

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Melissa Mark-Viverito
Speaker of the Council

Hon. Daniel Dromm
Chair, Committee on Education



Hearing on the Fiscal 2015 Preliminary Budget & the Fiscal 2014 Preliminary Mayor's Management Report

Department of Education

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Department of Education

The Department of Education (DOE) provides primary and secondary education to over 1 million pre-kindergarten to grade 12 students in 32 school districts and 1,818 schools, and employs approximately 73,800 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 2015 budget as proposed in the Preliminary Expense Budget and the Fiscal 2014 Preliminary Mayor's Management Report. It highlights significant budget actions included in the Financial Plan, followed by an overview of the 2014-15 State Executive Budget. DOE's Preliminary Budget and changes since Fiscal 2014 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 2014 Budget proposed in either the November 2013 Financial Plan or the Preliminary Fiscal 2015 Budget are summarized in Appendix B.

Fiscal 2015 Preliminary Budget Highlights

Table 1 - Department of Education Fiscal 2015 Preliminary Budget						
	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Personal Services	\$12,519,484	\$12,693,656	\$12,877,278	\$12,805,880	\$13,056,136	\$178,858
Other Than Personal Services	6,763,772	6,538,759	6,987,449	6,898,583	7,422,284	434,835
DOE TOTAL	\$19,283,256	\$19,232,415	\$19,864,728	\$19,704,463	\$20,478,421	\$613,693

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan funding.*

The DOE's Preliminary Budget for Fiscal 2015 reflects very limited programmatic changes, excepting the massive expansion of the Department's UPK program. The Budget includes a significant right-sizing of the budgeted headcount levels to more closely match the actual number of staff the budget would afford the department. The most significant budgetary actions include major re-estimates of Medicaid revenue and state aids for special education services. The Preliminary Budget's estimates of state revenue have been adjusted to match the proposed Executive State Budget for 2014-2015.

Universal Pre-Kindergarten Expansion. The Preliminary Budget includes \$340 million in City funds in Fiscal 2015 for the citywide expansion of full-day universal pre-kindergarten (UPK). The UPK proposal accounts for more than half of the DOE's total projected budget increase. As outlined in the administration's "Ready to Launch" reports, the City's full-day UPK program would expand citywide in two years to serve a total of 73,250 four-year olds. The expansion would require the conversion of 27,241 half-day seats to full-day; 13,845 new seats; enhancements to improve the quality of 19,483 existing full-day seats in public schools and DOE CBOs; and in enhancements to improve the quality of the existing 12,681 UPK seat in the Administration for Children's Services' day care centers. In the first year of the expansion, Fiscal 2015, the DOE would convert 11,760 half-day seats to full-day, add 11,880 new full-day seats, and bring all existing 32,164 DOE and ACS full-day seats to the new UPK quality standards.¹

Table 2 - UPK Expansion, FY 2015

<i>Dollars in thousands</i>	Funding	Positions
UA 402 - General Education Instruction & School Support - OTPS	\$251,177	-
UA 401 - General Education Instruction & School Support - PS	40,325	746
UA 461 - Fringe Benefits	14,116	-
UA 415 - School Support PS	13,130	170
UA 416 - School Support OTPS	426	-
UA 453 - Central Administration PS	12,396	31
UA 454 - Central Administration OTPS	2,549	-
UA 436 - School Facilities OTPS	8,400	-
UA 444 - Energy & Leases	2,812	-
UA 470 - Special Education Pre-K	(5,331)	-
Total UPK Expansion	\$340,000	947

The \$340 million of additional funding proposed in the DOE's Preliminary Budget for UPK expansion would increase funding in several program areas, as shown in Table 2. Nearly three-quarters of the additional funds - \$251.2 million - is scheduled in U/A 402, General Education Instruction and School Support ("General Education") OTPS. Most of these funds would be dispersed to CBOs operating UPK programs, via contractual payments. Roughly \$40 million would go to schools (U/A 401) to fund an additional 746 teachers and paraprofessionals for classes in public schools, and \$14.1 million is allocated for associated costs of fringe benefits (U/A 461).

The Preliminary Budget includes \$13.6 million in School Support (U/As 415 & 416) and \$14.9 million in Central Administration (U/As 453 & 454), mostly for PS costs associated with 201 new support staff to review Request for Proposals (RFP) applications, family engagement staff, social workers, field support staff, professional development staff, and others. Additional funds are also included in the Preliminary Budget's School Facilities OTPS (U/A 436) and Energy & Leases (U/A 444) for costs associated with the use of buildings. Because the UPK expansion plan includes

¹ Office of the Mayor, Office of Management and Budget, Department of Education, and Administration for Children's Services, "Ready to Launch: New York City's Implementation Plan for Free, High-Quality, Full-Day Universal Pre-Kindergarten," January 2014, and "Ready to Launch: Progress Report on Program and Space Application," February 2014

some seats for special education students, the Preliminary Budget includes a reduction in spending for Special Education Pre-K (UA 470), to reflect movement of students from Special Education Pre-K programs to UPK programs.

The UPK expansion proposal would add to the DOE's existing UPK program which includes 45,847 half- and full-day UPK classes in public schools and CBOs. The DOE already spends approximately \$336.4 million on UPK each year and expects to receive \$225 million in Fiscal 2014 from the State to support the program. Given the significance of the UPK program, its size, and the fact that funding for the program is disbursed among several units of appropriation in the DOE's budget making it impossible to decipher the spending and headcount levels from the budget, the DOE should create a new U/A pair exclusively for UPK. The Council has made this request to the DOE and the OMB and would like to see this change in the Executive Budget for Fiscal 2015.

Medicaid Revenue Re-estimates. The Fiscal 2014 Adopted Budget projected \$117 million in federal Medicaid revenue in Fiscal 2014 and \$167 million in Fiscal 2015. The Preliminary Budget reduces the Fiscal 2014 estimate by \$67 million to \$50 million, and the Fiscal 2015 estimate by \$20 million to \$137 million. Given that the Fiscal 2014 estimate was reduced by 57.3 percent, it is doubtful that the DOE will be able to meet its Fiscal 2015 projection. The DOE plans to backfill the lost funding largely through projected savings in contract school spending.

Savings in Contract Schools. The Preliminary Budget reduces spending estimates for special education pre-K and school-age contract schools due to slowed growth. In Fiscal 2015 the budget projection for special education pre-K contract schools has been reduced by \$82.1 million, \$35.3 million of which would be in City funds and \$46.8 million of which would be in state funds. Changes in the November Plan and Preliminary Budget combine for a Fiscal 2014 projected decreased of \$95.4 million, \$30 million of which would be in City funds and \$65.4 million of which would be in state funds. The re-estimate for school-age contract school students is based on a \$46 million reduction in Fiscal 2015 and \$52.5 million in Fiscal 2014. The savings from contract schools would be used, in part, to offset the Medicaid revenue reductions projected in Fiscal 2014 and 2015.

State Aid Re-estimate. In the November Plan the OMB reduced state aid projections by \$47.5 million in Fiscal 2014 and \$49.3 million in Fiscal 2015 and the out-years. Some of these adjustments are reductions in funding for contract schools, as described above. The re-estimate includes other adjustments to formula-based aids based on updated data for the 2013-2014 school year.

Headcount Realignment. The Financial Plan Summary on page 5 shows a projected headcount increase of 876 full-time pedagogical positions and a decrease of 453 non-pedagogical positions. The tables showing individual program areas throughout the report also show significant headcount changes in Fiscal 2015 as compared to the Fiscal 2014 Adopted Budget. According to the OMB, the changes in all program areas with the exception of Central Administration (U/As 453 & 454) are headcount realignments, not actual year-over-year changes. Essentially, budgeted headcount has not matched up with actual headcount in the past several financial plans. The OMB adjusted budgeted headcount in Fiscal 2015 to more closely match actual headcount. The OMB did not realign headcount for Fiscal 2014, which is why there appears to be significant headcount changes from Fiscal 2014 to 2015.

Financial Plan Summary

The DOE'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 13 programs:

1. Public Schools (U/As 401, 402, 403, 404, 481 and 482);
2. Charter Schools (U/A 406);
3. Special Education (U/As 421, 422, 423 and 424);
4. Contract Schools/Foster Care (U/A 472);
5. Special Education Pre-Kindergarten (U/A 470);
6. Pupil Transportation (U/A 438);
7. School Facilities, Energy and Leases (U/As 435, 436 and 444);
8. School Food Services (U/As 439 and 440);
9. Central Administration (U/As 453 and 454);
10. Fringe Benefits and Collective Bargaining (U/As 461 and 491);
11. School Support Services (U/As 415 and 416);
12. School Safety (U/A 442); and
13. Non-Public Schools and FIT (U/A 474).

The Financial Plan Summary illustrated in Table 3 shows the DOE's budget by U/A. The discussions of program areas provide further detail.

