U/A 423- Special Education Instruction Support by \$24 million based on a revised projection that the Department will provide more therapeutic services to students because the Department will be able to hire more therapists. The year-over-year rise of \$31.6 million in projected spending in the related OTPS U/A 424 is a previously forecast increase; the January Plan does not include changes in this area.

**Table 5: Administration**

U/A #	U/A Name	FY09 Adopted Budget	FY09 Modified Budget	FY10 Preliminary Budget	Change Since Adoption	
					Value	Percent
453	Central Administration-PS	\$161,961,937	\$161,961,937	\$145,355,226	(\$16,606,711)	-10.25%
454	Central Administration-OTPS	\$204,667,096	\$204,594,096	\$178,654,905	(\$26,012,191)	-12.71%
415	School Support Organization-PS	\$196,735,676	\$196,735,676	\$188,118,599	(\$8,617,077)	-4.38%
416	School Support Organization-OTPS	\$21,096,424	\$21,096,424	\$20,204,131	(\$892,293)	-4.23%
	<b>Total</b>	\$584,461,133	\$584,388,133	\$532,332,861	(\$52,128,272)	-8.92%

U/A 415 and 416 include funding for the internal school support organizations, the learning support organizations (LSOs), and the empowerment support organizations (ESOs), as well as the five integrated service centers. Parent engagement staff, the community superintendents, student placement offices, and school age and pre-school committees on special education are also funded through these U/As. The central administrative offices are funded through U/A 453 and 454. These include offices such as Teaching and Learning, Finance and Administration, Operations, School Safety, Governmental Affairs, and Media Relations.

The January Plan makes almost no changes to the central and field administration budgets. The almost nine percent forecast year over year drop in administrative spending stems from initiatives introduced in the November Plan. The November Plan PEGs reduced headcount in these units of appropriation by 337 positions. The Department has yet to provide a complete accounting of how it plans to achieve these headcount reductions, but it is in the process of streamlining its central and field offices in order to cut jobs and reduce spending.

**Table 6: School Support Services**

U/A #	U/A Name	FY09 Adopted Budget	FY09 Modified Budget	FY10 Preliminary Budget	Change Since Adoption	
					Value	Percent
435	School Facilities	\$388,077,142	\$390,577,142	\$372,191,350	(\$15,885,792)	-4.09%
436	School Facilities-OTPS	\$137,628,092	\$151,855,092	\$136,551,624	(\$1,076,468)	-0.78%
438	Pupil Transportation	\$1,068,988,318	\$1,066,738,318	\$1,069,745,641	\$757,323	0.07%
439	School Food Services	\$188,167,084	\$188,167,084	\$196,898,077	\$8,730,993	4.64%
440	School Food Services-OTPS	\$221,473,353	\$221,473,353	\$196,820,871	(\$24,652,482)	-11.13%
442	School Safety-OTPS	\$214,085,822	\$214,085,822	\$227,384,587	\$13,298,765	6.21%
444	Energy & Leases-OTPS	\$450,206,989	\$450,206,989	\$454,999,826	\$4,792,837	1.06%
	<b>Total</b>	\$2,668,626,800	\$2,683,103,800	\$2,654,591,976	(\$14,034,824)	-0.53%

Funding in U/A 438 pays for contracts with bus companies to transport lower grade and special education students to and from school, and is used to purchase MTA and SIRT passes for older students. U/A 442 is used to support all aspects of school safety, including personnel. School safety agents, however, are employees of the New York City Police Department and the DOE transfers all of this funding to the NYPD to pay these staff. Funding in U/As 435 and 436 supports the custodial and maintenance operations at the DOE’s more than 1,300 buildings. Funding in U/As 439 and 440 pays for the staff and supplies necessary to provide breakfasts, lunches and other meals to school children, most of whom are eligible for free or reduced priced meals. Light and power services, fuel for heating and vehicles, and all City-funded DOE leases consisting of space for the community school districts, high schools, special education and central administration are paid for with funds from U/A 444.

