

THE COUNCIL OF THE CITY OF NEW YORK

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Hearing on the Fiscal Year 2013 Executive Budget

Department of Education

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Department of Education Fiscal 2013 Budget Overview

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

In addition to providing standard K-12 education, the Department also 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 2013 budget as proposed in the Executive Budget. The report contains an overview of the DOE's Executive Budget and changes from Fiscal 2012, as presented in the Financial Summary. The discussion following the Financial Summary provides details of the Executive Budget, including notable highlights. Also presented in the report is a discussion of school budgets and the revised Fair Student Funding (FSF) Formula for Fiscal 2013. Details of the changes to the Department's budget proposed in the Executive Plan are presented in the Fiscal 2013 Executive Budget Actions section. Fiscal 2012 Council Initiatives are presented in Appendix 1. Adjustments to the Fiscal 2013 Budget proposed in either the November 2011 Financial Plan or the Preliminary Fiscal 2013 Budget were reviewed at the Committee on Education's March 27, 2012 hearing. For a summary of these changes see Appendix 2.

Table 1 - Department of Education Financial Summary*Dollars in Thousands*

	2011 Actual	2012 Adopted	2012 Exec. Plan	2013 Exec. Plan	*Difference 2012-2013
Spending					
Personal Services	\$12,470,317	\$12,623,227	\$12,489,919	\$12,628,612	\$5,386
Other Than Personal Services	6,468,582	6,799,342	6,833,584	7,082,384	283,043
Agency Total	\$18,938,899	\$19,422,569	\$19,323,503	\$19,710,997	\$288,428
Budget by Unit of Appropriation					
401 - GE Instr. & Sch Ldrshp - PS	\$5,395,112	\$5,634,683	\$5,567,823	\$5,568,770	(\$65,913)
402 - GE Instr. & Sch Ldrshp - OTPS	611,195	484,564	507,551	487,775	3,211
403 - SE Instr. & Sch Ldrshp - PS	1,046,360	1,050,959	1,083,959	1,099,020	48,061
404 - SE Instr. & Sch Ldrshp - OTPS	2,799	6,825	6,825	6,825	0
481 - Categorical Programs - PS	1,535,244	1,316,428	1,228,819	1,143,951	(172,477)
482 - Categorical Programs - OTPS	896,558	722,481	883,125	837,255	114,774
421 - Citywide SE Instr. & Sch Ldrshp - PS	752,292	771,490	776,107	815,020	43,530
422 - Citywide SE Instr. & Sch Ldrshp - OTPS	18,862	23,415	23,415	23,415	0
423 - SE Instructional Support - PS	237,753	246,360	246,360	258,021	11,661
424 - SE Instructional Support - OTPS	272,118	351,838	312,838	348,837	(3,001)
472 - Charter/Contract/Foster Care - OTPS	1,161,576	1,496,986	1,476,902	1,611,841	114,855
470 - SE Pre-K Contracts - OTPS	943,426	1,129,313	1,084,901	1,193,402	64,088
438 - Pupil Transportation - OTPS	1,017,219	1,079,761	1,075,573	1,132,167	52,406
435 - School Facilities - PS	414,770	401,322	396,457	393,322	(8,000)
436 - School Facilities - OTPS	348,927	201,297	221,755	201,891	594
444 - Energy & Leases - OTPS	468,567	512,151	473,883	505,304	(6,847)
439 - School Food Services - PS	199,749	187,898	198,898	196,234	8,335
440 - School Food Services - OTPS	180,242	238,832	215,832	211,393	(27,439)
453 - Central Administration - PS	167,625	143,197	143,781	137,059	(6,138)
454 - Central Administration - OTPS	166,802	164,960	164,815	135,234	(29,727)
461 - Fringe Benefits - PS	2,588,266	2,740,127	2,716,953	2,889,039	148,912
491 - Collective Bargaining - PS	12,309	0	0	0	0
415 - School Support Orgs. - PS	120,836	130,762	130,762	128,177	(2,585)
416 - School Support Orgs. - OTPS	13,084	13,752	13,752	11,961	(1,791)
442 - School Safety - OTPS	297,900	302,021	302,021	303,940	1,919
474 - Non-Public and FIT - OTPS	69,308	71,146	71,146	71,146	0
Total	\$18,938,899	\$19,422,569	\$19,324,253	\$19,710,997	\$288,428
Positions					
FT Pedagogical	108,345	105,985	106,413	107,264	1,279
FT Non-Pedagogical	11,065	10,327	11,192	10,964	637
Total	119,410	116,312	117,605	118,228	1,916
Funding					
City	N/A	\$9,282,147	\$9,099,102	\$9,225,770	(\$56,377)
Other Categorical	N/A	94,970	128,619	96,619	1,649
State	N/A	8,108,562	8,117,750	8,433,295	324,733
Federal - C.D	N/A	5,000	5,000	4,500	(500)
Federal - Other	N/A	1,916,442	1,930,879	1,942,030	25,588
Intra-City	N/A	16,198	42,905	8,784	(7,414)
Total	N/A	\$19,423,319	\$19,324,255	\$19,710,998	\$287,679