Table 3 - Financial Plan Summary

<i>Dollars in Thousands</i>	2012	2013	2014	2014	2015	*Difference
	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014-2015
Budget by Unit of Appropriation						
401 - GE Instr. & Sch Ldrshp - PS	\$5,505,616	\$5,524,987	\$5,629,360	\$5,630,813	\$5,620,616	(\$8,744)
402 - GE Instr. & Sch Ldrshp - OTPS	510,245	508,401	492,424	538,886	761,295	268,871
403 - SE Instr. & Sch Ldrshp - PS	1,178,384	1,209,572	1,161,020	1,161,020	1,198,053	37,033
404 - SE Instr. & Sch Ldrshp - OTPS	2,876	2,628	6,825	6,825	6,825	-
481 - Categorical Programs - PS	1,282,530	1,237,244	1,126,646	1,127,214	1,119,375	(7,272)
482 - Categorical Programs - OTPS	909,625	725,981	790,248	790,930	786,791	(3,456)
406 - Charter Schools	N/A	N/A	1,038,408	1,038,408	1,192,186	153,777
421 - CW SE Instr. & Sch Ldrshp - PS	742,798	779,124	824,552	824,552	864,217	39,665
422 - CW SE Instr. & Sch Ldrshp - OTPS	16,795	14,765	16,415	16,415	16,415	-
423 - SE Instructional Support - PS	234,874	255,200	245,887	260,887	267,824	21,937
424 - SE Instructional Support - OTPS	291,386	242,247	298,044	250,675	267,060	(30,984)
472 - Contract/Foster Care - OTPS	1,421,509	1,478,010	688,341	635,819	676,879	(11,462)
470 - SE Pre-K Contracts - OTPS	1,008,570	941,746	1,087,688	992,269	1,052,371	(35,317)
438 - Pupil Transportation - OTPS	1,073,697	1,066,958	1,144,073	1,145,043	1,172,208	28,135
435 - School Facilities - PS	391,293	387,215	401,440	393,500	382,627	(18,814)
436 - School Facilities - OTPS	343,591	353,894	204,636	222,285	213,767	9,131
444 - Energy & Leases - OTPS	456,961	482,230	501,686	501,686	504,498	2,812
439 - School Food Services - PS	199,247	200,556	195,927	196,044	196,044	117
440 - School Food Services - OTPS	190,208	212,055	215,384	215,227	222,227	6,843
453 - Central Administration - PS	142,212	146,402	122,982	123,032	135,381	12,399
454 - Central Administration - OTPS	156,479	124,620	112,793	153,632	150,193	37,400
461 - Fringe Benefits - PS	2,701,352	2,814,368	3,043,662	2,963,016	3,132,876	89,214
415 - School Support Orgs. - PS	141,179	138,987	125,802	125,802	139,125	13,323
416 - School Support Orgs. - OTPS	12,594	9,417	10,898	10,898	11,324	426
442 - School Safety - OTPS	298,111	306,130	308,440	308,440	317,099	8,659
474 - Non-Public and FIT - OTPS	71,124	69,677	71,146	71,146	71,146	-
TOTAL	\$19,283,256	\$19,232,415	\$19,864,728	\$19,704,463	\$20,478,421	\$613,693
Budgeted Headcount						
FT Position - Pedagogical	106,374	106,518	108,947	108,944	109,823	876
FT Positions - Non-Pedagogical	11,182	10,948	10,952	10,955	10,499	(453)
TOTAL	117,556	117,466	119,899	119,899	120,322	423

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan.*

The Preliminary Budget for the DOE is \$20.48 billion in Fiscal 2015 and accounts for 27.2 percent of the City's entire \$75.41 billion expense budget. The projected budget is \$613.7 million more

than the Fiscal 2014 budget as adopted in June. The administration's UPK expansion plan accounts for approximately \$340 million of the growth, \$251.2 million of which is reflected in U/A 402. The remaining funds for UPK expansion are allocated to School Support, Central Administration, School Facilities, and Energy & Leases. Growth in U/A 406 – Charter Schools is also a significant portion of the net increase and is projected to grow by \$153.8 million or 14.8 percent. Growth in U/A 461 – Fringe Benefits (\$89.2 million), U/A 421 – Citywide Special Education PS (\$39.7 million), and U/A 423 – Special Education Instruction & School Leadership PS (\$37 million) also contributes significantly to the overall increase. Conversely, reductions to U/A 424 – Special Education Instructional Support OTPS (\$31 million), Special Education Pre-Kindergarten (\$35.3 million), and U/A 435 – School Facilities PS (\$18.8 million) partially offset the growth.

2014-2015 Executive State Budget Highlights

The 2014-15 Executive State Budget totals \$21.88 billion statewide, an \$807 million or 3.8 percent increase from this year. Of this increase, school aid in the State would grow by \$682 million. This increase stems from a statewide \$323 million partial restoration of the Gap Elimination Adjustment (GEA), \$285 million for expense based aids reimbursement, and \$74 million for an unallocated Fiscal Stabilization Fund. In addition, the Executive Budget includes \$100 million for full-day pre-kindergarten programs statewide, \$20 million for competitive performance grants, and \$5 million for Pathways in Technology and Early College (P-Tech) high schools.

The governor's proposed Executive Budget for 2014-2015 would provide New York City with an increase of \$230.4 million or 2.8 percent in state formula and building aids, as compared to the 2013-2014 State Budget. The City may also receive additional funding from performance grants. The Preliminary Fiscal 2015 Budget has been adjusted to align with the proposed state budget.

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.

Table 4 - Funding for the Department of Education							
<i>Dollars in Thousands</i>	2012	2013	2014	2014	2015	*Difference	Percent
	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014-2015	Total
City	N/A	N/A	\$9,285,650	\$9,261,103	\$9,808,997	\$523,347	47.90%
State							
Foundation Aid	N/A	N/A	\$5,849,293	\$5,852,058	\$6,012,458	\$163,165	29.36%
Formula Aid	N/A	N/A	1,407,732	1,372,027	1,411,318	3,586	6.89%
Building Aid	N/A	N/A	478,125	478,125	478,125	-	2.33%
Categorical Programs	N/A	N/A	295,944	295,944	295,944	-	1.45%
Special Education Pre-K	N/A	N/A	619,109	564,709	598,974	(20,135)	2.92%
State Food Programs	N/A	N/A	13,657	13,657	13,657	-	0.07%
Revenue in Other Agencies	N/A	N/A	(2,500)	-2,500	-2,500	-	-0.01%
Subtotal State	N/A	N/A	\$8,661,361	\$8,574,020	\$8,807,976	\$146,615	43.01%
Federal - Other							
Title I	N/A	N/A	\$694,310	\$694,310	\$730,847	\$36,537	3.57%
Title IIA	N/A	N/A	102,600	102,600	108,000	5,400	0.53%
IDEA	N/A	N/A	264,792	264,792	269,782	4,990	1.32%
Medicaid	N/A	N/A	117,000	\$50,000	\$137,000	20,000	0.67%
School Lunch	N/A	N/A	282,676	282,676	282,676	-	1.38%
Race to the Top	N/A	N/A	90,310	90,310	0	(90,310)	0.00%
Other	N/A	N/A	233,247	233,830	239,224	5,977	1.17%
Subtotal Federal	N/A	N/A	\$1,784,935	\$1,718,518	\$1,767,529	(\$17,406)	8.63%
Federal - CD	N/A	N/A	\$4,500	\$4,500	\$4,500	-	0.02%
Intracity	N/A	N/A	\$10,704	\$28,742	\$25,840	\$15,136	0.13%
Other Categorical	N/A	N/A	\$117,579	\$117,579	\$63,579	(\$54,000)	0.31%
TOTAL DOE FUNDING	N/A	N/A	\$19,864,729	\$19,704,462	\$20,478,421	\$613,692	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 47.9 percent of the budget in Fiscal 2015. The state and federal shares would be 43 percent and 8.6 percent, respectively.

State

The DOE's Fiscal 2015 Preliminary Budget shows a \$146.6 million or 1.7 percent increase in state funds as compared to the Fiscal 2014 Adopted Budget. The net increase results from a \$163.2 million increase to Foundation Aid, where the OMB schedules the Gap Elimination Adjustment restoration, and a \$3.6 million increase in other formula aids. This growth is partially offset by a

\$20.1 million reduction to Special Education Pre-K funding, which stems from projected savings due to slowed growth.

- **State Aid Re-estimate for Formula-Based School Aids**

A state aid re-estimate in the November 2013 Plan reduced the School Aid revenue projection by \$47.5 million in Fiscal 2014 and by \$49.3 million in Fiscal 2015. The reduction in state funds stems from updated projections in both fiscal years for formula-based school aids, such as Private Excess Cost Aid and High Cost Aid that funds special education programs, and Transportation Aid.

- **Reduction to Special Education Pre-Kindergarten**

The November and Preliminary Plans include a \$54.4 million total reduction in state funding for Special Education Pre-K in Fiscal 2014. In addition, the Preliminary Budget includes a reduction of \$46.8 million in Fiscal 2015. The projected funding decrease results from slowed growth in the program. The State's share of funding for Special Education Pre-K is 59.5 percent and the City's share is 40.5 percent. Therefore, there are also corresponding savings in City Tax Levy funds as a result of slowed growth in the program.

- **Foundation Aid Re-Estimate**

The Preliminary Budget includes a \$36.4 million reduction to Foundation Aid in Fiscal 2015. The OMB lowered the Foundation Aid projection based on the Executive State Budget, which forecasted less growth than had been projected in the 2013-2014 Enacted State Budget.

Federal

- **Reduction in Title I Revenue**

As compared to the Adopted Budget, the Department's estimate for Title I revenue would increase by \$36.5 million in Fiscal 2015. In Fiscal 2014, federal sequestration resulted in a one-time reduction in Title I funds. The funding is restored in the Fiscal 2015 Preliminary Budget.

- **Medicaid Re-estimate**

The DOE estimates it will collect \$137 million in Medicaid reimbursements in Fiscal 2015, a \$20 million increase from the Fiscal 2014 Adopted Budget projection. Given that the Fiscal 2014 estimate has dropped from \$117 million to \$50 million, a 57.3 percent decrease, it is questionable whether the DOE will be able to meet its Fiscal 2015 projection. The Department has made little progress in its attempts to submit claims for speech therapy, as the United Federation of Teachers (UFT) has not permitted the DOE to use its members' speech language pathologist (SLP) licenses that are necessary for these services to qualify for reimbursement. The DOE estimates it could claim \$71 million in Medicaid reimbursements for speech services if the UFT would permit the DOE to use the necessary documentation to claim the funds.

- **Race to the Top**

The City will receive an estimated \$90.3 million in Race to the Top funds in Fiscal 2014. Because this funding stream expires after the current fiscal year, the DOE will not receive any Race to the Top revenue in Fiscal 2015.

Other Categorical

Other Categorical Revenue in Fiscal 2015 includes \$35 million in private grants, \$8 million in funds from the School Construction Authority (SCA) construction, \$3.3 million for non-resident tuition, and \$5.1 million for the Retirement System (BERS). Projected Other Categorical funding in Fiscal 2015 is \$54 million or 45.9 percent less than the Fiscal 2014 revenue. The difference would result from the elimination of \$32 million in revenue from the Education Construction Fund that was included in Fiscal 2014, a \$10 million reduction to private grants, and a \$12 million reduction in revenue from the SCA.

