

Fiscal 2008 Executive Budget Hearings

❖ Committee on Education

May 2007

Scheduled To Testify:

- *Department of Education*

*Hon. Christine C. Quinn
Speaker of the Council*

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

*Hon. Robert Jackson, Chair
Committee on Education*

*Michael Keogh, Director
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TABLE OF CONTENTS

DEPARTMENT OF EDUCATION (040)	2
AGENCY FUNDING OVERVIEW	2
Table 1: AGENCY FUNDING	2
City Funding	3
Chart 1: City Fund Changes in the FY 2008 Executive Plan	3
Council Initiatives Not Restored	4
Table 2: CITY COUNCIL INITIATIVES	4
State and Federal Funding	4
Chart 2: State Aid Changes in the FY 2008 Executive Plan	5
HEADCOUNT OVERVIEW	5
Table 3: HEADCOUNT OVERVIEW	5
AGENCY HIGHLIGHTS	6
Fair Student Funding	6
Contract for Excellence	7
EXECUTIVE BUDGET REVIEW	8
Student Instruction and School Leadership	8
Administrative Spending	10
Funding for Private and Charter Schools	11
Chart 3: Charter School Enrollment FY 02 – FY 11	13
Fringe Benefits and Collective Bargaining	13
School Support Services: Bussing, Safety, Food, and Energy	14
Table 4: EXECUTIVE BUDGET ACTIONS	16

DEPARTMENT OF EDUCATION (040)

Agency Operations

The Department of Education (DOE or the Department) operates over 1,400 schools and provides primary and secondary education to more than 1 million children. The DOE employs over 136,000 people, of whom about 78,000 are teachers. The Department's objectives include preparing all students to meet grade level standards in reading, writing and math, and high school students to pass Regents exams and meet graduation requirements. Support services provided by the Department include transportation, breakfast and lunch, and the operation and maintenance of more than 1,400 schools.

AGENCY FUNDING OVERVIEW

For the coming year the Administration has proposed a \$16.873 billion budget for the Department, \$1.419 billion more than DOE's Adopted Budget for Fiscal 2007 and \$1.031 billion more than the Fiscal 2007 forecast. When education-related spending on debt service and pension costs are considered, the City's education budget for Fiscal 2008 rises to \$20.134 billion, \$1.867 billion more than in Fiscal 2007. Pension and debt service spending included in the City budget, but not in the DOE's agency budget, are shown to present a complete picture of the City's annual spending related to schools. This allows comparison of the City's spending on schools with spending by other school districts in New York State. Table 1 displays the Fiscal 2007 and 2008 budgets for the Department by revenue source and shows how much each has changed since the City Council adopted the budget last June. City, State and federal support for the DOE are all expected to increase in Fiscal 2008 as compared to the Adopted Budget for Fiscal 2007.

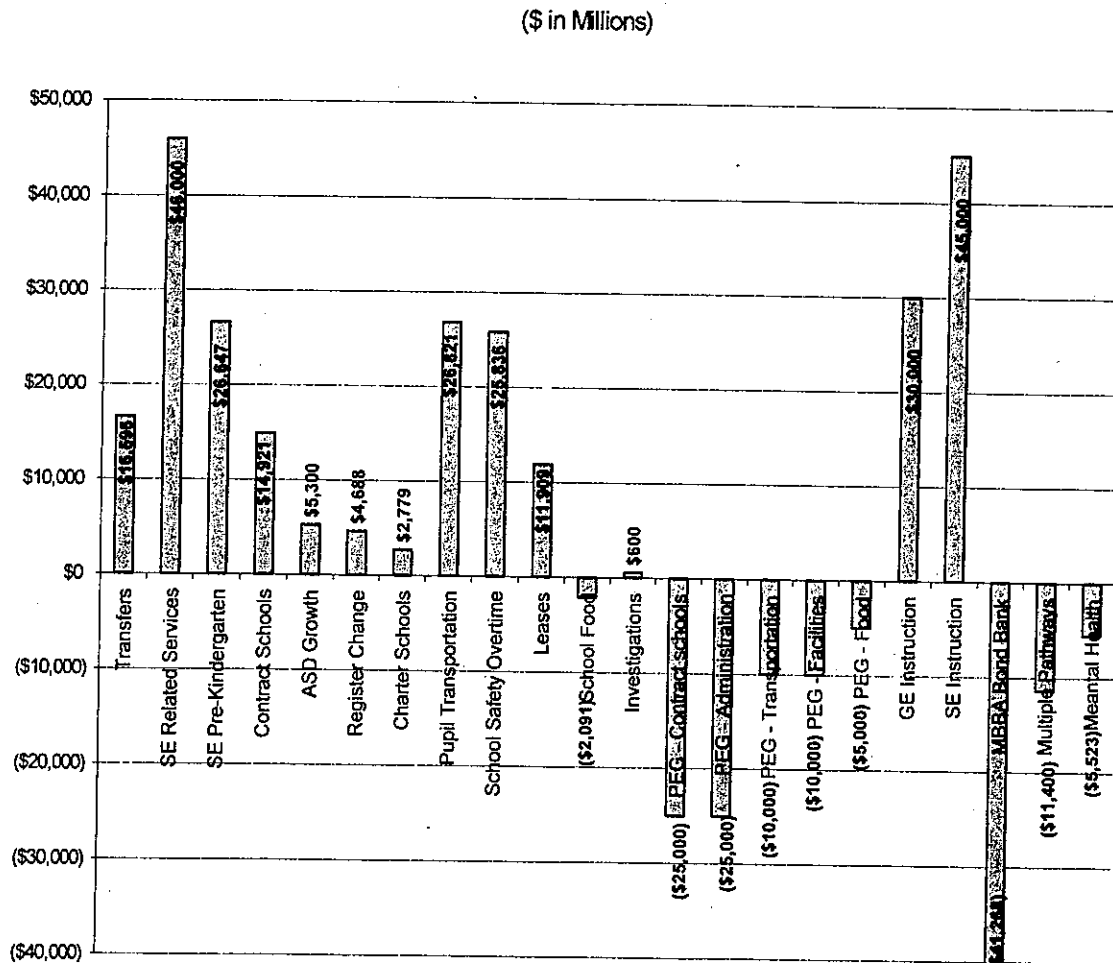
Table 1: AGENCY FUNDING

	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
City	\$6,559,637,751	\$6,787,480,278	\$7,090,300,356	8.09%
Other Categorical	\$39,338,191	\$61,139,816	\$48,434,103	23.12%
State	\$7,124,918,502	\$7,170,346,269	\$7,869,837,370	10.46%
Community Development	\$5,000,000	\$5,000,000	\$5,000,000	0.00%
Federal-Other	\$1,717,324,016	\$1,829,843,951	\$1,850,755,098	7.77%
Intra-City	\$7,975,434	\$10,856,994	\$9,094,272	14.03%
Total Operating Budget	\$15,454,193,894	\$15,864,667,308	\$16,873,421,199	9.18%
Pension Costs – City Funded	\$1,732,596,121	\$1,697,468,284	\$1,997,031,185	15.26%
Debt Service – City Funded	\$1,045,287,803	\$1,171,084,292	\$1,089,954,758	4.27%
Debt Service – State Funded	\$35,610,000	\$63,670,000	\$174,010,000	388.65%
Total Other Obligations	\$2,813,493,924	\$2,932,222,576	\$3,260,995,943	15.91%
Grand Total	\$18,267,687,818	\$18,796,889,884	\$20,134,417,142	10.22%

City Funding

City funds spent on education will rise by \$530.7 million to \$7.09 billion next year. The year-to-year increase includes a \$121.8 million jump presented in the Executive Plan. The significant components of the Executive Plan increase in City funds include a \$137.9 million addition made to cover increased costs and growth in special education services; a \$26.8 million increase in bussing costs; a \$25.8 million addition for overtime spending on school safety staff; and a \$30 million growth in general education services. These increases are offset by a \$75 million Program to Eliminate the Gap ("PEG") reduction comprised of \$25 million cuts to contract schools and regional administration, \$10 million cuts to pupil transportation and school facilities, and a \$5 million drop in spending on school food. Chart 1 below displays the City funds changes in the Executive Plan.

Chart 1: City Fund Changes in the FY 2008 Executive Plan



Council Initiatives Not Restored

In addition to the City funds changes discussed above, the Fiscal 2008 Executive Budget does not include \$29.1 million for targeted programs provided by the City Council in the Fiscal 2007 Adopted Budget but not baselined by the Mayor in the City's Financial Plan for Fiscal 2008 and the outyears. Some of the initiatives left out of the Executive Budget for Fiscal 2008 are listed in Table 2 below.