*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 Executive Plan funding.

The Department of Education's Executive Budget recognizes a \$288.4 million or 1.5 percent increase from the Fiscal 2012 Adopted Budget and will total \$19.7 billion in Fiscal 2013. The

growth is largely in other than personal services (OTPS), which is projected to reach \$7.1 billion in Fiscal 2013 and grow by \$283 million or 4.2 percent from Fiscal 2012. Most of this OTPS growth is related to projected increases in contracted services spending, most notably special education pre-kindergarten programs, charter schools, and pupil transportation. Personal services (PS) spending, which makes up nearly two-thirds of the Department's entire budget, increases by \$5.4 million or less than one percent. However, there is considerable growth in fringe benefits due to a re-estimate of teacher staffing levels and health insurance cost increases.

In recent years the City's share of the DOE's budget has increased while the State's share has decreased. As of the Preliminary Budget, the OMB estimated the City's share in Fiscal 2012 to be 55.5 percent and the State's contribution to be just 35.3 percent of the entire budget. Because of an increase in State Aid recognized in the Preliminary and Executive Budgets, as seen in the Financial Plan Summary above the City's share will drop to 46.8 percent in Fiscal 2013 while the State's share grows to 42.8 percent in Fiscal 2013.

Budget Highlights

Special Education

\$52.2 million increase

The Executive Budget projects growth in both Citywide Special Education Instruction and School Leadership- U/A 421 and Special Education Instructional Support- U/A 423, following the trend of increased year over year spending for special education. The Fiscal 2013 projections for each of these program areas are:

- **Citywide Special Education:** **\$838.4 million**
 The \$43.5 million or 5.5 percent increase in Citywide Special Education, which funds the DOE's District 75 schools, is entirely in personal services and is associated with the addition of 200 non-pedagogical positions.
- **Special Education Instructional Support** **\$606.8 million**
 PS spending for special education instructional support, which includes therapeutic and support services provided to children pursuant to an Individualized Education Plan (IEP) grows by \$11.7 million or 4.7 percent. A \$3.0 million reduction to OTPS results in a net budget increase of \$8.7 million.

U/A 470 Special Education Pre-Kindergarten

\$64.1 million increase

The Fiscal 2013 budget for Special Education Pre-Kindergarten- U/A 470 is slated to increase \$64.1 million or 5.7 percent from the Fiscal 2012 Adopted Budget. It will total \$1.2 billion and is broken out by the following budget categories:

- Tuition: \$741.6 million
- Related Services: \$304.2 million
- Transportation: \$147.6 million

The greatest growth is in related services, which increases by \$34.7 million or 12.9 percent. There is an estimated \$286,000 reduction in spending for transportation. The increase in spending for special education pre-k is despite various Fiscal 2013 PEGs introduced in the November Plan totaling \$98.2 million. These PEGs lowered the Fiscal 2012 Adopted Budget's Fiscal 2013 estimate

by \$35.9 million; the Fiscal 2012 Adopted Budget projected a \$100 million increase from Fiscal 2012 to 2013. These PEGs are listed in Appendix 2 and discussed in the Preliminary Budget Report. In addition, the DOE released a bid for special education pre-k transportation to seek new contracts beginning in Fiscal 2013. As of this writing, the DOE has not announced awards and the budgetary impact of newly negotiated contracts, if any, is not reflected in the Fiscal 2013 Executive Budget.

U/A 438 Pupil Transportation

\$52.4 million increase

Spending on pupil transportation will increase by \$52.4 million or 4.9 percent from Fiscal 2012 to 2013 and total \$1.13 billion. The Fiscal 2013 total pupil transportation budget breaks out as follows:

- General Education: \$255.7 million
- Special Education: \$804.9 million
- Other: \$71.6 million

The cost of transportation for special education pupils is 71.1 percent of the entire Pupil Transportation budget. Of the \$52.4 million total growth, \$32.3 million or 61.6 percent is for special education transportation services and \$19.4 million or 37 percent is for general education services.