- **Elimination of Education Construction Fund Revenue**

The Fiscal 2014 Budget includes \$32 million in revenue from the Education Construction Fund. This Fiscal 2015 Preliminary Budget does not include this funding in Fiscal 2015 or the out-years. The funds had been added to Fiscal 2014

- **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 SCA reimburses DSF for money spent on these capital projects, which is reflected in the DOE's expense budget as revenue from the SCA. The Preliminary Budget includes \$20 million in SCA revenue in Fiscal 2014 and an \$8 million in Fiscal 2015.

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. In Fiscal 2013 the DOE received \$63.3 million in SCA revenue.

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 2015 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 Fee Restoration**

Prior to fall 2014, the school lunch fee was \$1.50 for students paying full price, and 25 cents for students paying the reduced price lunch fee. The November 2012 Financial Plan scheduled a school lunch fee increase of \$1, which would have raised the cost of school lunch to \$2.50 beginning in January 2013. At the request of the City Council, the DOE did not implement the increase mid-school year, and increased the fee by only 25 cents beginning in fall 2013. With the increase, the DOE also eliminated reduced price lunch and instead made all qualifying students eligible for free lunch. The delay in implementing the full increase of \$1 was a one-year budget action, and as of the November 2013 Financial Plan, the school lunch fee was still scheduled to increase to \$2.50 beginning in Fiscal 2015.

The Fiscal 2015 Preliminary Budget eliminates the school lunch fee increase for Fiscal 2015 in the out-years. The fee will remain \$1.75 instead of increasing to \$2.50.

New York City Council Initiatives

The City Council added \$19.6 million to the City's Fiscal 2014 Budget to fund a variety of education initiatives, which are listed in Table 5 below. The Council also restored funding to support custodial operations and to avert a proposed \$1 per meal lunch fee increase. The administration baselined the \$7.5 million lunch fee restoration in the November 2013 Financial Plan.

Table 5 - Fiscal 2014 Council Changes at Adoption	
<i>Dollars in Thousands</i>	
General Education Instruction & School Leadership	
Anti-Gun Violence Initiative	\$550
Bridge to Tomorrow	1,150
CHAMPS	125
Full Day Universal Pre-K	2,250
Middle School Quality Initiative	1,550
Teacher's Choice	4,585
Subtotal	\$10,210
Central Administration	
Chess in the Schools	\$200
Child Mind Institute	250
Community Schools	150
Council of School Supervisors & Admins.	300
Dropout Prevention & Intervention	1,000
MOUSE	275
Urban Advantage - Science Education	2,500
Subtotal	\$4,675
School Facilities	
Custodial Operations	\$3,000
Subtotal without Local or Borough	\$17,885
Local Initiatives	\$1,705
Borough-Wide Initiatives	\$16
TOTAL	\$19,606

School Budgets

The City's 1,818 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 6 - U/As 401 & 402, 403 & 404, and 481 & 482 – School Budgets

<i>Dollars in Thousands</i>	2012 Actual	2013 Actual	2014 Adopted	2014 Prelim. Plan	2015 Prelim. Plan	*Difference 2014 - 2015
Spending						
Personal Services						
Full-Time Salaried - Pedagogical	\$6,642,478	\$6,685,119	\$6,566,103	\$6,580,921	\$6,612,134	\$46,031
Full-Time Salaried - Non-Pedagogical	185,739	179,825	204,233	209,318	188,729	(15,504)
Additional Gross Pay	332,121	332,739	387,570	389,274	392,706	5,137
Other Salaried & Unsalaries	457,907	421,945	353,282	353,446	356,744	3,463
Fringe Benefits	342,747	347,454	402,299	382,548	383,171	(19,128)
PS Other	5,538	4,721	3,541	3,541	4,559	1,018
Subtotal PS	\$7,966,529	\$7,971,803	\$7,917,027	\$7,919,048	\$7,938,044	\$21,017
Other Than Personal Services						
Contractual Services	\$699,865	\$517,738	\$635,486	\$642,123	\$780,141	\$144,654
Curriculum & Professional Dev.	90,367	89,429	66,649	92,819	93,818	27,169
Direct Education Services	357,561	180,256	359,202	321,676	304,059	(55,143)
Other Professional Services	72,990	58,465	46,991	62,964	49,362	2,371
Other	178,947	189,588	162,644	164,664	332,901	170,257
OTPS Other	722,882	719,274	654,010	694,517	774,771	120,760
Subtotal OTPS	\$1,422,746	\$1,237,011	\$1,289,497	\$1,336,640	\$1,554,911	\$265,415
TOTAL	\$9,389,275	\$9,208,815	\$9,206,523	\$9,255,688	\$9,492,955	\$286,432
Budgeted Headcount						
FT Positions - Pedagogical	92,242	92,396	94,196	94,196	94,354	158
FT Positions - Non-Pedagogical	4,608	4,588	4,141	4,141	3,613	(528)
TOTAL	96,850	96,984	98,337	98,337	97,967	(370)

*The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.

The Fiscal 2015 Preliminary Budget includes \$9.49 billion for school budgets, a \$265.4 million or 3.1 percent increase as compared to the Fiscal 2014 Adopted budget. The total growth includes an additional \$21 million in PS and \$265.4 million in OTPS. As was discussed previously, the OTPS increase would primarily be the result of UPK expansion, and UPK expansion in PS would include the addition of 746 full-time pedagogues – teachers and paraprofessionals.

The net \$21 million projected growth in PS includes an increase of \$46 million in funding for full-time pedagogical staff coupled with a \$15.5 million reduction to funding for non-pedagogical staff, a \$19 million decrease in fringe benefits, and minimal growth in other areas.

Table 6 also shows an increase of 158 full-time pedagogues and a reduction of 528 non-pedagogues, which is due to a headcount realignment in Fiscal 2015 rather than year-over-year changes. The OMB realigned budgeted headcount to more closely align with actual headcount in Fiscal 2015, but did not do so for Fiscal 2014, making it appear as if there is a significant change from Fiscal 2014 to 2015.

The most significant area of contractual spending in schools is direct education services, which are services provided to students, such as academic intervention services.

Table 7 - Teacher Headcount							
Performance Statistics	Actual			Target		4-Month Actual	4-Month Actual
	FY 11	FY 12	FY 13	FY 14	FY 15	FY 13	FY 14
Teachers	74,958	72,787	73,844	*	*	73,844	74,320
Teachers with 5 or more years teaching experience (%)	72.2%	75.0%	75.8%	*	*	75.8%	75.4%
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 (%)	61.3%	61.6%	61.0%	*	*	NA	NA
Teachers absent more than 10 days (%)	12.8%	11.4%	11.8%	*	*	1.0%	1.4%

Source: Fiscal 2014 Preliminary Mayor's Management Report

Table 7 above shows that teacher headcount has increased since Fiscal 2012. In addition to the statistics included in the PMMR, pursuant to a term and condition in the Fiscal 2014 Adopted Budget, the DOE is required to provide the Council with quarterly reports on the actual headcount funded through U/As 401 and 403. As of December 2013, DOE schools employed 62,781 teachers funded through these U/As. An additional 8,746 full-time pedagogues funded through categorical aids in U/A 481 worked for the DOE as of October 2013, as reported in the *Financial Status Report for December 2013*. Actual teacher headcount may differ from the budgeted headcount shown in the City's budget due to budgeting inaccuracies and hiring and attrition that occurs throughout the year.

Discounting funds for additional pre-K teachers, the General Education PS budget is actually projected to decrease by \$49 million from Fiscal 2014 to 2015. At the same time, there is a \$37 million projected increase for Special Education Instruction & School Leadership. Increased spending for Special Education Instruction has contributed to a squeeze on the General Education budget. Given spending patterns, it is likely that most of the additional positions are special education teachers. Funding reductions or lack of growth for General Education generally leads to a decline in the number of general education teachers, which contributes to growing class sizes. As shown in Table 8 below, class sizes are continuing to increase year after year.

Table 8 - Class Size							
Performance Statistics	Actual			Target		4-Month Actual	4-Month Actual
	FY 11	FY 12	FY 13	FY 14	FY 15	FY 13	FY 14
Average class size (end of October) (Preliminary Unaudited) - Kindergarten	22.1	22.8	23.1	22.8	22.8	23.1	23.1
Grade 1	22.9	23.9	24.6	23.9	23.9	24.8	25.3
Grade 2	23.2	24.2	24.7	24.2	24.2	24.7	25.5
Grade 3	23.7	24.5	25.2	24.5	24.5	25.2	25.6
Grade 4	25	25.3	25.5	25.3	25.3	25.5	25.6
Grade 5	25.4	25.8	25.9	25.8	25.8	25.8	26
Grade 6	26.2	27	26.8	27	27	26.8	26.8
Grade 7	27.1	27.2	27.6	27.2	27.2	27.6	27.4
Grade 8	27.3	27.4	27.6	27.4	27.4	27.7	27.9
Schools that exceed capacity - Elementary schools (%)	32.0%	33.0%	NA	*	*	NA	NA
Middle schools (%)	12.0%	12.0%	NA	*	*	NA	NA
High schools (%)	37.0%	32.0%	NA	*	*	NA	NA
Students in schools that exceed capacity - Elementary/middle schools	26.0%	28.0%	NA	*	*	NA	NA
High schools (%)	55.0%	48.0%	NA	*	*	NA	NA

Source: Fiscal 2014 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. General Education Instruction and School Leadership ("General Education") 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. Funding for UPK is also scheduled here. Additionally, since Fiscal 2012 these U/As include funding for networks that provide operational support to schools.