Table 2: CITY COUNCIL INITIATIVES

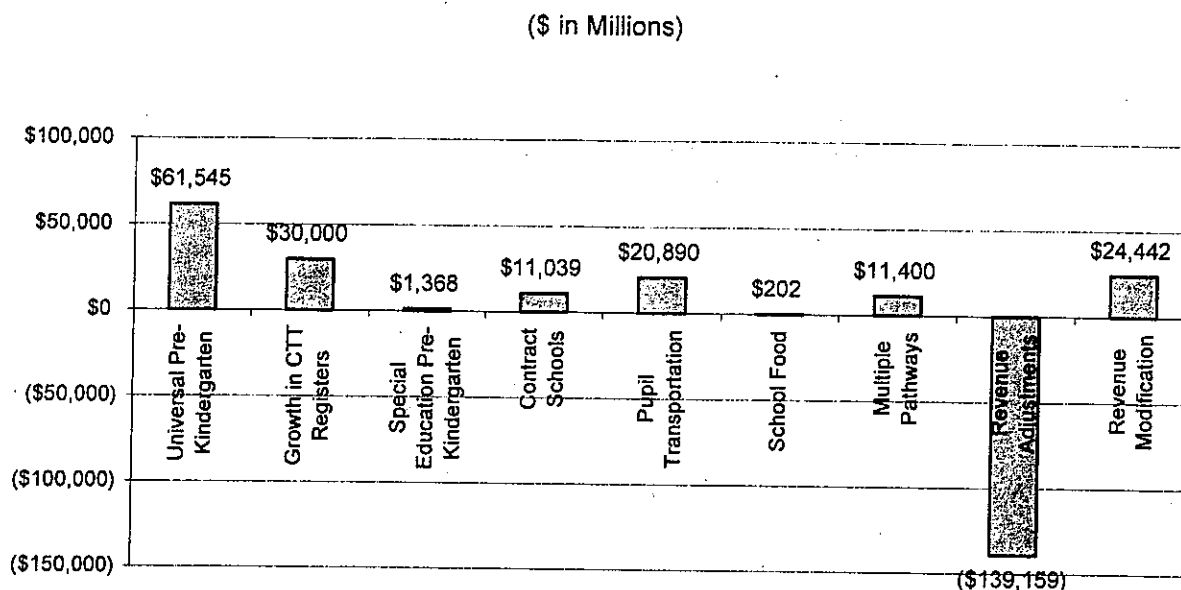
Initiative Name	Support Level
Teacher's Choice	\$19,696,000
Principal Leadership Center	\$400,000
Urban Advantage – Science Initiative	\$2,500,000
Community Achievement Project in Schools	\$1,340,000
Consortium for Worker Education	\$2,584,000
Computers for Youth	\$250,000
National Foundation for Teaching Entrepreneurship	\$610,000
The Young Women's Leadership Foundation	\$400,000
New Visions for Public Schools	\$500,000
Peter Vallone Scholarship (FIT)	\$200,000

State and Federal Funding

While the City expects to receive \$744.9 million more in State aid in Fiscal 2008 than it had projected for Fiscal 2007 at adoption last year, the Executive Plan schedules only \$63 million of this increase. The Administration adjusted its State aid estimate for Fiscal 2008 upward in prior plans. Most notably, in the January Plan, the City scheduled a \$723.1 million jump in State aid for compliance with the Campaign for Fiscal Equity ("CFE") lawsuit.

New State aid in the Executive Plan will fund an expansion of the universal pre-kindergarten program, cover growing special education costs, fund pupil transportation increases and pay for the DOE's planned expansion of the Multiple Pathways Program. Correction of the City's CFE estimate, which was too optimistic in the January Plan, lowers the State aid projection by \$139.2 million and partially offsets the increases. Federal aid changes in the Executive Plan are minor and include only a \$2.8 million increase for school food and a \$1.2 million revenue re-estimate.

Chart 2: State Aid Changes in the FY 2008 Executive Plan



HEADCOUNT OVERVIEW

The Department expects to reduce its pedagogical headcount during the coming year by 1,184 people. The projected non-pedagogical headcount for next year holds steady at 10,382 positions. The pedagogical headcount drop was introduced in a prior budget plan based on falling student enrollment projections. Given the increase in planned spending on general and special education services in the coming year, the Administration's pedagogical headcount projection is probably too low. With the infusion of new State aid and the DOE's initiative to move more of its resources to schools, it is likely that school based staffing will increase. As is discussed later in this report, school principals will have more money at their disposal next year and greater discretion over how to spend it. This may produce a growth in pedagogical headcount, which the Administration has not attempted to estimate in the Executive Plan. Furthermore, since the personnel services related components of the DOE's budget are not aligned with the DOE's internal financial management system, FAMIS, the headcount projections contained in the Executive Plan are not necessarily accurate.

Table 3: HEADCOUNT OVERVIEW

Headcount Pedagogical	Fiscal 2007 Adopted Budget	Forecast for June 30, 2007	Projection for June 30, 2008
Pedagogical - City	88,548	91,053	89,913
Pedagogical - Non-City	21,510	19,010	18,966
Pedagogical Total	110,058	110,063	108,879
Non-Pedagogical - City	7,961	8,968	8,968
Non-Pedagogical - Non-City	2,414	1,414	1,414
Non-Pedagogical Total	10,375	10,382	10,382
Total Headcount	120,433	120,445	119,261

AGENCY HIGHLIGHTS

Fair Student Funding

On May 9 the DOE posted each school's budget for the coming school year, which collectively total \$8.7 billion, or about half of the Department's \$16.8 billion operating budget. The school budgets schedule the dollars that principals may spend on teachers, other school staff, and school materials. The DOE created the school budgets for the coming school year using its newly introduced Fair Student Funding ("FSF") formula.

The FSF formula gives each school a base allocation of \$200,000 and ties a portion of each school's funds to the students enrolled in that school. In addition to the base, schools will receive a per capita allocation for every student according to grade level. The base amounts are \$3,788 for students in Kindergarten through grade 5; \$4,091 for 6th through 8th grade students; and \$3,902 for high school students. These base amounts are then adjusted upward according to students' particular needs such as special education and English language learner status. Additionally, the FSF formula grants additional weight to students enrolled in "portfolio" high schools. The base allocation, plus the per-student allocation, plus the additional weights for all children enrolled in a school, form that school's FSF allocation.

By tying school budgets to the particular students enrolled in each school, the DOE hopes to more equitably distribute education dollars among schools and students. The FSF formula is also an attempt to make school budgets more transparent and simpler. The funds that will comprise the FSF allocations had previously been distributed to schools through a myriad of discrete funding formulas, which the DOE has collapsed into the FSF allocation. Elimination of many of the prior funding formulas will also give principals greater discretion over how to use their school's resources.

Because the FSF formula distributes funds according to student enrollment and needs rather than historical budgets, it changes the budget level of most schools. The prior budgeting method left some schools "over-funded" and others "under-funded" based on the need levels identified through the FSF formula. Since the distribution of overages and deficits in schools' budgets is quite significant, the DOE has decided to phase-in the FSF approach. Next year, the so-called "over-funded" schools will not have their budgets reduced, and the "under-funded" schools will receive only a portion of the budget increase prescribed by the FSF formula. No school will receive a FSF increase greater than \$400,000. The FSF increments shown in the 2007-2008 budgets of the historically "under-funded" schools collectively total \$110 million.

In addition to the FSF allocation, the DOE will fund schools through four other funding streams: 1) Programs Not Consolidated; 2) Other Special Education Funds; 3) State and Federal Categorical programs; and 4) Children First Supplemental Funds. Programs Not Consolidated or Internally Restricted Programs are City initiatives with a unique structure or priority. For example, schools will continue to receive funds that must be used for a parent coordinator, summer school, and school restructuring (if applicable). Other Special Education Funds must be used for mandated special education support that supplements core classroom instruction

services. Schools will receive these dollars in addition to the special education weights in the FSF allocation.

Schools must use the State and Federal Categorical Program funds, or Externally Restricted Program funds, in accordance with the restrictions established by the State and federal governments. Examples include federal funding under Title I and State funding for attendance improvement/dropout prevention. Finally, the Children First Supplemental funds must be used by schools to purchase the services of a School Support Organization for next year. Any remaining funds can be used at the principals' discretion for any other services, supplies or staff. All schools will receive a Children First Supplemental Allocation equal to \$85,000, plus a per student amount of \$120.48.

Schools in District 75 and programs in District 79 will not receive a FSF allocation in the 2007-08 school year because of their unique structures. They will continue to be funded under the same approach as previously.

Contract for Excellence

The 2007-2008 State budget requires the Department of Education to develop a Contract for Excellence that will govern the Department's use of a significant portion of its state aid increase, which totals \$317 million next year. The Contract for Excellence will require the Department to implement specific strategies that have been proven to increase student achievement. The Contract must identify specific problems to solve and set targets for improvement. Spending may be targeted at any of the following five initiatives: 1) class size reduction in all grades; 2) longer school day measures; 3) improved teacher and principal quality; 4) middle and high school restructuring; and 5) full-day pre-Kindergarten. Fifteen percent of the spending can be targeted at research-based experimental programs. The State will also impose additional accountability measures to permit parents and the community to see where and how these funds are spent and what the results are.

The *Message of the Mayor* outlines some of the highlights of the Department's proposed budget for Fiscal 2008 that relate to the forthcoming Contract for Excellence. According to the Administration, a variety of initiatives that total \$275 million will be funded with Contract for Excellence funds. These include the \$110 million FSF allocations in the school budgets, an additional \$75 million increase in school budgets scheduled in the Executive Plan, \$30.3 million provided for formative assessments, introduction of the new science curriculum at a cost of \$30 million, and \$29.7 million to open 39 new schools. How the DOE will spend the remainder of its Contract for Excellence funding has yet to be determined. The New York State Education Department regulations require the DOE to submit its proposed Contract for Excellence in July for approval before the school year begins.

EXECUTIVE BUDGET REVIEW

As are all City agencies' budgets, the Department's budget is broken down into units of appropriation (U/A). U/As show the amount of money appropriated for Personal Services (i.e. salaries) or Other Than Personal Services (i.e. supplies and contractual services) for a particular program, purpose, activity or institution. The U/As in the DOE's budget, however, are so broadly defined and vast that they do not provide much useful information on the Department's activities.

The budget shows, on a macro level, how much money the City spends on primary and secondary education, and how it changes from year to year. It does not allow one to review any discrete programs of the Department. For example, in order to examine spending on elementary English language arts instruction, or the Chancellor's accountability initiative, or the universal pre-Kindergarten program, the DOE's budget would require much greater detail and accuracy than it now provides. Narrative reports, such as the *Message of the Mayor* and the *Mayor's Management Report*, presented with the City's budget, provide some limited, generally citywide data on the DOE. They also might summarize broad policy changes and initiatives planned by the Department. The budget along with such reports, however, cannot be used to understand or analyze the many and diverse services provided by the Department of Education.

For service level information regarding the DOE's budget and programs one must turn to other published reports. The DOE's web page is perhaps now the most comprehensive source of information about the Department's schools. It presents the budget of each DOE school, School Allocation Memorandum that explain how schools are funded, and a wide variety of information about the DOE's many activities, services, and policies. Statistical information concerning student test scores, school building capacity, and student demographics, for example, is also available through the DOE's web page.