U/A 472 – Charters Schools

\$91.5 million increase

Of the \$114.9 million increase in funding for U/A 472 from Fiscal 2012 to 2013, \$91.5 million or 79.7 percent is for charter schools. The 12.4 percent growth in the charter school budget supports the opening of 24 new charter schools for the 2012-2013 school year, as well as enrollment growth in existing charter schools as additional grades are phased in. The tuition rate set by the New York State Department of Education will remain flat from this school year to next at the rate of \$13,517 per student. The DOE projects charter school enrollment to total 53,591 for general education students and 5,389 for special education students in Fiscal 2013, for a total of 58,979 students. The additional 10,759 students is a 22.3 percent enrollment increase from 2012. As of March 2012 there were 44,288 general education students and 3,932 special education students for a total of 48,220 charter school students in 110 charter schools.

U/A 472 – Carter Cases

\$10.0 million decrease

Carter cases will cost \$236.2 million in Fiscal 2013, a \$10 million or four percent decrease from Fiscal 2012. 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 showing that the public school placement is inadequate. The large majority of funding for Carter Cases supports tuition payments for private schools, while a much smaller portion covers legal fees associated with the cases.

U/A 472 – Contract Schools

\$35.6 million decrease

The Executive Plan projects a \$416.9 million budget for contract schools in Fiscal 2013 compared to \$452.6 million in Fiscal 2012. 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. The \$35.6 million or 8.6 percent net decrease includes growth in out of state contract schools and a reduction to in-state contract school spending. The Fiscal 2013 budget includes:

- In-State Contract Schools: \$368.2 million
- Out of State Contract Schools: \$48.7 million

In-state contract school costs will decline by \$40.5 million or ten percent, while out of state contract school costs will increase by \$4.9 million or 11.1 percent.

U/A 461 – Fringe Benefits

\$148.9 million increase

The increase in spending for fringe benefits stems largely from the Department maintaining teacher headcount in the Executive Budget. A reduction to teacher headcount in Fiscal 2013 had been anticipated in both the Fiscal 2012 Adopted Budget and the Fiscal 2013 Preliminary Plan. As such, the Fiscal 2012 Adopted Budget estimated only a \$76.3 million increase in spending for fringe benefits to account for regular growth as healthcare and other costs rise; according to the Office of Management and Budget (OMB), healthcare costs increase roughly nine percent year to year. Because the DOE is no longer planning a headcount reduction through attrition, the Department must pay fringe benefits to more employees than previously anticipated. The projected spending for fringe benefits is expected to grow \$148.9 million in Fiscal 2013 and total \$2.9 billion.

State Aid

\$324.7 million increase

The Executive Plan includes a baseline adjustment of Foundation Aid based on the enacted State Budget. The OMB had previously held the aid flat in the out years. Foundation aid is scheduled at \$5.33 billion in Fiscal 2012, \$5.53 billion in Fiscal 2013, and \$5.7 billion in Fiscal 2014. The Fiscal 2013 projection includes approximately \$202 million in additional State aid that will be used to avoid losing 2,570 general education teacher positions through attrition. The OMB expects the same proportional increase in the out years and plans to use the funds to avoid future cuts to the general education budget in schools.

These additional State funds are at risk in the out years because Governor Cuomo has threatened to withhold the funds if the DOE and United Federation of Teachers (UFT) do not reach a teacher evaluation agreement. In addition, still at risk are approximately \$58 million in federal School Improvement Grants (SIG funds) that flow through the State, as the State Department of Education has not yet approved the City's most recent plan for turnaround schools.

School Budgets

The City's almost 1,700 public schools each have an individual school budget that is funded by the Department through a variety of allocation formulas and pass-throughs. All of the funding that is allocated to schools to support their operations is budgeted centrally within three U/A pairs:

- General Education Instruction & School Leadership (U/As 401 & 402);
- Special Education Instruction & School Leadership (U/As 403 & 404); and
- 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.