As Table 9 indicates, this area of spending is huge, amounting to 31.2 percent of the DOE's \$20.48 billion Fiscal 2015 projected expense budget and 8.4 percent of the City's entire \$75.56 billion expense budget. Most of school spending is for pedagogical staff salaries. The budget shows that schools will employ nearly 64,252 full-time pedagogical staff next year and 3,016 non-pedagogical staff in general education. Approximately 683 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 DOE's budget. Network staffing is reported to the City Council pursuant to a Fiscal 2014 term and condition.

Table 9 - U/As 401 & 402 – General Education Instruction & School Leadership

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	<i>Actual</i>	<i>Actual</i>	<i>Adopted</i>	<i>Prelim. Plan</i>	<i>Prelim. Plan</i>	<i>2014 - 2015</i>
Spending						
Personal Services						
Full-Time Salaried - Pedagogical	\$4,693,858	\$4,738,346	\$4,848,812	\$4,848,619	\$4,832,980	(\$15,832)
Full-Time Salaried - Non-Pedagogical	140,193	142,756	141,905	141,998	140,765	(1,140)
Additional Gross Pay	211,549	228,416	293,147	294,700	301,375	8,228
Other Salaried & Unsalariated	361,547	319,507	261,985	261,985	261,985	-
Fringe Benefits	88,085	91,995	81,392	81,393	81,393	-
PS Other	10,384	3,967	2,120	2,120	2,120	-
Subtotal	\$5,505,616	\$5,524,987	\$5,629,360	\$5,630,813	\$5,620,616	(\$8,744)
Other Than Personal Services						
Contractual Services	\$162,136	\$162,219	\$142,755	\$142,732	\$327,559	\$184,804
OTPS Other	348,109	346,183	349,669	396,154	433,736	84,068
Subtotal	\$510,245	\$508,401	\$492,424	\$538,886	\$761,295	\$268,871
TOTAL	\$6,015,861	\$6,033,389	\$6,121,784	\$6,169,699	\$6,381,911	\$260,127
Positions						
FT Positions - Pedagogical	61,407	60,576	63,530	63,530	64,252	722
FT Positions - Non-Pedagogical	3,916	3,896	3,449	3,449	3,016	(433)
TOTAL	65,323	64,472	66,979	66,979	67,268	289

*The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.

Table 9 illustrates that funding for General Education is projected to increase by \$260.1 million in Fiscal 2015 as compared to the Fiscal 2014 Adopted Budget. The growth includes a \$268.9 million increase in General Education OTPS, combined with an \$8.7 million reduction in PS. Most notably, the projected net growth includes \$291.5 million for UPK expansion, which is partially offset by budget reductions stemming from a variety of reallocations to better align the budget with actual spending. The decrease in the PS budget is concerning, especially considering it includes an addition of \$40.3 million for UPK. Discounting these funds, the PS budget would actually decrease by \$49 million.

The DOE estimates a headcount increase of 722 full-time pedagogues. These positions are associated with the addition of 746 pre-K teachers and paraprofessionals, as well as realigning budgeted headcount with actuals.

Financial Plan Changes

- **UPK Expansion.** The DOE's Preliminary Budget includes an increase of \$340 million in Fiscal 2015 for UPK expansion. Of this amount, \$291.5 million is scheduled in General Education, including \$40.3 million in PS and \$251.2 million in OTPS. The additional funding for PS is associated with an estimated headcount increase of 746 full-time pedagogues. Approximately half of these positions would be teachers, and half would be paraprofessionals. Much of the increase in OTPS is reflected in Contractual Services, which

would increase by \$184.8 million or 129.4 percent. The UPK expansion plan includes funds to provide services in CBOs, which would be funded via contracts with the DOE.

- **Growth in OTPS.** In Fiscal 2014, principals are spending more money in OTPS than originally projected. The DOE shifted funds within the budget to increase General Education OTPS by \$46.2 million in Fiscal 2014 and proposes to move \$26.2 million into General Education OTPS Fiscal 2015, exclusive of UPK expansion funds. Of the additional \$26.2 million projected for Fiscal 2015, \$25 million would be shifted from savings in various special education programs, such as contract schools, where projected spending growth is lower than was estimated at Fiscal 2014 adoption.
- **Foundation Aid Adjustment.** The Preliminary Budget includes a \$36.4 million reduction to Foundation Aid in Fiscal 2015, and the entire decrease is scheduled in General Education PS. The OMB lowered the Foundation Aid projection based on the Executive State Budget, which forecasted less growth than was projected in the 2013-2014 Enacted State Budget.

PEG Restorations

The DOE's November 2013 Financial Plan restored several Programs to Eliminate the GAP (PEGs) that had been implemented to achieve savings in Fiscal 2014 and the out-years. Two of these PEGs were restored in the Fiscal 2015 Preliminary Budget:

- **Professional Development PEG Restoration.** This \$1.2 million PEG reduced funds for professional development for teachers and other school staff. It is restored in the Preliminary Budget.
- **Per Session PEG Restoration.** This PEG was implemented to achieve annual savings of \$1.6 million by reducing per session activity. It is restored in the Preliminary Budget.

Special Education Instruction & School Leadership

The Special Education Instruction and School Leadership ("Special Education Instruction") 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 10 - U/As 403 & 404 – Special Education Instruction & School Leadership

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Spending						
Personal Services						
Full-Time Salaried - Pedagogical	\$1,144,668	\$1,179,135	\$1,106,532	\$1,106,532	\$1,143,565	\$37,033
Full-Time Salaried - Non-Pedagogical	376	962	23,484	23,484	23,484	-
Additional Gross Pay	8,634	5,163	7,677	7,677	7,677	-
Other Salaried & Unsalaries	22,954	22,471	23,327	23,327	23,327	-
Fringe Benefits	1,557	1,694	-	-	-	-
PS Other	195	146	-	-	-	-
Subtotal	\$1,178,384	\$1,209,572	\$1,161,020	\$1,161,020	\$1,198,053	\$37,033
Other Than Personal Services						
Contractual Services	\$778	\$394	\$2,309	\$2,309	\$2,309	-
OTPS Other	2,098	2,234	4,516	4,516	4,516	-
Subtotal	\$2,876	\$2,628	\$6,825	\$6,825	\$6,825	\$0
TOTAL	\$1,181,260	\$1,212,200	\$1,167,845	\$1,167,845	\$1,204,878	\$37,033
Budgeted Headcount						
FT Positions - Pedagogical	19,963	20,972	21,188	21,188	20,832	(356)
FT Positions - Non-Pedagogical	5	5	5	5	9	4
TOTAL	19,968	20,977	21,193	21,193	20,841	(352)

*The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.

Funding for Special Education Instruction is projected to increase by \$37 million or 3.2 percent in Fiscal 2015. The entire growth would be in PS for full-time pedagogical positions. The PS increase does correspond with the reduction of 356 full-time pedagogues. As previously explained, headcount projections for Fiscal 2015 were realigned in the Preliminary Budget to more closely match actual headcount. The change in headcount does not reflect a change from Fiscal 2014 - 2015.

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 2015. 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 11 - UAs 481 & 482 – Categorical Programs

<i>Dollars in Thousands</i>	2012 Actual	2013 Actual	2014 Adopted	2014 Prelim. Plan	2015 Prelim. Plan	*Difference 2014 - 2015
Spending						
Personal Services						
Full-Time Salaried - Pedagogical	\$803,952	\$767,637	\$610,759	\$625,770	\$635,590	\$24,830
Full-Time Salaried - Non-Pedagogical	45,171	36,107	38,844	43,837	24,481	(\$14,364)
Additional Gross Pay	111,938	99,160	86,746	86,897	83,654	(3,092)
Other Salaried & Unsalaried	73,406	79,967	67,970	68,134	71,432	\$3,463
Fringe Benefits	253,105	253,765	320,906	301,155	301,778	(\$19,128)
PS Other	(5,042)	607	1,421	1,421	2,439	\$1,018
Subtotal	\$1,282,530	\$1,237,244	\$1,126,646	\$1,127,214	\$1,119,375	(\$7,272)
Other Than Personal Services						
Contractual Services	\$536,951	\$355,125	\$490,423	\$497,082	\$450,273	(\$40,149)
OTPS Other	372,674	370,857	299,825	293,847	336,518	\$36,693
Subtotal	\$909,625	\$725,981	\$790,248	\$790,930	\$786,791	(\$3,456)
TOTAL	\$2,192,155	\$1,963,226	\$1,916,894	\$1,918,144	\$1,906,166	(\$10,728)
Budgeted Headcount						
FT Positions - Pedagogical	10,872	10,848	9,478	9,478	9,270	(208)
FT Positions - Non-Pedagogical	687	687	687	687	588	(99)
TOTAL	11,559	11,535	10,165	10,165	9,858	(307)

As shown in Table 11, funding for Categorical Programs would decrease by \$10.7 million or less than one percent in Fiscal 2015 as compared to Fiscal 2014 at adoption. PS spending is projected to decrease by \$7.3 million. Within PS, funding for full-time pedagogues would increase by \$24.8 million, funding for full-time non-pedagogues would decline by \$14.4 million, and funding for fringe benefits would decline by \$19.1 million. The headcount changes from Fiscal 2014 to 2015 do not reflect the projected changes in funding. The headcount adjustments are the result of a realignment in Fiscal 2015 to more closely match projections with actual headcount. There only appears to be a significant change in headcount year over year because the budgeted headcount projections were not adjusted in Fiscal 2014 to align with actuals.

Financial Plan Changes

- **Administrative Costs for After-School Programs.** The Preliminary Budget includes \$206.8 million to expand after-school programming to all middle schools in the City, \$190 million of which is scheduled in the budget for the Department of Youth and Community Development (DYCD), the agency responsible for administering the vast majority of after-school programs. The DOE's Preliminary Budget includes \$16.8 million for administrative costs of operating after-school programs in schools, including \$13 million in Categorical

Programs. Of this amount, \$4.7 million is for PS and \$8.3 million for OTPS. The remaining funds scheduled in DOE for after-school programing is in the School Safety budget, U/A 442. Security must be provided for all after-school programming, and this security is often provided by the NYPD's school safety agents.