The January Plan includes only a few actions related to school support services. Spending on school safety will rise by \$13.3 million due to collective bargaining increases for school safety agents and other Police Department staff engaged in school safety operations. Pursuant to an agreement with the City Council, the Plan restores a \$4.1 million cut to custodial services in Fiscal 2009 that had been proposed in the November Plan. Finally, the Plan includes a PEG titled “Expense Re-Estimates” that lowers the budgets for student transportation (U/A 438) by \$124.9 million and food services (U/A 440) by \$48.2 million based on the Department’s revised projections of bussing contract and food commodities costs. Rising fuel costs and related inflationary price increases had driven these spending estimates upward during the prior two years. The Financial Plan uses these re-estimates to off set expenditure increases expected for Carter Cases and special education related service staff.

**Table 7: Fringe Benefits and Collective Bargaining**

U/A #	U/A Name	FY09 Adopted Budget	FY09 Modified Budget	FY10 Preliminary Budget	Change Since Adoption	
					Value	Percent
461	Fringe Benefits	\$2,283,440,558	\$2,283,440,558	\$2,419,492,372	\$136,051,814	5.96%
491	Collective Bargaining	\$70,250,558	\$70,250,558	\$326,600,604	\$256,350,046	364.91%
	<b>Subtotal</b>	\$2,353,691,116	\$2,353,691,116	\$2,746,092,976	\$392,401,860	16.67%

Spending scheduled in U/A 461 provides fringe benefits for all City-funded DOE employees. Fringe benefits include social security, health insurance, payments to welfare funds, annuity contributions, workers’ compensation, and unemployment benefits. The collective bargaining U/A is maintained to provide a reserve for expected costs associated with collective bargaining agreements.

The Preliminary Budget includes adjustments to the Fringe Benefits budget for each action in the Plan that impacts DOE headcount. The State funding discussed in the prior Direct Student Services section of this report, for example lowers the Fringe benefits budget by \$52.6 million. The baseline spending increases on fringe benefits far out way the savings achieved through headcount reductions as is shown by the year over year six percent increase in spending. The Administration has increased the DOE’s collective bargaining reserve in the Preliminary Budget in anticipation of a settlement with the United Federation of Teachers. The \$256.4 million increase shown for Fiscal 2010 would provide UFT members salary increases at the DC 37 pattern.

**Table 8: Private and Charter School Pass-Throughs**

U/A #	U/A Name	FY09 Adopted Budget	FY09 Modified Budget	FY10 Preliminary Budget	Change Since Adoption	
					Value	Percent
470	SE Pre-K Contract Payments	\$653,496,458	\$653,496,458	\$752,384,461	\$98,888,003	15.13%
472	Charter/Contract/Foster Care	\$673,770,579	\$673,770,579	\$914,870,663	\$241,100,084	35.78%
474	NPS & FIT Payments	\$60,923,096	\$60,923,096	\$60,673,096	(\$250,000)	-0.41%
	<b>Subtotal</b>	\$1,388,190,133	\$1,388,190,133	\$1,727,928,220	\$339,738,087	24.47%

U/A 470 includes funds for tuition payments for pre-school students who attend private schools that offer special educational services, for related therapeutic services, and for transportation costs. Funding in U/A 472 provides for payments to charter schools, in-State and out-of-State contract schools and non-resident tuition for children placed in foster care outside of New York City. Transportation costs for students are also included. Funding in U/A 474 is transferred to non-public schools to purchase educational supplies such as library books, textbooks, and data processing equipment. Additionally, support for the Fashion Institute of Technology (FIT), a State University of New York school, is included here.