Table 2 - School Budgets

<i>Dollars in Thousands</i>	2011 Actual	2012 Adopted	2012 Exec. Plan	2013 Exec. Plan	*Difference 2012-2013
Personal Services	\$7,976,717	\$8,002,070	\$7,880,601	\$7,811,741	(\$190,329)
Other Than Personal Services	\$1,510,552	\$1,213,870	\$1,397,501	\$1,331,855	\$117,985
Total	\$9,487,269	\$9,215,940	\$9,278,102	\$9,143,596	(\$72,343)
General Ed. Instr. & Sch. Ldrshp	\$6,006,307	\$6,119,247	\$6,075,375	\$6,056,545	(\$62,702)
Special Ed. Instr. & Sch. Ldrshp	1,049,159	1,057,784	1,090,784	1,105,845	48,061
Categorical Programs	2,431,803	2,038,908	2,111,944	1,981,206	(57,702)
Total	\$9,487,269	\$9,215,940	\$9,278,102	\$9,143,596	(\$72,343)
Positions					
FT Pedagogical	94,400	91,774	92,242	93,093	1,319
FT Non-Pedagogical	3,464	4,008	4,608	4,588	580
Total	97,864	95,782	96,850	97,681	1,899

*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 Executive Plan funding.

As show in Table 2, funding allocated to the U/As that fund school budgets decreases by \$72.3 million in the Fiscal 2013 Executive Plan, as compared to the Fiscal 2012 Adopted Budget. PS spending decreases by \$190.3 million or 2.4 percent and OTPS grows by \$118 million or 9.7 percent. However, the DOE maintains that school budgets will remain flat from Fiscal 2012 to 2013, as described below. Because there is a net decrease in these U/As, however, it is difficult to understand how school budgets can remain flat by looking at the Executive Budget. Also, it is impossible to determine the actual size of school budgets based on the current structure of the budget. The lack of transparency is problematic given the great significance of the services provided by public schools to New Yorkers. Additionally, as school budgets are usually released after the City Council's hearing on the Executive Budget, there is little time for discussion or consideration before voting on the Executive Budget by the end of June.

- **Executive Budget Restores General Education Teacher Headcount**

The Financial Plan Summary shows that within the school budget units of appropriations, U/A 401- General Education PS faces a \$65.9 million or 1.2 percent reduction. Accounting for \$14.5 million of this decrease is non-teacher excess attrition, which will result in the reduction of 154 pedagogical positions. Refer to the Budget Actions Chart and discussion on p. 10 for additional detail.

The \$65.9 million reduction still leaves U/A 401 with a significantly larger budget as compared to the Preliminary Budget, which projected a \$184.7 million decrease in spending and the loss of 2,570 general education teachers through attrition. As of February 2012 there were approximately 61,460 pedagogical positions funded in U/A 401, most of whom were teachers; the attrition would have reduced this workforce by 4.2 percent. The increase in funding since the Preliminary Budget reflects a shift of \$135 million in additional State Aid included in the 2012-2013 enacted State Budget out of Categorical Programs, U/As 481 and 482. Also, the enacted State Budget included an additional \$66.6

million in State Aid that contributes to filling the Preliminary Budget's gap in U/A 401. According to the OMB, the additional State funds, which the OMB anticipates will increase in the out years, will be used to keep the General Education budget flat.

Despite the reduction to U/A 401, the DOE projects there will be no teacher headcount reduction because salary drift, or increases in salary based on step increases and longevity increments, will cost less in Fiscal 2013 than previously anticipated. The OMB has revised the previous estimate because principals have hired fewer new teachers in recent years due to hiring freezes and cuts to school budgets. Because salary increases are frontloaded early in a teacher's career, costs of these increases are much less as the teacher population ages with respect to seniority. For example, a teacher with a starting salary of roughly \$46,000 will earn \$88,000, or almost double the starting salary, after eight years because of step increases. After another 8 years the teacher will be earning approximately \$99,000, only a 13 percent additional increase.

- **Reduction to Categorical Programs**

The Financial Plan Summary shows a \$172.5 million or 13.1 percent reduction to U/A 481 – Categorical Programs PS, which in part reflects the State Aid that was shifted to U/A 401. In addition, ARRA funds that were rolled into Fiscal 2012 expire after this fiscal year, contributing to the reduction. Schools were anticipating losing these funds and they do not support core services, so there should be minimal impact on schools.

- **Growth in Special Education Instruction – Personal Services**

Spending on special education instruction is projected to grow by \$48.1 million in Fiscal 2013 and total \$1.1 billion. The growth is entirely in personal services and corresponds with an increase of 1,477 special education teachers. This is a 7.6 percent increase in the number of special education teachers funded in school budgets, which totaled 19,495 in February 2012.