- **State Aid Re-estimate.** A state aid adjustment in the November 2013 Plan reduced the School Aid revenue projection by \$47.5 million in Fiscal 2014 and by \$49.3 million in Fiscal 2015. In Fiscal 2014, \$7 million of this reduction is scheduled in UA 482 – Categorical Programs OTPS. The reduction in state funds stems from updated projections for formula-based school aids in both fiscal years, as well as for special education pre-K in Fiscal 2014.

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 DOE 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.

Table 12 - UAs 421 & 422 - Citywide Special Education						
<i>Dollars in Thousands</i>	2012 Actual	2013 Actual	2014 Adopted	2014 Prelim. Plan	2015 Prelim. Plan	*Difference 2014 - 2015
Spending						
Citywide SE- UAs 421 & 422						
Personal Services						
Full-Time Salaried - Pedagogical	\$637,441	\$673,997	\$775,798	\$772,648	\$812,313	\$36,515
Full-Time Salaried - Non-Pedagogical	35,551	39,862	16,884	16,884	16,884	-
Other Salaried & Unsalaries	36,356	35,332	22,842	22,842	22,842	-
Fringe Benefits	243	235	66	216	216	150
Additional Gross Pay	32,210	28,728	8,962	11,962	11,962	3,000
PS Other	997	970	-	-	-	-
Subtotal PS	\$742,798	\$779,124	\$824,552	\$824,552	\$864,217	\$39,665
Other Than Personal Services						
Contractual Services	\$2,760	\$1,913	\$3,209	\$3,209	\$3,209	-
OTPS Other	14,035	12,852	13,206	13,206	13,206	-
Subtotal OTPS	\$16,795	\$14,765	\$16,415	\$16,415	\$16,415	\$0
Subtotal Citywide SE	\$759,593	\$793,889	\$840,967	\$840,967	\$880,632	\$39,665
SE Instr.Support - UAs 423 & 424						
Personal Services						
Full-Time Salaried - Pedagogical	\$104,943	\$84,473	\$124,944	\$131,979	\$138,916	\$13,972
Full-Time Salaried - Non-Pedagogical	92,518	103,904	95,878	95,878	95,878	-
Other Salaried & Unsalaries	26,766	27,703	23,337	23,337	23,337	-
Fringe Benefits	409	452	-	450	450	450
Additional Gross Pay	8,700	36,475	1,728	9,243	9,243	7,515
PS Other	1,538	2,194	-	-	-	-
Subtotal PS	\$234,874	\$255,200	\$245,887	\$260,887	\$267,824	\$21,937
Other Than Personal Services						
Contractual Services Subtotal	\$285,801	\$235,612	\$290,526	\$241,890	\$261,708	(\$28,819)
Direct Education Services	282,542	217,970	285,904	222,253	242,070	(43,834)
Other Contractual Services	3,259	17,642	4,622	19,637	19,637	15,015
OTPS Other	5,585	6,635	7,518	8,784	5,352	(2,165)
Subtotal OTPS	\$291,386	\$242,247	\$298,044	\$250,675	\$267,060	(\$30,984)
Subtotal SE Instructional Support	\$526,260	\$497,447	\$543,931	\$511,562	\$534,884	(\$9,047)
TOTAL CW SE & SE INSTR. SUPPORT	\$1,285,852	\$1,291,336	\$1,384,898	\$1,352,529	\$1,415,516	\$30,618
Budgeted Headcount						
FT- Pedagogical	13,015	13,015	13,642	13,642	14,731	1,089
FT- Non-Pedagogical	1,986	1,986	2,425	2,425	2,557	132
TOTAL	15,001	15,001	16,067	16,067	17,288	1,221

*The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.

The special education budget is projected to be \$1.42 billion in Fiscal 2015, \$880.6 million of which would be for Citywide Special Education and \$534.9 million of which would be for Special Education Instructional Support ("Instructional Support"), or related services. Total funding for special education would decline by \$30.6 million or 2.2 percent in Fiscal 2015 as compared to Fiscal 2014 at adoption. This net reduction would include a \$39.7 million increase in Citywide Special Education PS and a \$21.9 million increase in Instructional Support PS, which would be partially offset by a \$31 million reduction in Instructional Support OTPS.

The Preliminary Budget includes an increase of 1,221 special education full-time positions in Fiscal 2015, of which 1,089 would be pedagogical and 132 would be non-pedagogical. As previously explained, there are minimal year-over-year changes to headcount. The variance is the result of the OMB more closely aligning budgeted positions with actual headcount in Fiscal 2015. Because the alignment was not done for Fiscal 2014, there appears to be a significant change year-over-year.

Table 13 below shows that the number of students receiving special education services continues to increase, which corresponds with the increasing budget for these services. The table also shows reductions in the number of students enrolled in school-age and pre-K contract schools, or nonpublic schools, which has led to declining spending for these program areas.

Table 13 - Special Education Enrollment							
Performance Statistics	Actual			Target		4-Month Actual	4-Month Actual
	FY 11	FY 12	FY 13	FY 14	FY 15	FY 13	FY 14
Students receiving special education services (Preliminary unaudited)	220,289	221,661	225,325	*	*	N/A	230,284
Special education enrollment - school-age	194,503	194,073	199,302	*	*	N/A	205,874
- Public school	168,948	169,503	176,360	*	*	N/A	187,874
- Non-public school	25,253	24,570	22,942	*	*	N/A	18,000
Special education enrollment - pre-school	25,786	27,588	26,023	*	*	N/A	24,410
- Public school	699	703	648	*	*	N/A	1,149
- Non-public school	25,087	26,885	25,375	*	*	N/A	23,261
Students recommended for special education services	15,528	15,653	15,259	*	*	4,229	3,906
Students no longer in need of special education services	6,438	6,689	7,119	*	*	2,557	2,462
Students in special education scoring below standards progressing into a higher level – English Language Arts (%)	36.4%	32.0%	3.4%	20.0%	20.0%	NA	NA
- Math	42.0%	38.2%	3.6%	23.2%	23.2%	NA	NA

Source: Fiscal 2014 Preliminary Mayor's Management Report

Charter Schools

U/A 406 – Charter Schools was new to the Fiscal 2014 Adopted Budget. The funds were previously scheduled in U/A 472 with funding for contract schools, Carter cases, and foster care. Charter schools are privately operated schools that run under a public 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. This school year there are 183 charter schools in New York City serving 69,780 students. The City pays charter schools a per-student rate that is set by the State. In Fiscal 2014, this rate is \$13,527 per general education student and more for special education students, though this rate varies and depends on the special education students' educational needs. Though funds for charter schools were not scheduled in U/A 406 until Fiscal 2014, Table 14 shows actual funding in Fiscal 2012 and 2013 to serve as points of comparison.

Table 14 - U/A 406 - Charter Schools

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	<i>Actual</i>	<i>Actual</i>	<i>Adopted</i>	<i>Prelim. Plan</i>	<i>Prelim. Plan</i>	<i>2014 - 2015</i>
Spending						
Other Than Personal Services Contracts						
General Education	N/A	N/A	\$860,517	\$860,517	\$974,141	\$113,625
Special Education	N/A	N/A	177,892	177,892	218,045	40,153
TOTAL	\$715,746	\$865,306	\$1,038,408	\$1,038,408	\$1,192,186	\$153,777

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.*

Funding for charter schools is projected to total \$1.19 billion in Fiscal 2015, a \$153.8 million or 14.8 percent increase from Fiscal 2014. The OMB includes only growth in existing charter schools in its Preliminary Budget projection, so this estimate will increase in the Executive Budget when funding for charter schools scheduled to open next school year are factored in. The OMB has explained that the Preliminary Budget does not show funding projections for new charter schools because the approved list of schools is not available until after the Preliminary Budget is released. Last year, the DOE's Executive Budget for Fiscal 2014 included a \$210 million increase for charter schools over Fiscal 2013, which was \$140 million more than was projected in the Preliminary Budget. It is likely that funding for Charter Schools in the Executive Budget will increase significantly. It is unclear where the DOE would find the funds for such significant growth.

Contract Schools, Carter Cases, and Foster Care

Funds for Contract Schools, Carter Cases, and Foster Care are budgeted in U/A 472. 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 lawsuits 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. This program area also includes funding to pay for schooling provided to foster care children placed outside the New York City school district. Finally, funds for Blind and Deaf students flow through this U/A. Prior to Fiscal 2014, this

U/A included funding for charter schools. In Table 15, funding for charter schools was removed from actual spending in Fiscal 2012 and 2013 in order to more accurately compare spending over time for the remaining spending areas within the UA.

Table 15 - U/A 472 - Contract Schools, Carter Cases, & Foster Care

<i>Dollars in Thousands</i>	2012 Actual	2013 Actual	2014 Adopted	2014 Prelim. Plan	2015 Prelim. Plan	*Difference 2014 - 2015
Spending						
Other Than Personal Services Contracts						
In-State Contract Schools	\$296,877	\$277,671	\$316,169	\$287,647	\$309,636	(\$6,533)
Out of State Contract Schools	33,670	33,260	35,700	33,700	35,700	-
Carter Cases	263,258	199,013	223,228	208,228	220,228	(3,000)
Foster Care	\$32,765	\$24,774	\$39,805	\$32,805	\$37,805	(2,000)
Other	79,193	77,987	73,439	73,439	73,509	70
TOTAL	\$705,763	\$612,705	\$688,341	\$635,819	\$676,879	(\$11,462)

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.*

Table 15 shows that U/A 472 would be \$676.9 million in Fiscal 2015, an \$11.5 million or 1.7 percent reduction as compared to Fiscal 2014 at adoption. The decrease in funding would result from the combination of a \$6.5 million decrease in funding for in-state contract schools, a \$3 million decrease in funding Carter cases, and a \$2 million decrease in funding for foster care. Projections for Fiscal 2014 have also been adjusted in the Preliminary Budget, leading to \$52.5 million or 7.6 percent reduced estimate this fiscal year. Table 16 shows that special education enrollment in non-public schools has declined since Fiscal 2011.