This report is intended to provide an overview of the Mayor's Executive Budget for Fiscal 2008 and the changes to the DOE's spending plan introduced in that plan. In-depth analysis of the Department's budget is, however, difficult. The Department uses an internal budget system called FAMIS that is not entirely aligned with the City's Financial Management System ("FMS"). The Administration produces the DOE's budget from FMS, rather than from the more accurate FAMIS system. The misalignment of FAMIS and FMS leave some inconsistencies and gaps in the Department's budget. What follows is a summary of the DOE's budget and the Executive Plan actions by U/A based on the information currently available.

Student Instruction and School Leadership

Funding in U/As 401 and 402 supports direct general education ("GE") instruction, school supervision and support services such as professional development, parent coordinators, and math and literacy coaches in DOE's elementary, middle and high schools. Also included are funds for vocational high schools, alternative schools, career education, school correction facilities, off-site education centers and the Universal Pre-Kindergarten program. Funding in U/As 403 and 404 pays for special education ("SE") instruction and related services provided to students in DOE schools. Direct special education instruction, school supervision and related services for severely handicapped students in District 75 schools and other settings are supported

Fiscal 2008 Executive Budget Report

by funds in U/As 421 and 422. U/As 423 and 424 support special education instructional services that are centrally managed such as speech and occupational therapy and nurses, as well as some evaluations. U/As 481 and 482 contain State and federal aid provided to the DOE for myriad programs such as Title I, most of which support instructional services at DOE schools and private schools funded by the DOE.

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
401	GE Instruction & School Leadership-PS	\$4,908,056,950	\$5,011,186,222	\$5,654,741,400	15.21%
402	GE Instruction & School Leadership-OTPS	\$530,473,686	\$584,023,756	\$494,573,716	-6.77%
403	SE Instruction & School Leadership-PS	\$901,572,253	\$1,073,723,870	\$984,021,631	9.15%
404	SE Instruction & School Leadership-OTPS	\$10,192,000	\$10,192,000	\$10,391,348	1.96%
421	CW SE Instruction & School Leadership-PS	\$611,393,489	\$638,684,089	\$640,502,109	4.76%
422	CW SE Instruction & School Leadership-OTPS	\$25,138,400	\$25,138,400	\$21,647,052	-13.89%
423	SE Instructional Support-PS	\$161,459,529	\$171,049,103	\$222,225,944	37.64%
424	SE Instructional Support-OTPS	\$125,029,918	\$131,281,413	\$124,269,514	-0.61%
481	Categorical Programs-PS	\$1,355,522,029	\$1,344,074,776	\$1,373,574,766	1.33%
482	Categorical Programs-OTPS	\$783,451,372	\$694,402,619	\$705,377,251	-9.97%
Total		\$9,412,289,626	\$9,683,756,248	\$10,231,324,731	8.70%

Student Enrollment

The portion of the DOE's budget devoted to direct instructional services is tied to the number of students who attend the Department's schools. The City projects enrollment for all years of its Financial Plan and makes annual adjustments. As discussed below, the Executive Plan changes the GE and SE instruction budgets based on revised enrollment projections introduced with the Plan.

The City estimates that 985,447 children will attend DOE schools in Fiscal 2008, down from 999,691 students this year. Most of the projected enrollment drop is among general education students. The GE enrollment is 889,217 students this year; it will fall to 868,399 students next year, a decrease of 32,289 students. Additionally, 20,712 pre-Kindergarten students attend DOE schools this year, and the Administration expects the same number to be enrolled next year. The Special Education ("SE") enrollment in district schools will grow from 72,017 to 79,174 students, an increase of 7,157 students. The citywide SE school enrollment is expected to drop from 17,745 students this year to 17,162 students next year.

Funding Analysis

Spending on instructional services within schools and centrally will increase significantly next year as compared to the Adopted Budget for Fiscal 2007. Most of the planned increases relate to rising personnel costs; program expansions also contribute to the growth. The anticipated infusion of new State aid will fund much of the growth in school spending. The Executive Plan does not schedule this increase in CFE-related State aid; the January Plan increased the State aid revenue budget for Fiscal 2008. This Plan schedules a reduction of \$164.5 million in State aid in U/As 401, 402, 403, and 404 simply to tie the City's budget estimate with the State budget.

Fiscal 2008 Executive Budget Report

The Executive Plan moves \$75 million in additional City funds into school budgets. This boosts U/A 401 by \$45 million, U/A 403 by \$25 million, and U/A 421 by \$5 million. Although this increase is scheduled in the PS U/As, the Executive Plan does not include an associated headcount change. The Administration has not provided any details on how these new funds will be spent or distributed to schools other than to indicate that the \$75 million will become part of the DOE's Contract for Excellence funds.

General Education

Collectively, actions introduced in the Executive Plan increase the general education PS budget by \$51.4 million in Fiscal 2008 and raise the OTPS budget by \$21.9 million. A re-estimate of the GE student population triggered a \$199.2 million increase in U/A 401. Excess unrestricted State aid for Fiscal 2008 totaling \$39.6 million was added to U/A 401, but this funding has yet to be directed at a specific program or purpose. To align the revenue budget with the State budget, the Executive Plan cut \$12.3 million in Career Education Aid and another \$2 million in Computer Administration Aid. Funding increases in general education are offset by the re-estimate of State Formula Aid presented in the Executive Plan.

Special Education

The Executive Budget adds \$30 million to U/A 403 to support the increased growth in special education classroom services. The DOE will be adding more than 250 special education classes and teachers in both integrated and self-contained environments to help meet both the needs of individual education plan ("IEP") mandates and DOE's commitment to educating students in the least restrictive settings. Spending on related services is also expected to rise, and the Plan boosts U/A 423 by \$46.9 million. Generally, the large year-to-year increase in the SE personnel service U/As is driven by the anticipated growth in SE student enrollment.

Categorical Aid

The Executive Plan includes several actions related to categorical aids, most of which are simply revenue re-estimates. It schedules a \$61.5 million increase that reflects the anticipated increase in State aid for universal pre-Kindergarten. Despite this funding increase, the Administration has not increased its universal pre-Kindergarten enrollment estimate for the coming school year.

Administrative Spending

U/A 415 and 416 include funding for the ten learning support centers, school age and pre-school committees on special education (CSEs and CPSEs), alternative high schools and citywide special education learning support centers, community school districts, community district education councils, parent support offices and student placement and youth and family support services offices as well as the six regional operation center offices. U/A 453 and 454 include funding for all of DOE's central offices such as Teaching and Learning, Finance and Administration, and Operations. Additional central office functions include school safety, youth development and student services, special investigations, intergovernmental affairs, equal opportunity, public information, community affairs, legal services and labor relations, and the auditor general.

Fiscal 2008 Executive Budget Report

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
415	Regional & CW Instruction & Operation Ad-PS	\$212,385,519	\$205,833,340	\$181,001,402	-14.78%
416	Regional & CW Instruction & Operation Ad-OTPS	\$14,074,072	\$14,777,775	\$10,447,072	-25.77%
453	Central Administration-PS	\$146,856,286	\$167,648,303	\$164,660,747	12.12%
454	Central Administration-OTPS	\$219,979,952	\$230,544,900	\$220,978,783	0.45%
	Total	\$593,295,829	\$618,804,318	\$577,088,004	-2.73%

Funding Analysis

The Executive Plan reduces the regional administration PS budget, U/A 415, by \$25 million, but the Administration has not provided any details regarding how this cut will be implemented. Generally, the cut reflects the DOE's attempt to move resources out of the regional administrative centers and into schools. However, similar to other actions in this Plan, the Administration did not schedule a companion headcount reduction. The Plan holds the Fiscal 2008 budget for the central administrative offices basically flat. The increase in spending planned for next year is driven by increasing costs that were recognized in previous financial plans. Similarly, the drop in the regional administration OTPS budget was scheduled in an earlier plan.

Funding for Private and Charter Schools

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

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
470	SE Pre-K Contract Payments-OTPS	\$548,141,689	\$545,641,689	\$621,490,510	13.38%
472	Charter/Contract/Foster Care-OTPS	\$485,646,260	\$485,646,260	\$580,905,688	19.61%
474	NPS & FIT Programs-OTPS	\$53,799,141	\$54,137,124	\$61,396,085	14.12%
	Total	\$1,087,587,090	\$1,085,425,073	\$1,263,792,283	16.20%

Funding Analysis

The budget increases scheduled in U/A 470 and 472 are driven by enrollment projections and steadily rising tuition and transportation costs. The growth in U/A 474 relates to collective bargaining increases for FIT employees.

SE Pre-Kindergarten

The SE pre-Kindergarten budget funds tuition payments to private schools, services for SE pre-Kindergarten children, and student transportation. State aid finances 59.5 percent of the spending. Expenditures on tuition and related services will rise to \$621.5 million in Fiscal 2008 from \$567 million this year. Transportation costs will be \$76.8 million. The Administration has adjusted the transportation spending estimate upward by \$6 million per year to reflect the fact that it is more expensive for the DOE to manage the bus contracts than it had been for the Department of Transportation. This is in part because the DOE does not competitively bid bus contracts.