The Preliminary Budget includes a \$4 million PEG scheduled in U/A 470 related to a bus voucher pilot the Department plans to launch next September. The program would give parents of children enrolled in special education pre-Kindergarten schools vouchers to pay for their child’s transportation to and from

school instead of providing door to door bus service. Also in the budget is a reduction in State aid for special education pre-kindergarten services totaling \$97.3 million in Fiscal 2010, which loss is filled with City funds from the school budget portion of the DOE's budget. These are mandated services that the DOE must provide; therefore this State cut would not be achieved by reducing services. This State aid loss could also impact the Fiscal 2009 budget because the Governor has proposed a mid-year cut to special education pre-kindergarten reimbursements. The Administration has not included this potential State cut in the Financial Plan based on an expectation that it will not be adopted by the State.

The Preliminary Budget includes a PEG called "Expense Re-Estimates" that totals \$113 million in Fiscal 2010 and consists of several spending re-estimates including a \$50 million increase in the budget for Carter Cases. In Fiscal 2010 the DOE's budget, in U/A 472 includes \$87.6 million for Carter Cases, up from \$35.4 million in the Fiscal 2009 Budget. While the increase carried in the Financial Plan is great, it does not accurately reflect the DOE's projected expenditures on Carter Cases. The Financial Plan adjusts the Fiscal 2010 Budget, but not the Fiscal 2009 Budget. The DOE projects that its Carter Case expenditures this year will exceed its \$35.4 million budget by approximately \$100 million. To cover this likely shortfall, the Administration has agreed to pay excess Carter Case expenditures from the City's Judgments and Claims Budget in Fiscal 2009 and to recoup the payments from DOE's prior year payables from Fiscal 2007 and earlier years.<sup>11</sup>

### PRELIMINARY BUDGET ACTIONS (in 000s)

The following table is a summary of the Preliminary Plan actions for Fiscal 2009 and Fiscal 2010, some of which are described in the section above. The Non-City actions include State, Federal, Other Categorical, Intra-City and Capital Inter-Fund Agreement (IFA) funding changes for the DOE.

Description	Fiscal 2009			Fiscal 2010		
	City	Non-City	Total	City	Non-City	Total
<b>Agency Budget as per the November Plan</b>	<b>\$7,237,117,000</b>	<b>\$10,338,982,000</b>	<b>\$17,576,099,000</b>	<b>\$7,521,699,000</b>	<b>\$10,774,194,000</b>	<b>\$18,295,893,000</b>
<b>January Plan Programs to Eliminate the Gap (PEGs)</b>						
Bring Consultant work in-house	\$0	\$0	\$0	(\$107,000)	\$0	(\$107,000)
Expense re-Estimates	\$0	\$0	\$0	(\$112,978,512)	\$0	(\$112,978,512)
FIT	\$250,000	\$0	\$250,000	\$0	\$0	\$0
Food Service Efficiencies	\$0	\$0	\$0	(\$198,127)	\$0	(\$198,127)
Improved Efficiencies in CSE Process	\$0	\$0	\$0	(\$2,051,530)	\$0	(\$2,051,530)
Improved Medicaid Claiming Processes	\$0	\$0	\$0	(\$8,500,000)	\$8,500,000	\$0
Move Reports Online	\$0	\$0	\$0	(\$150,000)	\$0	(\$150,000)
OTPS Cut to Schools	\$0	\$0	\$0	(\$29,000,000)	\$0	(\$29,000,000)
PS Cut to Schools	\$0	\$0	\$0	(\$91,176,910)	\$0	(\$91,176,910)
Reduce Consultant Contract	\$0	\$0	\$0	(\$75,000)	\$0	(\$75,000)
Reduce Frequency of Internal Mail Delivery	\$0	\$0	\$0	(\$350,000)	\$0	(\$350,000)
Reduce Non-School PD	\$0	\$0	\$0	(\$300,000)	\$0	(\$300,000)
Reduce Non-School Support Staff	\$0	\$0	\$0	(\$9,417,555)	\$0	(\$9,417,555)

<sup>11</sup> Id. at 1.