Table 16 - Special Education Enrollment in Non-Public Schools

Performance Statistics	Actual			Target		4-Month Actual	4-Month Actual
	FY 11	FY 12	FY 13	FY 14	FY 15	FY 13	FY 14
Special education enrollment - school-age	194,503	194,073	199,302	*	*	N/A	205,874
- Public school	168,948	169,503	176,360	*	*	N/A	187,874
- Non-public school	25,253	24,570	22,942	*	*	N/A	18,000
Special education enrollment - pre-school	25,786	27,588	26,023	*	*	N/A	24,410
- Public school	699	703	648	*	*	N/A	1,149
- Non-public school	25,087	26,885	25,375	*	*	N/A	23,261

Source: Fiscal 2014 Preliminary Mayor's Management Report

Financial Plan Changes

- **Spending Re-estimates.** The Preliminary Budget includes reduced spending estimates for contract schools, Carter cases, and foster care in Fiscal 2014 and 2015. Projections in these areas have been adjusted because of decreasing enrollment. Table 16 above shows that the number of school-age students enrolled in non-public schools has decreased from 25,253 students in Fiscal 2011 to 22,942 in Fiscal 2013. The four-month actual for Fiscal 2015 is

18,000 students. The re-estimates for in-state contract schools include a \$28.5 million reduction in Fiscal 2014, of which \$19 million would be in City funds, and a \$28 million reduction in City funds in Fiscal 2015. The DOE reduced its estimate for out-of-state contract schools by \$2 million in Fiscal 2014. The Preliminary Budget includes a \$15 million reduction in funding for Carter cases in each of Fiscal 2014 and 2015. Finally, funding for foster care is projected to decrease by \$5 million in Fiscal 2014.

The DOE reduced its Medicaid revenue estimate in the Preliminary Budget by \$67 million in Fiscal 2014 and \$30 million in Fiscal 2015. The DOE plans to absorb the loss of funding largely through the savings in U/A 472. Savings in Fiscal 2014 would also be used to contribute additional funding for U/A 402 – General Education OTPS and U/A 454 – Central Administration OTPS. Savings in Fiscal 2015 would be used in part to fund U/A 402 – General Education OTPS, U/A 421 – Citywide Special Education PS, and U/A 423 – Special Education Instructional Support PS.

The cost of contract schools can be partially offset by claiming Medicaid for the students that attend these schools. Following a pilot program last year, this year the DOE implemented for the first time a system-wide program for claiming Medicaid for students in school-age and special education pre-kindergarten contract schools. Service providers enter information on services provided into a software system called Easy Track. The DOE estimates in Fiscal 2014 it will claim \$7.6 million in Medicaid revenue from claims for services provided to approximately 8,000 school-age contract schools students and 12,000 children in special education pre-kindergarten contract schools. The revenue estimate for Fiscal 2015 is \$14.2 million.

Special Education Pre-Kindergarten

The DOE 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 - U/As 470 – Special Education Pre-Kindergarten

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Spending						
Other Than Personal Services Contracts						
Tuition	\$491,597	\$508,126	\$567,298	\$497,498	\$499,389	(\$67,909)
Related Services	394,992	321,879	406,054	380,435	445,154	39,100
Pupil Transportation	121,980	111,741	114,336	114,336	107,828	(6,508)
TOTAL	\$1,008,570	\$941,746	\$1,087,688	\$992,269	\$1,052,371	(\$35,317)

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary 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 \$499.4 million in Fiscal 2015, or 47.5 percent of the special education pre-K budget. Related services spending is projected to reach \$445.2 million in Fiscal 2015 and would make up 42.3 percent of spending for the program area. Ten percent of special education pre-K funding would be allocated to pupil transportation, which would drop to \$107.8 million next fiscal year.

The net \$35.3 million reduction in projected spending in Fiscal 2015 includes a \$67.9 million or 12 percent decrease in spending for tuition and a \$6.5 million or 5.7 percent reduction in spending for pupil transportation, which is partially offset by a \$39.1 million or 9.6 increase in spending for related services. Spending in Fiscal 2014 is projected to decrease by \$95.4 million or 8.8 percent as compared to the Fiscal 2014 Adopted Budget. The overall re-estimate includes a 12.3 percent decrease in spending for tuition and a \$25.6 million or 6.3 percent decrease in spending for related services.

Though the budget for Special Education Pre-K continues to grow year-over-year, the Preliminary Budget estimates it will grow less quickly than expected in Fiscal Years 2014 and 2015. Table 16 on page 23 shows the enrollment in non-public special education pre-K programs dropped from 26,885 students in Fiscal 2012 to 25,375 students in Fiscal 2013. The four-month actual for Fiscal 2014 is 23,261 students. Though enrollment is apparently declining, costs are also dependent upon the related services each child receives. As Table 17 demonstrates, funding for related services is projected to increase.

Financial Plan Changes

- **State Aid Adjustment.** The November 2013 Plan includes a \$25.6 million state aid reduction for Special Education Pre-K in Fiscal 2014. The State reimburses the DOE for

59.5% of approved Special Education Pre-K spending, therefore when spending declines the projected state revenue level does too.

- **Spending Re-estimates.** Changes in the November Plan and Preliminary Budget combine for a total funding decrease of \$95.4 million for Special Education Pre-K in Fiscal 2014, \$30 million of which would be savings to the City and \$65 million of which would be in state funds. The Preliminary Budget also includes an \$82.1 million decrease in Fiscal 2015 as compared to the Fiscal 2014 Adopted Budget. Some of the savings – \$30 million in each of the fiscal years – would be used to absorb a portion of the \$67 million reduction in the Medicaid revenue projection in Fiscal 2014 and the \$30 million reduction projected for Fiscal 2015. Savings in Fiscal 2014 would also be used to increase funding in U/A 402 – General Education OTPS and U/A 454 – Central Administration OTPS. Savings in Fiscal 2015 would be used in part to fund U/A 402 – General Education OTPS, U/A 421 – Citywide Special Education PS, and U/A 423 – Special Education Instructional Support PS.

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 or half-fare 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.

Table 18 - U/A 438 – Pupil Transportation

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Spending						
Other Than Personal Services Contracts						
Special Education Busing	\$746,859	\$726,046	\$819,008	\$818,677	\$826,846	\$7,838
General Education Busing	258,613	254,467	253,466	253,466	272,462	18,996
MTA Subsidy	45,000	45,000	45,000	45,000	45,000	-
SIRT Subsidy	920	1,625	1,723	1,723	1,723	-
Other	22,305	39,819	24,876	26,176	26,176	1,300
TOTAL	\$1,073,697	\$1,066,958	\$1,144,073	\$1,145,043	\$1,172,208	\$28,135

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.*

As shown in Table 18, the Pupil Transportation budget would grow to \$1.17 billion in Fiscal 2015. Of the \$28.1 million or 2.5 percent growth, \$7.8 million would be in special education busing and \$19 million would be in general education busing. Funding for special education busing is projected to total \$826.8 million in Fiscal 2015 and make up 70.5 percent of Pupil Transportation

spending. Funding for general education busing is projected to reach \$272.5 million and make up 23.2 percent of the transportation budget.

Financial Plan Changes

- **State Aid Adjustment.** The November 2013 Plan includes a \$23.9 million reduction in state transportation aid in Fiscal 2015. Updated projections led to a decrease in the formula-driven aid. The State reimburses the DOE for approximately 50 percent of its approved student transportation spending. Reimbursement from the State is received in the year following the spending.

The DOE has estimated that it could potentially claim \$20 million in Medicaid reimbursements for transportation annually. However, the DOE does not yet have a system in place to track transportation services for these claims. The DOE's Medicaid revenue estimates for Fiscal 2014 and Fiscal 2015 do not include any projected revenue from transportation claims.

In 2012 the DOE began the process of rebidding all of its bus contracts for school-age students. These contracts had not undergone a Request for Proposal (RFP) process since 1979. The DOE estimates savings stemming from new contracts thus far will save the DOE \$310 million over five years. Some of these contracts will take effect as late as the 2015-2016 school year, so the savings are not fully recognized in Fiscal 2015.² Further, the estimated savings will not result in an overall drop in spending, but rather will slow the pace of annual increases in bussing costs.

School Facilities

School Facilities is comprised of U/As 435 and 436. Funding for this program area supports the DOE's building maintenance and custodial operations. The Division of School Facilities also completes some capital projects that are funded by the School Construction Authority. In Fiscal 2013 School Facilities completed \$63.3 million worth of capital projects funded by the SCA.

² NYC Office of the Mayor, "Mayor Bloomberg and Chancellor Walcott Announce Additional \$210 Million in Savings from New School Bus Contracts and Public Bidding of an Additional 4,100 Routes", November 11, 2013.

Table 19 - U/As 435 & 436 – School Facilities

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Spending						
School Facilities - Personal Services						
Full-Time Salaried - Non-Pedagogical	\$54,198	\$51,469	\$55,438	\$52,870	\$55,438	-
Custodial Allowances	310,699	327,631	342,674	337,393	324,996	(17,678)
Fringe Benefits	1,082	1,149	1,000	884	-	(1,000)
PS Other	25,314	6,966	2,328	2,353	2,193	(136)
Subtotal	\$391,293	\$387,215	\$401,440	\$393,500	\$382,627	(\$18,814)
Other Than Personal Services						
Contractual Services Subtotal	\$188,348	\$180,158	\$160,896	\$179,935	\$166,188	\$5,292
Maintenance & Infrastructure Ops.	123,967	105,612	92,259	103,512	91,718	(541)
Other	64,381	74,545	68,637	76,423	74,470	5,833
OTPS Other	155,243	173,736	43,740	42,349	47,579	3,840
Subtotal	343,591	353,894	204,636	222,285	213,767	\$9,131
TOTAL	\$734,885	\$741,108	\$606,076	\$615,785	\$596,394	(\$19,683)
Budgeted Headcount						
FT Positions - Non-Pedagogical	673	671	671	671	621	(50)
TOTAL	673	671	671	671	621	(50)

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.*

As shown in Table 19, the Preliminary Budget includes \$596.4 million for School Facilities in Fiscal 2015. Funding for custodial allowances would total \$325 million in Fiscal 2015 and constitute 84.9 percent of the School Facilities PS budget. The net \$9.7 million projected decrease in Fiscal 2015 would stem from an \$18.8 million reduction to PS and a \$9.1 million reduction to OTPS. The decrease in PS would be primarily due to a \$17.7 million reduction to custodial allowances; \$3 million of the decline reflects the elimination of the Council funding for custodial operations that the administration did not include in the Fiscal 2015 budget. The projected decrease of 50 full-time positions does not reflect the changes in funding. Rather, the OMB adjusted its estimates for Fiscal 2015 to more accurately align budgeted headcount with actual headcount.