Though the Executive Budget includes projected impacts of school budget funding levels, principals have autonomy in how they ultimately decide to spend their budgets. In Fiscal 2012, 656 school aides were laid off and throughout the school year some were rehired. It is unclear if principals will now be able to hire back additional school aides and if they will choose to do so.

Changes to the Fair Student Funding Formula

The DOE has proposed several changes to the Fair Student Funding (FSF) formula to be effective in Fiscal 2013, and the Panel for Educational Policy approved these changes on May 23, 2012. The changes in the formula will not impact the overall amount of funds available for schools, but will impact the amount each school receives in its school budget.

	FY 12 FSF Weights			FY 13 FSF Proposed Weights		
	K-5	6-8	9-12	K-5	6-8	9-12
Grade Weights	1	1.08	1.03	1	1.08	1.03
Need Weights						
Academic Intervention						
Poverty	0.12	-	-	0.12	-	-
Achievement - well below standards	-	0.5	0.4	-	0.5	0.4
Achievement - below standards	-	0.35	0.25	-	0.35	0.25
Heavy Graduation Challenge OTC	N/A	N/A	N/A	-	-	0.18
ELL	0.4	0.5	0.5	0.4	0.5	0.5
Special Education						
Less than 20%	0.56	0.56	0.56	0.56	0.56	0.56
20-60%	0.68	0.68	0.68	1.25	1.25	1.25
Greater than 60% (self-contained)	1.23	1.23	0.58	1.18	1.18	0.58
Greater than 60% (integrated) K only	2.28	-	-	2.09	-	-
Greater than 60% (integrated) grades 1-12	1.9	1.9	2.1	1.74	1.74	1.74
Transitional Supplement	N/A	N/A	N/A	0.12	0.12	0.12
Portfolio Weights						
Specialized Audition schools	-	-	0.35	-	-	0.35
Specialized Selective schools	-	-	0.25	-	-	0.25
CTE schools	-	-	0.05-0.25	-	-	0.05-0.25
Transfer schools	-	-	0.4	N/A	N/A	N/A
Transfer schools - Heavy Graduation Challenge	N/A	N/A	N/A	-	-	0.4
Transfer schools - Regular Graduation Challenge	N/A	N/A	N/A	-	-	0.28

- Special Education Weights**

First, the DOE revised its FSF formula for the 2012-2013 school year so that the weight system used to reflect special education need would more accurately reflect the Department’s new special education policies referred to as Special Education Reform. The DOE has attempted to tie the special education weights to the new State IEP, which specifies special education needs by subject area, as many students require special instruction only for certain subject areas rather than a full day of special instruction in all subjects. As such, the DOE expects that more students should shift from self-contained classes and having greater than 60% of their class time in integrated classes, to spending 20-60% of their class time in special education classes.

Special Education Reform, which is set to roll out system-wide in the 2012-2013 school year, seeks to fulfill students’ needs according to the new State IEP while keeping students in their district schools. The proposed formula essentially rewards schools for minimizing the number of students in self-contained classes and providing students with only the special instruction that is documented on their IEP, enabling them to spend more time in more general education classes. See Table 3 above for the weight changes. The proposed

weights will be applied only to additional students in a school when there is an increase in register in Fiscal 2013.

The Transitional Supplement is a new proposed weight that would enable a gradual implementation of the proposed formula and minimize large year-over-year swings in school budgets that are unrelated to register change. The Transitional Supplement will be applied per student when there is a decrease in student register.

- **Heavy Graduation Challenge Over the Counter**

In addition to the Special Education weights, the proposed formula includes an additional Academic Intervention weight for students with a heavy graduation challenge, or those who are over-aged, under-credited OTC (over-the-counter), who enroll in traditional high schools instead of transfer schools. The weight is intended to serve as a funding incentive for traditional high schools to take students with heavy graduation challenges.

- **Transfer Schools – Heavy and Regular Graduation Challenge**

The current FSF formula provides a weight for all transfer schools. The proposed formula reduces this weight for students who are not over-aged and under-credited, or have a regular graduation challenge, as seen in the table above. It maintains the current weight only for students who are over-aged and under-credited.