Carter Cases

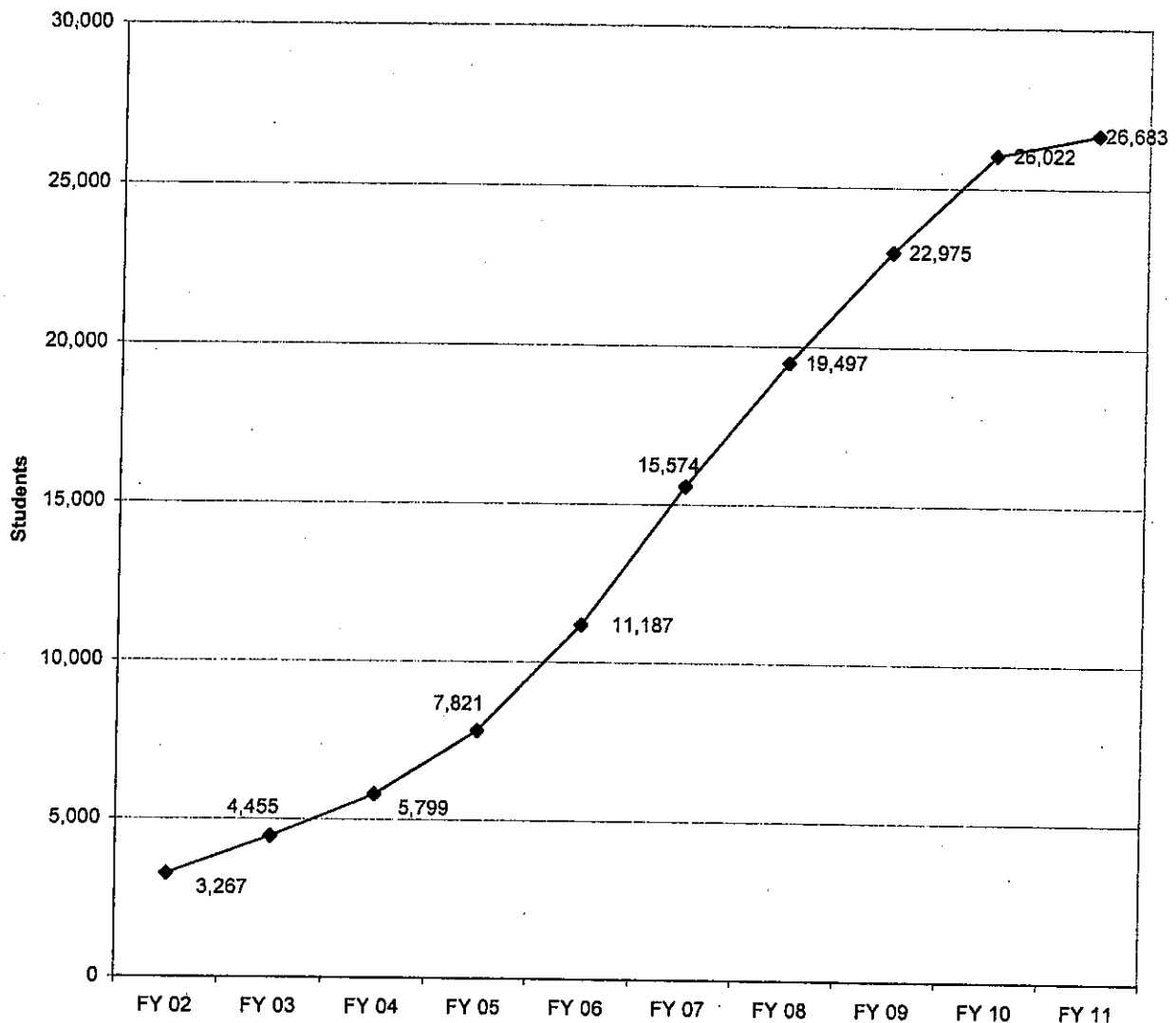
A portion of the U/A 472 budget is used to pay for tuition at private schools for the "Carter Cases". These are the students whose parents have sued the DOE for reimbursement of their children's tuition costs based on a court's finding that a placement in a public school would be inappropriate. The Administration has included a \$25 million PEG for Carter Cases that the DOE will attempt to achieve by litigating more cases. According to the Administration, the DOE has not even made an appearance at every Carter Case hearing in the past. The DOE will hire additional lawyers to contest Carter Cases, but the Executive Plan does not include a headcount adjustment to reflect this. DOE estimates that additional legal staff will cost \$3 million, but this is not shown in the Executive Plan.

The Executive Plan estimate for Carter Cases is also based on a projection that the number of requests will decline by 50 each year. This projection was made last year and has not been updated. Carter Cases are paid for entirely with City tax-levy funds. The Fiscal 2007 estimate for Carter Cases is \$55 million; for Fiscal 2008 it is \$33.4 million.

Charter Schools

Spending on Charter Schools is expected to rise from \$164.9 million in Fiscal 2007 to \$233.3 million next year, while enrollment is projected to go from 15,574 students at 53 schools to 19,497 students at 56 schools. The Executive Plan does not reflect recent changes in the New York State budget that will allow an additional 50 charters to be granted in New York City. Out year projections hold the number of operating charter schools steady at 56 schools. The chart below displays the historical and projected charter school student enrollment from Fiscal 2002 through Fiscal 2011.

Chart 3: Charter School Enrollment FY 02 – FY 11



Fringe Benefits and Collective Bargaining

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

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
461	Fringe Benefits	\$1,967,215,268	\$2,028,589,423	\$2,114,767,021	7.50%
491	Collective Bargaining	\$24,223,609	\$29,958,099	\$164,450,446	578.88%
	Total	\$1,991,438,877	\$2,058,547,522	\$2,279,217,467	14.45%

Funding Analysis

The Executive Budget schedules increases in fringe benefits totaling \$21.2 million in Fiscal 2008. The personnel services related actions in the Executive Plan have corollary actions in U/A 461. The jump in U/A 491 was made in anticipation of future labor settlements that will drive personnel services spending up. The increase in this U/A was made in prior plans; the Executive Budget includes no actions related to U/A 491.

School Support Services: Bussing, Safety, Food, and Energy

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

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
438	Pupil Transportation-OTPS	\$915,813,060	\$941,986,830	\$1,025,070,363	11.93%
442	School Safety-OTPS	\$169,535,193	\$169,535,193	\$193,320,694	14.03%
435	School Facilities-PS	\$389,900,594	\$394,452,180	\$392,533,970	0.68%
436	School Facilities-OTPS	\$172,727,503	\$173,611,528	\$157,813,522	-8.63%
439	School Food Services-PS	\$175,203,337	\$185,554,247	\$188,484,911	7.58%
440	School Food Services-OTPS	\$174,911,674	\$181,503,058	\$175,628,346	0.41%
444	Energy & Leases-OTPS	\$371,491,111	\$371,491,111	\$389,146,908	4.75%
	Total	\$2,369,582,472	\$2,418,134,147	\$2,521,998,714	6.43%

Funding Analysis

Changes in the Department's planned spending on school support services in Fiscal 2008 as compared to the current year are due mostly to cost increases, rather than planned service expansions.

Pupil Transportation

Spending on student bussing contracts (U/A 438) has been on a steady climb for many years; next year spending will increase by almost 12 percent. The *Message of the Mayor* indicates that \$71.4 million of the year-to-year increase in spending on student transportation will "cover the cost of Consumer Price Index increases, escorts and air conditioning units added to special education buses, and Global Positioning System units added to buses." (page 98). The Administration has not provided the costs of each of the components of this increase other than the GPS units. These will cost \$6.6 million. SE bus contracts will grow by 10.8 percent or

Fiscal 2008 Executive Budget Report

\$68.4 million in Fiscal 2008 as compared to the Fiscal 2007 projection. GE bussing will cost 12.4 percent or \$26 million more.

The GE bussing increase is offset in the plan by a \$10 million PEG. In January 2007, the Department eliminated 97 general education bus routes to increase the efficiency of GE bus routing. This produced an annualized savings of \$10 million. The Fiscal 2007 savings totaled approximately \$5 million. In addition to the PEG, the Executive Plan schedules a \$47.7 million increase in the pupil transportation budget.

It should be noted that U/A 438 – Pupil Transportation does not present a complete view of the DOE's transportation-related expenditures. The DOE's budget for Fiscal 2008 includes \$3.6 million for the Office of Pupil Transportation. Transportation of children to special education pre-kindergarten programs is funded through U/A 470 and will cost \$76.8 million next year. Transportation of children to other private schools will cost \$1.8 million and is budgeted in U/A 472.

School Safety

U/A 442- School Safety is used to partially fund the school security operation of the New York City Police Department. Pursuant to an agreement with the DOE, the Police Department provides security to schools and the DOE provides money to fund the operation through an intra-city transfer. School safety agents who work in public schools are employees of the Police Department. The Executive Plan includes a significant, 14 percent increase in the School Safety U/A to cover escalating overtime earnings of school safety agents.

School Facilities

The Executive Budget presents a \$10 million PEG in U/A 436 – School Facilities OTPS, budget code 1723 – custodial operations. According to the Administration, this PEG target was imposed on the DOE very recently and there is no detail available regarding how DOE plans to achieve this PEG yet. Also, the PEG has been improperly scheduled in custodial operations. It should be in U/A 435 because the savings may be derived from the skilled trades staff of the DOE.

School Food

The Executive Budget includes a PEG reduction of \$5 million in the school food budget. The DOE plans to achieve this PEG by instituting better staffing ratios, but the Executive Plan does not include a companion headcount action with this PEG. The DOE has not yet been able to provide details on how this PEG will be achieved.

Fiscal 2008 Executive Budget Report

Table 4 summarizes the Fiscal 2008 Executive Budget as it relates to the Department of Education. The individual budgetary changes have been discussed in prior sections of this report.