Of the \$213.8 million scheduled for OTPS, \$166.2 million or 77.8 percent would be for contractual services. Funding for non-DOE custodians who work under contracts with the DOE is scheduled here.

Financial Plan Changes

- **Pre-Kindergarten Expansion.** The Preliminary Budget adds \$8.4 million for School Facilities OTPS in Fiscal 2015 to support the citywide expansion of full-day UPK. The funds would be used to cover costs such as building opening fees.

Energy and Leases

Funding for energy – heat, light, power, and fuel oil, and leases is scheduled in UA 444. The DOE leases approximately 170 buildings to house many of its schools.

Table 20 - UA 444 – Energy & Leases

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Spending						
Other Than Personal Services						
Leases	\$164,368	\$164,504	\$171,411	\$171,411	\$174,223	\$2,812
Heat, Light, Power & Fuel Oil	291,650	316,958	332,607	332,091	332,607	-
Other	943	768	(2,332)	(1,816)	(2,332)	-
TOTAL	\$456,961	\$482,230	\$501,686	\$501,686	\$504,498	\$2,812

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.*

The budget for Energy and Leases is projected to remain relatively flat from the Fiscal 2014 Adopted Budget to the Fiscal 2015 Preliminary Budget.

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 \$1.75. 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 21 - U/As 439 & 440 – School Food

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Spending						
Personal Services						
Full-Time Salaried - Non-Pedagogical	\$65,728	\$65,482	\$66,048	\$66,164	\$66,164	\$117
Other Salaried & Unsalaries	123,397	122,769	127,664	127,624	127,624	(40)
PS Other	10,122	12,306	2,215	2,255	2,255	40
Subtotal	\$199,247	\$200,556	\$195,927	\$196,044	\$196,044	\$117
Other Than Personal Services						
Food & Forage Supplies	\$138,235	\$164,467	\$168,070	\$168,070	\$175,070	\$7,000
OTPS Other	51,973	47,589	47,314	47,157	47,157	(157)
Subtotal	190,208	212,055	215,384	215,227	222,227	\$6,843
TOTAL	\$389,455	\$412,612	\$411,312	\$411,271	\$418,271	\$6,960
Budgeted Headcount						
FT Positions - Non-Pedagogical	1,794	1,718	1,718	1,718	1,697	(21)
TOTAL	1,794	1,718	1,718	1,718	1,697	(21)

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.*

Spending for School Food Services is projected to total \$418.3 million in Fiscal 2015, a \$7 million or 1.7 percent increase as compared to the Fiscal 2014 Adopted Budget. Table 20 above shows the growth is primarily associated with increased estimated costs of food and forage supplies.

As shown in table 21 below, the PMMR for Fiscal 2014 shows that from Fiscal 2012 to 2013 there has been a decline in the average number of school lunches served daily, while the number of breakfasts served has remained relatively flat since Fiscal 2011.

Table 21 - School Meals

Performance Statistics	Actual			Target		4-Month Actual	4-Month Actual
	FY 11	FY 12	FY 13	FY 14	FY 15	FY 13	FY 14
Average lunches served daily	648,141	661,102	625,231	*	*	N/A	N/A
Average breakfasts served daily	224,623	224,641	221,519	*	*	N/A	N/A

Source: Fiscal 2014 Preliminary Mayor's Management Report

The DOE recently provided the City Council with the following information for the 2013-2014 school year:

- Average lunches served daily: 633,000
- Average breakfasts served daily: 227,000
- Approximately 75 percent of students are eligible for free lunch
- Paid reimbursement is claimed for approximately 92,000 lunches daily. Of these, 16,000 are served at no charge under a universal meals program.

As previously discussed, the Miscellaneous Budget includes a restoration for school lunch fees. Beginning in fall 2013, the DOE increased its school lunch fee from \$1.50 to \$1.75 and eliminated reduced-price lunch by providing qualifying students with free lunch. The DOE had planned to increase the fee by \$1 to \$2.50, but the Fiscal 2014 Budget included a \$7.5 million restoration for Fiscal 2014 only that enabled the DOE to lessen the increase to 25 cents. The Fiscal 2015 Preliminary Budget baselined this restoration. The DOE will eventually increase the school lunch fee to \$2.50, in accordance with federal guidelines, but the OMB has suggested that the 25 cent increase should be large enough to satisfy federal mandates for at least the next several years. Revenue from school lunch fees does not directly impact the School Food budget.

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 - U/As 453 & 454 – Central Administration

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Spending						
Personal Services						
Full-Time Salaried - Pedagogical	\$3,304	\$3,693	\$4,055	\$4,055	\$4,055	-
Full-Time Salaried - Non-Pedagogical	131,209	135,643	113,925	113,954	116,284	2,359
Additional Gross Pay	6,134	5,268	1,371	1,401	6,421	5,050
Other Salaried & Unsalaries	1,335	978	1,698	1,718	6,718	5,020
PS Other	229	820	1,932	1,903	1,902	(30)
Subtotal	\$142,212	\$146,402	\$122,982	\$123,032	\$135,381	\$12,399
Other Than Personal Services						
Contractual Services Subtotal	\$115,437	\$90,226	\$71,505	\$71,233	\$74,034	\$2,529
Computer Services	31,738	28,397	19,809	19,178	20,955	1,146
Direct Education Services	24,346	2,938	5,058	3,058	3,058	(2,000)
Telecommunications Maintenance	13,698	14,155	12,102	11,102	12,102	-
Other Contractual Services	45,655	44,735	34,535	37,895	37,918	3,383
OTPS Other	41,043	34,394	41,288	82,399	76,159	34,871
Subtotal	\$156,479	\$124,620	\$112,793	\$153,632	\$150,193	\$37,400
TOTAL	\$298,691	\$271,022	\$235,775	\$276,663	\$285,573	\$49,799
Budgeted Headcount						
FT Positions - Pedagogical	125	115	117	117	27	(90)
FT Positions - Non-Pedagogical	1,645	1,555	1,557	1,557	1,571	14
TOTAL	1,770	1,670	1,674	1,674	1,598	(76)

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.*

Funding for Central Administration is scheduled to increase by \$49.8 million in Fiscal 2015 as compared to the Fiscal 2014 Adopted Budget. The projection includes a \$12.4 million increase in PS and a \$37.4 million in OTPS, which would result in a \$285.6 million Central Administration budget next year. Funding would also increase in Fiscal 2014. Table 22 above shows the funding for Fiscal 2014 would increase by \$40.9 million since adoption. The current year growth is almost entirely in OTPS.

Unlike the other program areas, the change in headcount from Fiscal Year 2014 to 2015 is not simply a headcount realignment. The DOE has taken several PEGs in recent years that included savings through headcount reductions. However, the DOE thus far has achieved these PEGs through reductions elsewhere, without having to significantly reduce headcount. Central Administration can no longer achieve these PEGs without reducing headcount, so the OMB anticipates the DOE will have to reduce headcount to meet the PEGs in Fiscal 2015. The headcount reduction is significant and likely not achievable, especially since the Preliminary Budget projects an increase of 31 positions in Central Administration in Fiscal 2015, which are associated with the UPK expansion plan.

Financial Plan Changes

- **UPK Expansion.** Of the \$340 million included in the Preliminary Budget for UPK expansion in Fiscal 2015, \$14.9 million is scheduled in Central Administration. Of this amount, \$2.5 million would be for OTPS costs and \$12.4 million would be in PS and include funding for 31 positions. These staff would work to roll out and manage the UPK program by reviewing applicants to RFPs, conducting necessary analyses, and performing other central activities.
- **City Backfill of E-Rate Funds.** The Preliminary Budget includes a \$40 million increase in City funds for Central Administration to backfill federal E-Rate funds that are on hold due to a pending audit. The federal program provides discounts for telecommunications and Internet access in schools. Service providers are usually paid directly by the federal Universal Service Fund to cover the cost of the discounts. Because New York City's E-Rate program is currently being audited, E-Rate funds to service providers have temporarily ceased until the audit is completed. City funds have been added to Central Administration so the DOE can pay the service providers and continue to receive services. The DOE hopes to get federal reimbursement for these costs when the audit is completed.
- **Parent Volunteer Training PEG Restoration.** The Parent Volunteer Training PEG was included in the Fiscal 2011 budget to save \$346,752. The program provides training opportunities for parent volunteers. The PEG was restored in the Preliminary Budget.

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 - U/As 415 & 416 - School Support

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Spending						
Personal Services						
Full-Time Salaried - Pedagogical	\$65,096	\$64,193	\$65,698	\$62,686	\$74,838	\$9,139
Full-Time Salaried - Non-Pedagogical	57,526	58,268	36,900	40,631	41,710	4,810
Additional Gross Pay	15,337	13,610	7,954	7,954	8,046	92
Other Salaried & Unsalaries	2,292	2,038	14,127	14,127	14,127	-
Fringe Benefits	2	-	718	-	-	(718)
PS Other	927	879	404	404	404	-
Subtotal	\$141,179	\$138,987	\$125,802	\$125,802	\$139,125	\$13,323
Other Than Personal Services						
Contractual Services	\$3,745	\$3,973	\$4,223	\$4,174	\$4,223	-
OTPS Other	8,849	5,444	6,674	6,724	7,100	426
Subtotal	\$12,594	\$9,417	\$10,898	\$10,898	\$11,324	\$426
TOTAL	\$153,773	\$148,404	\$136,700	\$136,700	\$150,449	\$13,749
Budgeted Headcount						
FT Positions - Pedagogical	992	992	992	989	711	(281)
FT Positions - Non-Pedagogical	476	430	440	443	440	-
TOTAL	1,468	1,422	1,432	1,432	1,151	(281)

*The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.