Budget Transparency

The Department's \$19.7 billion Executive Budget for Fiscal 2013 as structured lacks transparency, accountability, and the ability to identify programmatic spending. It provides very little detail on the agency's core function, which is the operation of public schools. The budget does not show how much schools spend on elementary school classroom teachers, on high school guidance counselors, on middle school principals, or on teachers assigned to the Absent Teacher Reserve Pool, for example. The three U/A pairs used to fund schools are so large that the Department retains almost complete authority to move funding among the many diverse programs that are provided by public schools. U/A 401 – General Education personal services, is slated to total \$5.6 billion in Fiscal 2013, more than a quarter of the Department's entire budget. The size of the U/As not only limits the City Council's ability to make informed decisions regarding the DOE's budget, it undermines the programmatic nature according to which the budget is supposed to be structured.

In addition, Categorical Programs is entirely non-programmatic and instead structured by funding source. Examples of the budget's failure to provide transparency and organize programmatically is the lack of visibility regarding funding for GED and continuing education programs, and the delineation of funding for universal pre-kindergarten amongst several units of appropriation.

In its response to the Fiscal 2013 Preliminary Budget, the City Council called on the DOE to immediately move funding and headcount for network staff out of U/A 401, General Education, and back into U/A 415, School Support Organizations. In addition, the Council asked the DOE to establish a distinct unit of appropriation for charter schools separate and apart from U/A 472, which also includes contract schools, Carter cases, and foster care. The City Council urged the Administration to overhaul the DOE's budget so to make it more programmatic, more transparent,

and provide both the Administration and the City Council with greater control over the Department's Budget. The Council reiterates these requests for the Fiscal 2013 Adopted Budget.

Fiscal 2013 Executive Budget Actions

The Fiscal 2013 Executive Plan increases the Department's budget by \$77.5 million due to various budget adjustments. There were no actions labeled as Programs to Eliminate the Gap (PEGs) or new needs identified in the Executive Budget, but the Plan does include several initiatives that will cut spending and eliminate DOE staff through attrition.

Table 4 – Budget Actions in the Executive Plan

Dollars in Thousands

	FY 2012			FY 2013		
	City	Non-City	Total	City	Non-City	Total
DOE Budget as of February 2012 Plan	\$9,127,359	\$10,323,518	\$19,450,877	\$9,222,108	\$10,411,387	\$19,633,495
Other Adjustments						
Intra-City Adjustments	0	3,287	3,287	0	0	0
Attrition Savings	0	0	0	0	(15,934)	(15,934)
Central Admin OTPS Efficiencies	0	0	0	0	(24,355)	(24,355)
City Council Reallocation	11	0	11	0	0	0
Medicaid Revenue Re-estimate	0	(80,000)	(80,000)	0	0	0
Enacted Run Tie	0	4,596	4,596	0	7,856	7,856
Federal and State Awards	0	(26,435)	(26,435)	0	(610)	(610)
Fuel, Heat, Light, and Power	(28,268)	0	(28,268)	3,153	0	3,153
Non-Teacher Excess Attrition	0	0	0	0	(17,818)	(17,818)
Outyear Adjustment	0	0	0	0	59,897	59,897
PlaNYC adjustments	0	185	185	0	0	0
Regional Admin OTPS Efficiencies	0	0	0	0	(1,791)	(1,791)
School Baseline	0	0	0	0	66,595	66,595
Service in Schools	0	0	0	242	0	242
YMI	0	0	0	266	0	266
Total Changes	(\$28,257)	(\$98,367)	(\$126,624)	\$3,661	\$73,840	\$77,501
DOE Budget as of Executive 2012 Plan	\$9,099,102	\$10,225,151	\$19,324,253	\$9,225,769	\$10,485,227	\$19,710,996

Fiscal 2013 Other Adjustments

Attrition Savings

The Department projects it will achieve \$15.9 million from the attrition of 208 positions in Fiscal 2013. The savings stem from headcount reductions in school support, school food, and central administration, as follows:

Unit of Appropriation	Headcount Reduction	Savings <i>(thousands of dollars)</i>
• 415 – School Support	(46)	\$2.8 million
• 439 – School Food	(72)	\$2.7 million
• 453 – Central Administration	(90)	\$6.6 million
• 461 – Fringe Benefits	N/A	\$3.9 million
TOTAL	(208)	\$15.9 million

- **School Support.** The headcount reduction would impact the Committee on Special Education (20 positions) and Youth and Parents (26 positions).
- **School Food.** All positions will be in Direct Field Operations.
- **Central Administration.** The reduction to Central Administration includes staff from the Division of Assessment and Accountability (9 positions); Office of Legal Services (8 positions); Division of Human Resources (15 positions); Division of Finance Operations (20 positions); and Division of Instruction and Information Technology (38 positions).