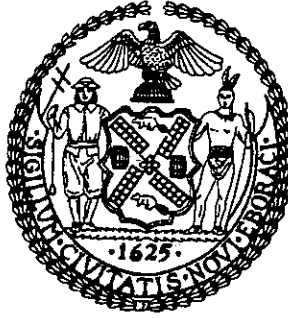
Table 4: EXECUTIVE BUDGET ACTIONS

Description	Fiscal 2007			Fiscal 2008		
	City	Non-City	Total	City	Non-City	Total
DOE Budget as per Preliminary Plan	\$6,796,944,631	\$8,947,501,212	\$15,744,445,843	\$6,977,579,374	\$9,697,848,974	\$16,675,428,348
Executive Plan New Needs						
Allocation of School Funding	\$0	\$0	\$0	\$75,000,000	\$0	\$75,000,000
ASD Growth	\$0	\$0	\$0	\$5,300,000	\$0	\$5,300,000
Charter Schools	\$0	\$0	\$0	\$2,779,096	\$0	\$2,779,096
Contract Schools	\$0	\$4,315,000	\$4,315,000	\$14,920,979	\$11,039,194	\$25,960,173
PlaNYC 2030 Playgrounds	\$0	\$0	\$0	\$3,519,000	\$0	\$3,519,000
Pupil Transportation	\$11,740,000	(\$34,092)		\$26,820,822	\$20,890,098	\$47,710,920
Related Services	\$0	\$0	\$0	\$46,000,000	\$0	\$46,000,000
School Food	(\$2,091,000)	\$2,991,898	\$900,898	(\$2,091,000)	\$2,991,898	\$900,898
School Safety Agents Overtime	\$11,841,500	\$0	\$11,841,500	\$25,836,000	\$0	\$25,836,000
Special Commissioner of Investigation	\$96,220	\$0	\$96,220	\$599,688	\$0	\$599,688
Special -Ed Pre-Kindergarten	\$19,560,785	\$1,838,304	\$21,399,089	\$26,646,735	\$1,367,952	\$28,014,687
Total New Needs	\$41,147,505	\$9,111,110	\$38,552,707	\$225,331,320	\$36,289,142	\$261,620,462
Executive Plan Other Adjustments						
Technical Adjustments	\$124,000	\$0	\$124,000	\$0	\$0	\$0
Adjust Foundation Budget Codes	\$0	\$0	\$0	\$0	(\$164,468,687)	(\$164,468,687)
Campaign for Fiscal Equity	(\$200,000)	\$0	(\$200,000)	\$0	\$0	\$0
Categorical State Aid Adjustment	\$0	\$24,419,000	\$0	\$0	\$24,442,161	\$24,442,161
DOE WEP I/C	\$165,000	\$0	\$165,000	\$0	\$0	\$0
Federal Revenue Adjustment	\$0	\$11,911,850	\$11,911,850	\$0	\$1,206,883	\$1,206,883
FIT Increase	\$5,777,098	\$0	\$5,777,098	\$7,458,961	\$0	\$7,458,961
Foundation Aid Excess	\$0	\$0	\$0	\$0	\$39,622,400	\$39,622,400
Fuel	(\$11,895,745)	\$0	(\$11,895,745)	(\$4,721,400)	\$0	(\$4,721,400)
Growth in Collaborative Team Teaching	\$0	\$0	\$0	\$0	\$30,000,000	\$30,000,000
Heat, Light, and Power	(\$15,774,131)	\$0	(\$15,774,131)	\$1,339,904	\$0	\$1,339,904
IC w/ DOE	\$1,303,641	\$0	\$1,303,641	\$0	\$0	\$0
Lease Adjustment	\$0	\$0	\$0	\$7,381,653	\$0	\$7,381,653
Lease Adjustment - I/C	\$0	\$0	\$0	\$4,527,722	\$0	\$4,527,722
Mental Health Parity Adjustment	\$0	\$0	\$0	(\$5,523,000)	\$0	(\$5,523,000)
Multiple Pathways	\$0	\$0	\$0	(\$11,400,000)	\$11,400,000	\$0
Other Categorical Aid Adjustment	\$0	\$11,866,732	\$11,866,732	\$0	\$9,185,147	\$9,185,147
Other Formula State Aid	\$0	\$0	\$0	\$0	(\$14,312,469)	(\$14,312,469)
Register Adjustment	\$0	\$0	\$0	\$4,688,000	\$0	\$4,688,000
SCA Revenue Adjustment	\$0	\$8,358,600	\$8,358,600	\$0	\$0	\$0
School Surplus Roll	(\$9,000,000)	\$0	(\$9,000,000)	\$9,000,000	\$0	\$9,000,000
State Aid-Tax Levy Adjustment	(\$41,147,505)	\$0	(\$41,147,505)	(\$41,267,906)	\$41,267,906	\$0
State Aid FY 07 Adjustment	\$0	\$21,045,137	\$21,045,137	\$0	\$0	\$0

Fiscal 2008 Executive Budget Report

Description	Fiscal 2007			Fiscal 2008		
	City	Non-City	Total	City	Non-City	Total
State Aid Adjustment	\$0	\$41,147,505	\$41,147,505	\$0	\$0	\$0
Transfer to DOE	\$0	\$40,000	\$40,000	\$0	\$0	\$0
Transfer to DOE from BP	\$0	\$40,000	\$40,000	\$0	\$0	\$0
Universal Pre-Kindergarten	\$0	\$0	\$0	\$0	\$61,545,114	\$61,545,114
Total Other Adjustments	(\$70,647,642)	\$118,828,824	\$23,762,182	(\$28,516,066)	\$39,888,455	\$11,372,389
Executive Plan PEGs						
Efficiency Savings	\$0	\$0	\$0	(\$75,000,000)	\$0	\$0
Total PEGs	\$0	\$0	\$0	(\$75,000,000)	\$0	\$0
Total Executive Plan Changes	(\$29,500,137)	\$127,939,934	\$62,314,889	\$121,815,254	\$76,177,597	\$272,992,851
Agency Budget as per Executive Plan	\$6,767,444,494	\$9,075,441,146	\$15,842,885,640	\$7,099,394,628	\$9,774,026,571	\$16,873,421,199

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Fiscal 2008 Executive Budget Hearings

❖ Committee on Education

May 2007

Scheduled To Testify:

- *Department of Education*

*Hon. Christine C. Quinn
Speaker of the Council*

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

*Hon. Robert Jackson, Chair
Committee on Education*

*Michael Keogh, Director
Finance Division*

TABLE OF CONTENTS

DEPARTMENT OF EDUCATION (040)	2
AGENCY FUNDING OVERVIEW	2
Table 1: AGENCY FUNDING	2
City Funding.....	3
Chart 1: City Fund Changes in the FY 2008 Executive Plan	3
Council Initiatives Not Restored	4
Table 2: CITY COUNCIL INITIATIVES	4
State and Federal Funding.....	4
Chart 2: State Aid Changes in the FY 2008 Executive Plan	5
HEADCOUNT OVERVIEW	5
Table 3: HEADCOUNT OVERVIEW	5
AGENCY HIGHLIGHTS	6
Fair Student Funding	6
Contract for Excellence	7
EXECUTIVE BUDGET REVIEW	8
Student Instruction and School Leadership.....	8
Administrative Spending	10
Funding for Private and Charter Schools	11
Chart 3: Charter School Enrollment FY 02 – FY 11	13
Fringe Benefits and Collective Bargaining	13
School Support Services: Bussing, Safety, Food, and Energy	14
Table 4: EXECUTIVE BUDGET ACTIONS	16

DEPARTMENT OF EDUCATION (040)

Agency Operations

The Department of Education (DOE or the Department) operates over 1,400 schools and provides primary and secondary education to more than 1 million children. The DOE employs over 136,000 people, of whom about 78,000 are teachers. The Department's objectives include preparing all students to meet grade level standards in reading, writing and math, and high school students to pass Regents exams and meet graduation requirements. Support services provided by the Department include transportation, breakfast and lunch, and the operation and maintenance of more than 1,400 schools.

AGENCY FUNDING OVERVIEW

For the coming year the Administration has proposed a \$16.873 billion budget for the Department, \$1.419 billion more than DOE's Adopted Budget for Fiscal 2007 and \$1.031 billion more than the Fiscal 2007 forecast. When education-related spending on debt service and pension costs are considered, the City's education budget for Fiscal 2008 rises to \$20.134 billion, \$1.867 billion more than in Fiscal 2007. Pension and debt service spending included in the City budget, but not in the DOE's agency budget, are shown to present a complete picture of the City's annual spending related to schools. This allows comparison of the City's spending on schools with spending by other school districts in New York State. Table 1 displays the Fiscal 2007 and 2008 budgets for the Department by revenue source and shows how much each has changed since the City Council adopted the budget last June. City, State and federal support for the DOE are all expected to increase in Fiscal 2008 as compared to the Adopted Budget for Fiscal 2007.