Description	Fiscal 2009			Fiscal 2010		
	City	Non-City	Total	City	Non-City	Total
Reduce Supplemental Programs	\$0	\$0	\$0	(\$323,623)	\$0	(\$323,623)
Reductions in Custodial Services	\$4,135,000	\$0	\$4,135,000	\$0	\$0	\$0
State Formula Aid	\$0	\$0	\$0	(\$46,155,218)	\$46,155,218	\$0
Streamline Truancy Program	\$0	\$0	\$0	(\$1,322,472)	\$0	(\$1,322,472)
Transportation Efficiencies	\$0	\$0	\$0	(\$4,000,000)	\$0	(\$4,000,000)
<b>Total PEGs</b>	<b>\$4,385,000</b>	<b>\$0</b>	<b>\$4,385,000</b>	<b>(\$306,105,947)</b>	<b>\$54,655,218</b>	<b>(\$251,450,729)</b>
<b>January Plan New Needs</b>						
HIP HMO Rate Increase	\$3,054,000	\$0	\$3,054,000	\$21,167,000	\$0	\$21,167,000
PlaNYC Boiler Study	\$2,000,000	\$0	\$2,000,000	\$0	\$0	\$0
PlaNYC Steam Traps	\$200,000	\$0	\$200,000	\$0	\$0	\$0
<b>Total New Needs</b>	<b>\$5,254,000</b>	<b>\$0</b>	<b>\$5,254,000</b>	<b>\$21,167,000</b>	<b>\$0</b>	<b>\$21,167,000</b>
<b>January Plan Other Adjustments</b>						
Advocates for Children of New York, Inc.	(\$200,000)	\$0	(\$200,000)	\$0	\$0	\$0
CHAMPS	\$152,000	\$0	\$152,000	\$0	\$0	\$0
CEO-LPN Career Ladder	\$0	\$0	\$0	\$648,000	\$0	\$648,000
CEO-Rikers Education	\$0	\$0	\$0	\$1,601,227	\$0	\$1,601,227
DSFood Revenue	\$0	\$14,200,000	\$14,200,000	\$0	\$0	\$0
Educational Broadcasting Corporation	(\$25,000)	\$0	(\$25,000)	\$0	\$0	\$0
School Allocations	\$110,000	\$0	\$110,000	\$0	\$0	\$0
School Safety CB - DC37	\$30,055	\$0	\$30,055	\$45,719	\$0	\$45,719
School Safety CB - PAA Increment	\$2,643	\$0	\$2,643	\$3,600	\$0	\$3,600
School Safety CB - Safety Agents	\$5,477,657	\$0	\$5,477,657	\$13,243,758	\$0	\$13,243,758
School Safety CB - Staff Analysts	\$4,846	\$0	\$4,846	\$5,688	\$0	\$5,688
Special Education Pre-K	\$0	\$0	\$0	\$0	(\$97,260,106)	(\$97,260,106)
State Categorical Cut	\$0	\$0	\$0	\$0	(\$14,057,000)	(\$14,057,000)
State Cut - Attrition	\$0	\$0	\$0	\$0	(\$16,462,498)	(\$16,462,498)
State Cut - Layoffs	\$0	\$0	\$0	\$0	(\$637,948,030)	(\$637,948,030)
<b>Total Other Adjustments</b>	<b>\$5,552,201</b>	<b>\$14,200,000</b>	<b>\$19,752,201</b>	<b>\$15,547,992</b>	<b>(\$765,727,634)</b>	<b>(\$750,179,642)</b>
<b>Total January Plan Budget Changes</b>	<b>\$15,191,201</b>	<b>\$14,200,000</b>	<b>\$29,391,201</b>	<b>(\$269,390,955)</b>	<b>(\$711,072,416)</b>	<b>(\$980,463,371)</b>
<b>Agency Budget as per the January Plan</b>	<b>\$7,252,308,201</b>	<b>\$10,353,182,000</b>	<b>\$17,605,490,201</b>	<b>\$7,252,308,045</b>	<b>\$10,063,121,584</b>	<b>\$17,315,429,629</b>

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