Funding for School Support would increase by \$13.7 million in Fiscal 2015. The additional funds are almost entirely in PS, despite a headcount reduction of 281 full-time pedagogical positions. The number of positions scheduled for Fiscal 2015 has been realigned to reflect actual headcount in. The \$13.3 million increase in PS actually includes a corresponding headcount increase of 170 positions in School Support for needs associated with pre-K expansion.

Financial Plan Changes

- Universal Pre-Kindergarten Expansion.** The Preliminary Budget includes a \$13.6 million allocation for school support services associated with the citywide expansion of full-day pre-K. The funds include \$13.1 million for PS and \$426,000 for OTPS. The 170 School Support positions associated with UPK expansion would include field staff, professional development staff, and others to coordinate and manage the expansion and operations of citywide UPK.

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 - U/A 461 – Fringe Benefits

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Spending						
Personal Services	\$2,701,352	\$2,814,368	\$3,043,662	\$2,963,016	\$3,132,876	\$89,214
TOTAL	\$2,701,352	\$2,814,368	\$3,043,662	\$2,963,016	\$3,132,876	\$89,214

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan.*

The Preliminary Budget does not include any funds for collective bargaining, and as Table 24 shows, there have been no funds for collective bargaining in the past several years. The program area's entire projected budget for Fiscal 2015 is in Fringe Benefits. The OMB estimates spending for Fringe Benefits will reach \$3.13 billion and comprise 15.3 percent of the Department's entire expense budget next year. Funding for fringe benefits would increase by \$89.2 million or 2.9 percent in Fiscal 2015 as compared to the Fiscal 2014 Adopted Budget.

Financial Plan Changes

- HIP HMO Rate Adjustment.** The November Plan includes a HIP HMO rate reduction that would result in \$20.8 million in City fund savings in Fringe Benefits in Fiscal 2014 and \$144.2 million in savings in Fiscal 2015. An additional \$40 million in savings in Fiscal 2014 and \$20 million in Fiscal 2015 would be used to offset the projected loss of federal Medicaid funding.
- Universal Pre-K Expansion.** Included in the Preliminary Budget is a \$14.1 million increase in Fringe Benefits associated with UPK expansion. The UPK expansion plan would require a projected increase of 947 full-time staff in Fiscal 2015, so the budget includes the corresponding costs of fringe benefits in UA 461.

School Safety

The DOE 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/As 442 – School Safety

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Spending						
Other Than Personal Services						
Contracts	\$298,111	\$306,130	\$308,440	\$308,440	\$317,099	\$8,659
TOTAL	\$298,111	\$306,130	\$308,440	\$308,440	\$317,099	\$8,659

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.*

Funding for School Safety would total \$317.1 million in Fiscal 2015. The NYPD projects it will have 5,425 school safety agents next year.

Table 26 - School Safety Headcount in NYPD

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
FT Positions - Civilian	4,963	5,147	5,147	5,147	5,147	-
FT Positions - Uniform	209	278	278	278	278	-
TOTAL	5,172	5,425	5,425	5,425	5,425	-

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.*

Data from the Fiscal 2014 PMMR shows criminal activity in schools has been trending downward since Fiscal 2011.

Table 27 - School Safety Measures

	Actual			Target		4-Month Actual	4-Month Actual
Performance Statistics	FY 11	FY 12	FY 13	FY 14	FY 15	FY 13	FY 14
School safety - Seven Major Crimes	801	812	699	DOWN	DOWN	151	171
Other criminal Categories	3,089	3,295	2,626	DOWN	DOWN	511	571
Other Incidents	5,119	5,365	4,350	DOWN	DOWN	806	855

Source: Fiscal 2014 Preliminary Mayor's Management Report

Non-Public Schools and FIT

The DOE passes state aids for textbooks, library books, data processing supplies, and other school supplies to non-public schools. The DOE also provides support for the Fashion Institute of Technology (FIT). Of the \$71.4 million budgeted in UA 474, \$45.4 million supports FIT. The DOE does not control the amount of funding budgeted in UA 474, as all of the allocations are formulaic pass-throughs required by the state.

Table 28 - U/A 474 - Non-Public Schools & FIT

	2012	2013	2014	2014	2015	*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	Prelim. Plan	Prelim. Plan	2014 - 2015
Spending						
Other Than Personal Services						
Fashion Institute of Technology	\$45,374	\$45,374	\$45,374	\$45,374	\$45,374	-
Book & Other Supplies	25,750	24,303	25,773	25,773	25,773	-
TOTAL	\$71,124	\$69,677	\$71,146	\$71,146	\$71,146	-

**The difference of Fiscal 2014 Adopted compared to Fiscal 2015 Preliminary Plan Funding.*

The projected budget for Non-Public Schools and FIT remains unchanged in the Fiscal 2015 Preliminary Budget.

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 DOE historically has one of the largest agency contract budgets and in Fiscal 2015 it would make up 44.7 percent of the City's total \$11.78 billion Contract Budget. The Preliminary 2015 Contract Budget includes a total of \$5.26 billion for the DOE's 4,482 contracts.

The greatest areas of contractual spending are for contract schools and pupil transportation. Half of the \$5.26 billion contract budget would be for contract schools, which is projected to total \$2.61 billion in Fiscal 2015. In addition, \$1.18 billion or 22.4 percent would be for pupil transportation. Additional contractual categories and projected spending is outlined in the table below.

Department of Education Contract Budget					
Category	Fiscal 2014 Adopted		Fiscal 2015 Preliminary		
	Number	Budgeted	Number	Budgeted	Percent of DOE Total
Contractual Services General	8	62,765	8	71,269	1.4%
Telecommunications Maintenance	47	15,497	47	15,498	0.3%
Maint & Rep Motor Veh Equip	6	178	6	178	0.0%
Office Equipment Maintenance	58	5,305	58	5,247	0.1%
Data Processing Equipment	70	3,771	70	3,728	0.1%
Printing Contracts	52	4,348	52	4,348	0.1%
Security Services	4	322	4	322	0.0%
Temporary Services	75	21,177	75	21,138	0.4%
Cleaning Services	3	181	3	181	0.0%
Transportation Expenditures	24	4,882	24	4,882	0.1%
Bus Transportation Reimbursable Programs	1	53	1	53	0.0%
Transportation of Pupils	343	1,157,086	343	1,178,713	22.4%
Payments Contract/Corporate Schools	1,241	2,360,795	1,409	2,605,316	49.5%
Training Program City Employees	2	4,020	2	4,367	0.1%
Maintenance & Operation of Infrastructure	416	102,039	416	101,498	1.9%
Payments to Delegate Agencies	1	59	1	59	0.0%
Prof Services Accounting & Auditing	2	1,785	2	1,784	0.0%
Prof Services Legal Services	52	11,032	52	11,032	0.2%
Prof Services Engineer and Architect	7	238	7	238	0.0%
Prof Services Computer Services	99	36,739	99	37,595	0.7%
Prof Services Direct Education Services	1,244	1,059,253	1,244	997,376	19.0%
Prof Services - Other	332	74,156	332	94,579	1.8%
Bank Charges Public Asst Acct	1	154	1	154	0.0%
Prof Services - Curriculum & Prof Development	601	71,415	601	98,584	1.9%
Education and Rec for Youth Program	25	379	25	379	0.0%
Contracts Total	4,714	\$4,997,629	4,882	\$5,258,518	100.0%

Appendix B: Budget Actions in the November and Preliminary Plans

<i>Dollars in Thousands</i>	FY 2014			FY 2015		
	City	Non-City	Total	City	Non-City	Total
DOE Budget as of FY 2014 Adoption	\$9,285,649	\$10,579,078	\$19,864,727	\$9,612,270	\$10,815,558	\$20,427,828
New Needs						
Universal Full-Day Pre-K	\$0	\$0	\$0	\$337,798	\$0	\$337,798
SUBTOTAL New Needs	\$0	\$0	\$0	\$337,798	\$0	\$337,798
PEG Restorations						
Parent Volunteer Training Restoration	\$347	\$0	\$347	\$347	\$0	\$347
Per Session PEG Restoration	1,553	0	1,553	1,553	0	1,553
Professional Development PEG Restoration	1,220	0	1,220	1,220	0	1,220
SUBTOTAL PEG Restorations	\$3,120	\$0	\$3,120	\$3,120	\$0	\$3,120
Other Adjustments						
Intra-City Payments	\$0	\$15,242	\$3,510	\$0	\$0	\$0
Medicaid Revenue Re-estimate	0	(67,000)	(67,000)	0	(30,000)	(30,000)
Foundation Aid Re-estimate	0	0	0	0	(36,385)	(36,385)
FEMA Adjustment	0	584	584	0	0	0
Special Education Pre-K Revenue Re-estimate	0	(39,800)	(39,800)	0	(46,800)	(46,800)
Universal Afterschool DOE Administration	0	0	0	0	16,842	16,842
Other Adjustments	158	2,795	2,953	0	(517)	(517)
HIP HMO Rate Adjustment	(20,803)	0	(20,803)	(144,191)	0	(144,191)
OST Funding	(7,022)	0	(7,022)	0	0	0
State Aid Adjustment	0	(47,541)	(47,541)	0	(49,275)	(49,275)
SUBTOTAL Other Adjustments	(\$27,667)	(\$135,720)	(\$175,119)	(\$144,191)	(\$146,135)	(\$290,326)
Total All Changes	(\$24,547)	(\$135,720)	(\$171,999)	\$196,727	(\$146,135)	\$50,592
DOE Budget as of FY 2015 Preliminary Plan	\$9,261,102	\$10,443,358	\$19,704,460	\$9,808,997	\$10,669,423	\$20,478,420