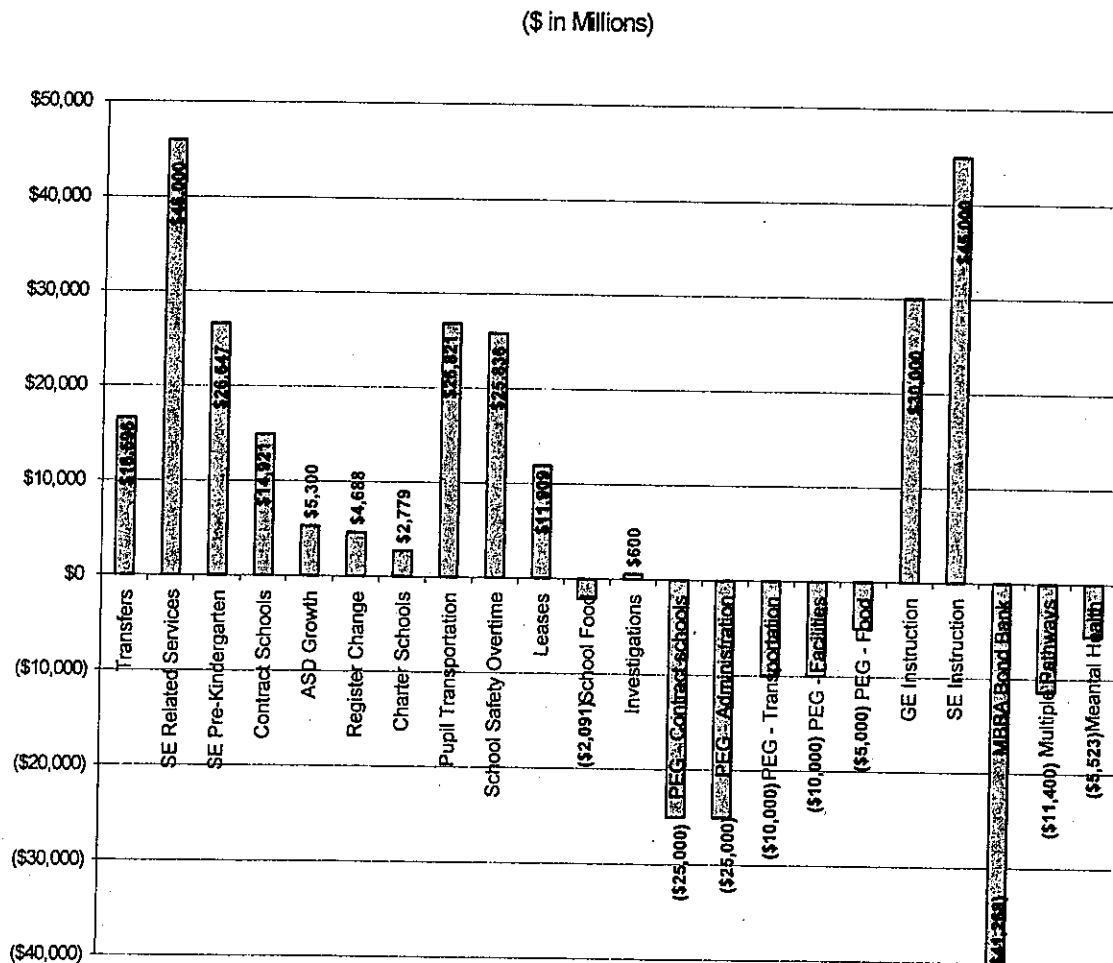
Table 1: AGENCY FUNDING

	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
City	\$6,559,637,751	\$6,787,480,278	\$7,090,300,356	8.09%
Other Categorical	\$39,338,191	\$61,139,816	\$48,434,103	23.12%
State	\$7,124,918,502	\$7,170,346,269	\$7,869,837,370	10.46%
Community Development	\$5,000,000	\$5,000,000	\$5,000,000	0.00%
Federal-Other	\$1,717,324,016	\$1,829,843,951	\$1,850,755,098	7.77%
Intra-City	\$7,975,434	\$10,856,994	\$9,094,272	14.03%
Total Operating Budget	\$15,454,193,894	\$15,864,667,308	\$16,873,421,199	9.18%
Pension Costs – City Funded	\$1,732,596,121	\$1,697,468,284	\$1,997,031,185	15.26%
Debt Service – City Funded	\$1,045,287,803	\$1,171,084,292	\$1,089,954,758	4.27%
Debt Service – State Funded	\$35,610,000	\$63,670,000	\$174,010,000	388.65%
Total Other Obligations	\$2,813,493,924	\$2,932,222,576	\$3,260,995,943	15.91%
Grand Total	\$18,267,687,818	\$18,796,889,884	\$20,134,417,142	10.22%

City Funding

City funds spent on education will rise by \$530.7 million to \$7.09 billion next year. The year-to-year increase includes a \$121.8 million jump presented in the Executive Plan. The significant components of the Executive Plan increase in City funds include a \$137.9 million addition made to cover increased costs and growth in special education services; a \$26.8 million increase in bussing costs; a \$25.8 million addition for overtime spending on school safety staff; and a \$30 million growth in general education services. These increases are offset by a \$75 million Program to Eliminate the Gap ("PEG") reduction comprised of \$25 million cuts to contract schools and regional administration, \$10 million cuts to pupil transportation and school facilities, and a \$5 million drop in spending on school food. Chart 1 below displays the City funds changes in the Executive Plan.

Chart 1: City Fund Changes in the FY 2008 Executive Plan



Fiscal 2008 Executive Budget Report

Council Initiatives Not Restored

In addition to the City funds changes discussed above, the Fiscal 2008 Executive Budget does not include \$29.1 million for targeted programs provided by the City Council in the Fiscal 2007 Adopted Budget but not baselined by the Mayor in the City's Financial Plan for Fiscal 2008 and the outyears. Some of the initiatives left out of the Executive Budget for Fiscal 2008 are listed in Table 2 below.

Table 2: CITY COUNCIL INITIATIVES

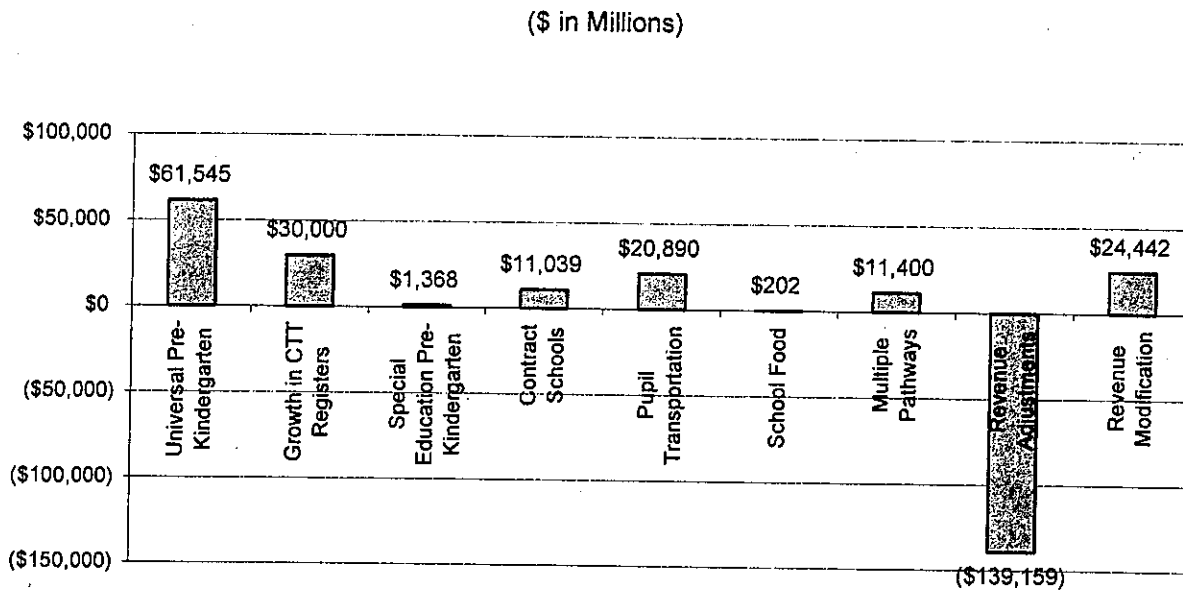
Initiative Name	Support Level
Teacher's Choice	\$19,696,000
Principal Leadership Center	\$400,000
Urban Advantage – Science Initiative	\$2,500,000
Community Achievement Project in Schools	\$1,340,000
Consortium for Worker Education	\$2,584,000
Computers for Youth	\$250,000
National Foundation for Teaching Entrepreneurship	\$610,000
The Young Women's Leadership Foundation	\$400,000
New Visions for Public Schools	\$500,000
Peter Vallone Scholarship (FIT)	\$200,000

State and Federal Funding

While the City expects to receive \$744.9 million more in State aid in Fiscal 2008 than it had projected for Fiscal 2007 at adoption last year, the Executive Plan schedules only \$63 million of this increase. The Administration adjusted its State aid estimate for Fiscal 2008 upward in prior plans. Most notably, in the January Plan, the City scheduled a \$723.1 million jump in State aid for compliance with the Campaign for Fiscal Equity ("CFE") lawsuit.

New State aid in the Executive Plan will fund an expansion of the universal pre-kindergarten program, cover growing special education costs, fund pupil transportation increases and pay for the DOE's planned expansion of the Multiple Pathways Program. Correction of the City's CFE estimate, which was too optimistic in the January Plan, lowers the State aid projection by \$139.2 million and partially offsets the increases. Federal aid changes in the Executive Plan are minor and include only a \$2.8 million increase for school food and a \$1.2 million revenue re-estimate.

Chart 2: State Aid Changes in the FY 2008 Executive Plan



HEADCOUNT OVERVIEW

The Department expects to reduce its pedagogical headcount during the coming year by 1,184 people. The projected non-pedagogical headcount for next year holds steady at 10,382 positions. The pedagogical headcount drop was introduced in a prior budget plan based on falling student enrollment projections. Given the increase in planned spending on general and special education services in the coming year, the Administration's pedagogical headcount projection is probably too low. With the infusion of new State aid and the DOE's initiative to move more of its resources to schools, it is likely that school based staffing will increase. As is discussed later in this report, school principals will have more money at their disposal next year and greater discretion over how to spend it. This may produce a growth in pedagogical headcount, which the Administration has not attempted to estimate in the Executive Plan. Furthermore, since the personnel services related components of the DOE's budget are not aligned with the DOE's internal financial management system, FAMIS, the headcount projections contained in the Executive Plan are not necessarily accurate.

Table 3: HEADCOUNT OVERVIEW

Headcount Pedagogical	Fiscal 2007 Adopted Budget	Forecast for June 30, 2007	Projection for June 30, 2008
Pedagogical - City	88,548	91,053	89,913
Pedagogical - Non-City	21,510	19,010	18,966
Pedagogical Total	110,058	110,063	108,879
Non-Pedagogical - City	7,961	8,968	8,968
Non-Pedagogical - Non-City	2,414	1,414	1,414
Non-Pedagogical Total	10,375	10,382	10,382
Total Headcount	120,433	120,445	119,261

AGENCY HIGHLIGHTS

Fair Student Funding

On May 9 the DOE posted each school's budget for the coming school year, which collectively total \$8.7 billion, or about half of the Department's \$16.8 billion operating budget. The school budgets schedule the dollars that principals may spend on teachers, other school staff, and school materials. The DOE created the school budgets for the coming school year using its newly introduced Fair Student Funding ("FSF") formula.