Though the Executive Budget projects headcount reductions in the offices and divisions as listed above, the DOE acknowledges that these are basic projections and there will likely be adjustments based on where the reductions are actually taken. For example, School Food might not be able to adequately maintain services with a reduction of 72 positions, so the DOE may look to absorb some of this reduction elsewhere.

Central Administration OTPS Efficiencies

The Department expects to save \$24.3 million through administrative efficiencies in Central Administration – OTPS. The efficiencies account for most of the \$29.7 million total reduction to U/A 453. The DOE is making general cuts across the board and seeking to reduce contractual spending in areas such as the Division of School Facilities, IT, and Legal Services by potentially eliminating vendors and increasing in-house support. The Department has implemented PEGs and made cuts to Central Administration several years in a row to achieve savings and avoid school budget reductions.

Non-Teacher Excess Attrition

Non-Teacher Excess Attrition reflects the Department's efforts to achieve savings by using those in the Absent Teacher Reserve (ATR) pool more flexibly. In addition to teachers, the ATR pool includes non-teacher pedagogical positions. The DOE achieved savings in Fiscal 2012 by rotating teachers among assignments, leading to greater productivity from those in the pool and more teachers finding permanent placements within schools. The DOE will implement a similar strategy for non-teacher positions in the pool to achieve the \$17.8 million in savings. Of these savings, \$14.5 million accounts for the reduction in general education PS and the rest is in fringe benefits.

Outyear Adjustment

The Outyear Adjustment in Fiscal 2013 aligns the budget with anticipated spending. The action includes the following adjustments:

- U/A 401, General Education – PS: (\$35.1 million)
- U/A 423, Special Education Instr. Support – PS: (\$10.0 million)
- U/A 461, Fringe Benefits: \$49.0 million
- U/A 472, Charters/Contract Schools/Foster Care: \$49.0 million
- U/A 481, Categorical Programs – PS: \$7.0 million

In the out years the budget for U/A 401 increases as the Department recognizes State aid growth, which is based on the proportion of additional State aid that New York City will receive in Fiscal 2013. The growth in State aid will be used to keep school budgets flat as costs in other less flexible spending areas rise.

School Baseline

The school baseline is a combination of adjustments that enabled the DOE to avoid the attrition of 2,570 teachers in 2013 and the out years and eliminate a previously scheduled reduction to per session spending by schools. It includes the following adjustments:

- U/A 401, General Education – PS: \$168.1 million
- U/A 461, Fringe Benefits: \$47.3 million
- U/A 424, Special Ed. Instr. Support - OTPS: (\$13.7 million)
- U/A 481, Categorical Programs – PS: (\$67.5 million)
- U/A 482, Categorical Programs - OTPS: (\$67.5 million)

The \$135 million of additional State aid that was allocated to U/As 481 and 482 in the Preliminary Plan has been shifted to U/A 401. Funds from U/A 424 have also been moved to cover salary and fringe costs associated with maintaining teacher headcount. The \$66.6 million in additional State aid that was included in the State Enacted Budget, above the \$135 million included in the Preliminary Plan, has also been allocated to U/As 401 and 461 to maintain general education teacher positions. The cost of averting the headcount reduction in Fiscal 2013 totals \$185.9 million including salary and fringe benefits. The remainder of the school baseline adjustment, \$30 million, is scheduled for per session pay, which schools use to fund for staffer costs associated with after school programs, professional development, etc.

In Fiscal 2012 the three U/A pairs that are used to fund school budgets – U/As 401 & 402, 403 & 404, and 481 & 482 – totaled \$9.22 billion and in Fiscal 2013 they will total \$9.14 billion in Fiscal 2013.

Fiscal 2012 Adjustments

Medicaid Revenue Drop

The \$80 million decrease in non-City funds reflects the Department's re-estimate for federal Medicaid revenue in Fiscal 2012. The Fiscal 2012 Adopted Budget projected \$117 million in Medicaid revenue; the Fiscal 2013 Executive Budget shows a \$37 million estimate for Fiscal 2012. The adjustment includes a shift of City funds from U/As 401 and 461 to fill the budget hole that resulted from the DOE's inability to collect \$80 million in federal Medicaid revenue. The funds that shifted from these U/As are a portion of the savings recognized by lower than anticipated costs of teacher salary drift, as explained in the School Budgets section on p. 6. The Medicaid revenue estimate for Fiscal 2013 and the out years has not been adjusted and remains \$167 million.