The FSF formula gives each school a base allocation of \$200,000 and ties a portion of each school's funds to the students enrolled in that school. In addition to the base, schools will receive a per capita allocation for every student according to grade level. The base amounts are \$3,788 for students in Kindergarten through grade 5; \$4,091 for 6th through 8th grade students; and \$3,902 for high school students. These base amounts are then adjusted upward according to students' particular needs such as special education and English language learner status. Additionally, the FSF formula grants additional weight to students enrolled in "portfolio" high schools. The base allocation, plus the per-student allocation, plus the additional weights for all children enrolled in a school, form that school's FSF allocation.

By tying school budgets to the particular students enrolled in each school, the DOE hopes to more equitably distribute education dollars among schools and students. The FSF formula is also an attempt to make school budgets more transparent and simpler. The funds that will comprise the FSF allocations had previously been distributed to schools through a myriad of discrete funding formulas, which the DOE has collapsed into the FSF allocation. Elimination of many of the prior funding formulas will also give principals greater discretion over how to use their school's resources.

Because the FSF formula distributes funds according to student enrollment and needs rather than historical budgets, it changes the budget level of most schools. The prior budgeting method left some schools "over-funded" and others "under-funded" based on the need levels identified through the FSF formula. Since the distribution of overages and deficits in schools' budgets is quite significant, the DOE has decided to phase-in the FSF approach. Next year, the so-called "over-funded" schools will not have their budgets reduced, and the "under-funded" schools will receive only a portion of the budget increase prescribed by the FSF formula. No school will receive a FSF increase greater than \$400,000. The FSF increments shown in the 2007-2008 budgets of the historically "under-funded" schools collectively total \$110 million.

In addition to the FSF allocation, the DOE will fund schools through four other funding streams: 1) Programs Not Consolidated; 2) Other Special Education Funds; 3) State and Federal Categorical programs; and 4) Children First Supplemental Funds. Programs Not Consolidated or Internally Restricted Programs are City initiatives with a unique structure or priority. For example, schools will continue to receive funds that must be used for a parent coordinator, summer school, and school restructuring (if applicable). Other Special Education Funds must be used for mandated special education support that supplements core classroom instruction

services. Schools will receive these dollars in addition to the special education weights in the FSF allocation.

Schools must use the State and Federal Categorical Program funds, or Externally Restricted Program funds, in accordance with the restrictions established by the State and federal governments. Examples include federal funding under Title I and State funding for attendance improvement/dropout prevention. Finally, the Children First Supplemental funds must be used by schools to purchase the services of a School Support Organization for next year. Any remaining funds can be used at the principals' discretion for any other services, supplies or staff. All schools will receive a Children First Supplemental Allocation equal to \$85,000, plus a per student amount of \$120.48.

Schools in District 75 and programs in District 79 will not receive a FSF allocation in the 2007-08 school year because of their unique structures. They will continue to be funded under the same approach as previously.

Contract for Excellence

The 2007-2008 State budget requires the Department of Education to develop a Contract for Excellence that will govern the Department's use of a significant portion of its state aid increase, which totals \$317 million next year. The Contract for Excellence will require the Department to implement specific strategies that have been proven to increase student achievement. The Contract must identify specific problems to solve and set targets for improvement. Spending may be targeted at any of the following five initiatives: 1) class size reduction in all grades; 2) longer school day measures; 3) improved teacher and principal quality; 4) middle and high school restructuring; and 5) full-day pre-Kindergarten. Fifteen percent of the spending can be targeted at research-based experimental programs. The State will also impose additional accountability measures to permit parents and the community to see where and how these funds are spent and what the results are.

The *Message of the Mayor* outlines some of the highlights of the Department's proposed budget for Fiscal 2008 that relate to the forthcoming Contract for Excellence. According to the Administration, a variety of initiatives that total \$275 million will be funded with Contract for Excellence funds. These include the \$110 million FSF allocations in the school budgets, an additional \$75 million increase in school budgets scheduled in the Executive Plan, \$30.3 million provided for formative assessments, introduction of the new science curriculum at a cost of \$30 million, and \$29.7 million to open 39 new schools. How the DOE will spend the remainder of its Contract for Excellence funding has yet to be determined. The New York State Education Department regulations require the DOE to submit its proposed Contract for Excellence in July for approval before the school year begins.

EXECUTIVE BUDGET REVIEW

As are all City agencies' budgets, the Department's budget is broken down into units of appropriation (U/A). U/As show the amount of money appropriated for Personal Services (i.e. salaries) or Other Than Personal Services (i.e. supplies and contractual services) for a particular program, purpose, activity or institution. The U/As in the DOE's budget, however, are so broadly defined and vast that they do not provide much useful information on the Department's activities.

The budget shows, on a macro level, how much money the City spends on primary and secondary education, and how it changes from year to year. It does not allow one to review any discrete programs of the Department. For example, in order to examine spending on elementary English language arts instruction, or the Chancellor's accountability initiative, or the universal pre-Kindergarten program, the DOE's budget would require much greater detail and accuracy than it now provides. Narrative reports, such as the *Message of the Mayor* and the *Mayor's Management Report*, presented with the City's budget, provide some limited, generally citywide data on the DOE. They also might summarize broad policy changes and initiatives planned by the Department. The budget along with such reports, however, cannot be used to understand or analyze the many and diverse services provided by the Department of Education.

For service level information regarding the DOE's budget and programs one must turn to other published reports. The DOE's web page is perhaps now the most comprehensive source of information about the Department's schools. It presents the budget of each DOE school, School Allocation Memorandum that explain how schools are funded, and a wide variety of information about the DOE's many activities, services, and policies. Statistical information concerning student test scores, school building capacity, and student demographics, for example, is also available through the DOE's web page.

This report is intended to provide an overview of the Mayor's Executive Budget for Fiscal 2008 and the changes to the DOE's spending plan introduced in that plan. In-depth analysis of the Department's budget is, however, difficult. The Department uses an internal budget system called FAMIS that is not entirely aligned with the City's Financial Management System ("FMS"). The Administration produces the DOE's budget from FMS, rather than from the more accurate FAMIS system. The misalignment of FAMIS and FMS leave some inconsistencies and gaps in the Department's budget. What follows is a summary of the DOE's budget and the Executive Plan actions by U/A based on the information currently available.

Student Instruction and School Leadership

Funding in U/As 401 and 402 supports direct general education ("GE") instruction, school supervision and support services such as professional development, parent coordinators, and math and literacy coaches in DOE's elementary, middle and high schools. Also included are funds for vocational high schools, alternative schools, career education, school correction facilities, off-site education centers and the Universal Pre-Kindergarten program. Funding in U/As 403 and 404 pays for special education ("SE") instruction and related services provided to students in DOE schools. Direct special education instruction, school supervision and related services for severely handicapped students in District 75 schools and other settings are supported

Fiscal 2008 Executive Budget Report

by funds in U/As 421 and 422. U/As 423 and 424 support special education instructional services that are centrally managed such as speech and occupational therapy and nurses, as well as some evaluations. U/As 481 and 482 contain State and federal aid provided to the DOE for myriad programs such as Title I, most of which support instructional services at DOE schools and private schools funded by the DOE.

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
401	GE Instruction & School Leadership-PS	\$4,908,056,950	\$5,011,186,222	\$5,654,741,400	15.21%
402	GE Instruction & School Leadership-OTPS	\$530,473,686	\$584,023,756	\$494,573,716	-6.77%
403	SE Instruction & School Leadership-PS	\$901,572,253	\$1,073,723,870	\$984,021,631	9.15%
404	SE Instruction & School Leadership-OTPS	\$10,192,000	\$10,192,000	\$10,391,348	1.96%
421	CW SE Instruction & School Leadership-PS	\$611,393,489	\$638,684,089	\$640,502,109	4.76%
422	CW SE Instruction & School Leadership-OTPS	\$25,138,400	\$25,138,400	\$21,647,052	-13.89%
423	SE Instructional Support-PS	\$161,459,529	\$171,049,103	\$222,225,944	37.64%
424	SE Instructional Support-OTPS	\$125,029,918	\$131,281,413	\$124,269,514	-0.61%
481	Categorical Programs-PS	\$1,355,522,029	\$1,344,074,776	\$1,373,574,766	1.33%
482	Categorical Programs-OTPS	\$783,451,372	\$694,402,619	\$705,377,251	-9.97%
Total		\$9,412,289,626	\$9,683,756,248	\$10,231,324,731	8.70%

Student Enrollment

The portion of the DOE's budget devoted to direct instructional services is tied to the number of students who attend the Department's schools. The City projects enrollment for all years of its Financial Plan and makes annual adjustments. As discussed below, the Executive Plan changes the GE and SE instruction budgets based on revised enrollment projections introduced with the Plan.

The City estimates that 985,447 children will attend DOE schools in Fiscal 2008, down from 999,691 students this year. Most of the projected enrollment drop is among general education students. The GE enrollment is 889,217 students this year; it will fall to 868,399 students next year, a decrease of 32,289 students. Additionally, 20,712 pre-Kindergarten students attend DOE schools this year, and the Administration expects the same number to be enrolled next year. The Special Education ("SE") enrollment in district schools will grow from 72,017 to 79,174 students, an increase of 7,157 students. The citywide SE school enrollment is expected to drop from 17,745 students this year to 17,162 students next year.

Funding Analysis

Spending on instructional services within schools and centrally will increase significantly next year as compared to the Adopted Budget for Fiscal 2007. Most of the planned increases relate to rising personnel costs; program expansions also contribute to the growth. The anticipated infusion of new State aid will fund much of the growth in school spending. The Executive Plan does not schedule this increase in CFE-related State aid; the January Plan increased the State aid revenue budget for Fiscal 2008. This Plan schedules a reduction of \$164.5 million in State aid in U/As 401, 402, 403, and 404 simply to tie the City's budget estimate with the State budget.