Appendix 1: Fiscal Year 2012 Initiatives

Table 3 - Fiscal 2012 Council Changes at Adoption

Dollars in Thousands

General Education Instruction & School Leadership	
Bridge to Tomorrow	\$1,250
C.H.A.M.P.S.	\$125
Full Day Universal Pre-K	\$2,250
Subtotal	\$3,625
Central Administration	
Council of School Supervisors & Admins.	\$300
Dropout Prevention & Intervention	\$1,000
MOUSE	\$275
Respect for All	\$150
Urban Advantage - Science Education	\$2,000
Subtotal	\$3,725
School Facilities	
Custodial Operations	\$3,000
Other Agencies	
Creative Arts Team	\$200
Jill Chaifitz Helpline	\$200
Subtotal	\$400
Total	\$10,750

Appendix 2: Actions in the November, February & Executive Plans

Actions in the November, Preliminary, and Executive Plans						
<i>Dollars in Thousands</i>						
	FY 2012			FY 2013		
	City	Non-City	Total	City	Non-City	Total
DOE Budget as of June 2011 Plan	\$9,282,147	\$10,141,173	\$19,423,320	\$9,445,183	\$10,172,977	\$19,618,160
Program to Eliminate the Gap (PEGs)						
Building Aid for GO Debt Service	0	0	0	(100,000)	0	(100,000)
Facilities OTPS Efficiencies	(20,000)	0	(20,000)	(20,000)	0	(20,000)
Facilities PS Efficiencies	(5,000)	0	(5,000)	(5,000)	0	(5,000)
Food Services Efficiencies	(2,000)	0	(2,000)	0	0	0
Food Services Re-Estimate	(10,000)	0	(10,000)	0	0	0
Lease Savings	(10,000)	0	(10,000)	(10,000)	0	(10,000)
Medicaid Revenue PEG	0	0	0	(50,000)	50,000	0
Pre-K Handicapped Transportation Savings	(14,412)	0	(14,412)	(14,412)	0	(14,412)
Pre-K Tuition & Related Services Reduction	(30,000)	0	(30,000)	(21,500)	0	(21,500)
Related Services Savings	(18,000)	0	(18,000)	(18,000)	0	(18,000)
SE Pre-K Revenue PEG	(37,600)	37,600	0	(62,300)	62,300	0
Total PEGs	(147,012)	37,600	(109,412)	(301,212)	112,300	(188,912)
Other Adjustments						
Building Aid for Debt Service	0	0	0	100,000		100,000
Federal Revenue Re-estimate	0	17,530	17,530	0	(16,097)	(16,097)
SCA Revenue Re-estimate	0	33,180	33,180	0	33,180	33,180
State Aid Adjustments	0	(27,793)	(27,793)	0	135,091	135,091
HIP Rate Change	(2,411)	0	(2,411)	(16,463)	0	(16,463)
Mobility Tax Adjustment	0	(10,616)	(10,616)	0	(31,943)	(31,943)
State Pension Adjustment	(5,400)	5,400	0	(5,400)	5,400	0
Attrition Savings	0	0	0	0	(15,934)	(15,934)
Central Admin OTPS Efficiencies	0	0	0	0	(24,355)	(24,355)
Medicaid Revenue Adjustment	0	(80,000)	(80,000)	0	0	0
Federal and State Awards	0	(21,839)	(21,839)	0	7,246	7,246
Fuel, Heat, Light, and Power	(28,268)	0	(28,268)	3,153	0	3,153
Non-Teacher Excess Attrition	0	0	0	0	(17,818)	(17,818)
Outyear Adjustment	0	0	0	0	59,897	59,897
School Baseline	0	0	0	0	66,595	66,595
Other Adjustments	(5)	3,472	3,467	508	(1,323)	(815)
Total Other Adjustments	(36,084)	(80,666)	(116,750)	81,798	199,939	281,737
Total All Changes	(183,096)	(43,066)	(226,162)	(219,414)	312,239	92,825
DOE Budget as of February 2012 Plan	\$9,099,051	\$10,098,107	\$19,197,158	\$9,225,769	\$10,485,216	\$19,710,985