Fiscal 2008 Executive Budget Report

The Executive Plan moves \$75 million in additional City funds into school budgets. This boosts U/A 401 by \$45 million, U/A 403 by \$25 million, and U/A 421 by \$5 million. Although this increase is scheduled in the PS U/As, the Executive Plan does not include an associated headcount change. The Administration has not provided any details on how these new funds will be spent or distributed to schools other than to indicate that the \$75 million will become part of the DOE's Contract for Excellence funds.

General Education

Collectively, actions introduced in the Executive Plan increase the general education PS budget by \$51.4 million in Fiscal 2008 and raise the OTPS budget by \$21.9 million. A re-estimate of the GE student population triggered a \$199.2 million increase in U/A 401. Excess unrestricted State aid for Fiscal 2008 totaling \$39.6 million was added to U/A 401, but this funding has yet to be directed at a specific program or purpose. To align the revenue budget with the State budget, the Executive Plan cut \$12.3 million in Career Education Aid and another \$2 million in Computer Administration Aid. Funding increases in general education are offset by the re-estimate of State Formula Aid presented in the Executive Plan.

Special Education

The Executive Budget adds \$30 million to U/A 403 to support the increased growth in special education classroom services. The DOE will be adding more than 250 special education classes and teachers in both integrated and self-contained environments to help meet both the needs of individual education plan ("IEP") mandates and DOE's commitment to educating students in the least restrictive settings. Spending on related services is also expected to rise, and the Plan boosts U/A 423 by \$46.9 million. Generally, the large year-to-year increase in the SE personnel service U/As is driven by the anticipated growth in SE student enrollment.

Categorical Aid

The Executive Plan includes several actions related to categorical aids, most of which are simply revenue re-estimates. It schedules a \$61.5 million increase that reflects the anticipated increase in State aid for universal pre-Kindergarten. Despite this funding increase, the Administration has not increased its universal pre-Kindergarten enrollment estimate for the coming school year.

Administrative Spending

U/A 415 and 416 include funding for the ten learning support centers, school age and pre-school committees on special education (CSEs and CPSEs), alternative high schools and citywide special education learning support centers, community school districts, community district education councils, parent support offices and student placement and youth and family support services offices as well as the six regional operation center offices. U/A 453 and 454 include funding for all of DOE's central offices such as Teaching and Learning, Finance and Administration, and Operations. Additional central office functions include school safety, youth development and student services, special investigations, intergovernmental affairs, equal opportunity, public information, community affairs, legal services and labor relations, and the auditor general.

Fiscal 2008 Executive Budget Report

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
415	Regional & CW Instruction & Operation Ad-PS	\$212,385,519	\$205,833,340	\$181,001,402	-14.78%
416	Regional & CW Instruction & Operation Ad-OTPS	\$14,074,072	\$14,777,775	\$10,447,072	-25.77%
453	Central Administration-PS	\$146,856,286	\$167,648,303	\$164,660,747	12.12%
454	Central Administration-OTPS	\$219,979,952	\$230,544,900	\$220,978,783	0.45%
Total		\$593,295,829	\$618,804,318	\$577,088,004	-2.73%

Funding Analysis

The Executive Plan reduces the regional administration PS budget, U/A 415, by \$25 million, but the Administration has not provided any details regarding how this cut will be implemented. Generally, the cut reflects the DOE's attempt to move resources out of the regional administrative centers and into schools. However, similar to other actions in this Plan, the Administration did not schedule a companion headcount reduction. The Plan holds the Fiscal 2008 budget for the central administrative offices basically flat. The increase in spending planned for next year is driven by increasing costs that were recognized in previous financial plans. Similarly, the drop in the regional administration OTPS budget was scheduled in an earlier plan.

Funding for Private and Charter Schools

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

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
470	SE Pre-K Contract Payments-OTPS	\$548,141,689	\$545,641,689	\$621,490,510	13.38%
472	Charter/Contract/Foster Care-OTPS	\$485,646,260	\$485,646,260	\$580,905,688	19.61%
474	NPS & FIT Programs-OTPS	\$53,799,141	\$54,137,124	\$61,396,085	14.12%
Total		\$1,087,587,090	\$1,085,425,073	\$1,263,792,283	16.20%

Funding Analysis

The budget increases scheduled in U/A 470 and 472 are driven by enrollment projections and steadily rising tuition and transportation costs. The growth in U/A 474 relates to collective bargaining increases for FIT employees.

Fiscal 2008 Executive Budget Report

SE Pre-Kindergarten

The SE pre-Kindergarten budget funds tuition payments to private schools, services for SE pre-Kindergarten children, and student transportation. State aid finances 59.5 percent of the spending. Expenditures on tuition and related services will rise to \$621.5 million in Fiscal 2008 from \$567 million this year. Transportation costs will be \$76.8 million. The Administration has adjusted the transportation spending estimate upward by \$6 million per year to reflect the fact that it is more expensive for the DOE to manage the bus contracts than it had been for the Department of Transportation. This is in part because the DOE does not competitively bid bus contracts.

Carter Cases

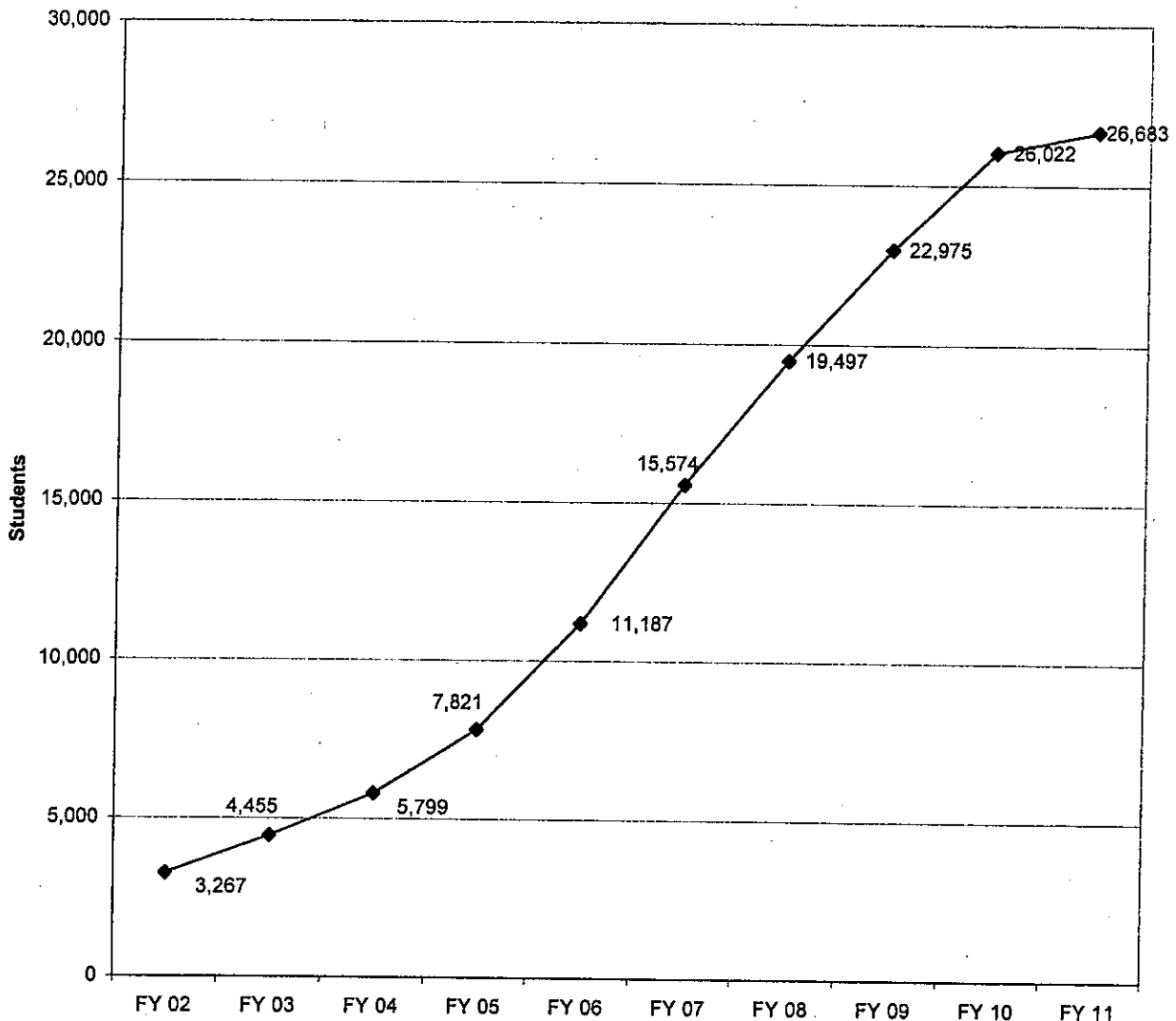
A portion of the U/A 472 budget is used to pay for tuition at private schools for the "Carter Cases". These are the students whose parents have sued the DOE for reimbursement of their children's tuition costs based on a court's finding that a placement in a public school would be inappropriate. The Administration has included a \$25 million PEG for Carter Cases that the DOE will attempt to achieve by litigating more cases. According to the Administration, the DOE has not even made an appearance at every Carter Case hearing in the past. The DOE will hire additional lawyers to contest Carter Cases, but the Executive Plan does not include a headcount adjustment to reflect this. DOE estimates that additional legal staff will cost \$3 million, but this is not shown in the Executive Plan.

The Executive Plan estimate for Carter Cases is also based on a projection that the number of requests will decline by 50 each year. This projection was made last year and has not been updated. Carter Cases are paid for entirely with City tax-levy funds. The Fiscal 2007 estimate for Carter Cases is \$55 million; for Fiscal 2008 it is \$33.4 million.

Charter Schools

Spending on Charter Schools is expected to rise from \$164.9 million in Fiscal 2007 to \$233.3 million next year, while enrollment is projected to go from 15,574 students at 53 schools to 19,497 students at 56 schools. The Executive Plan does not reflect recent changes in the New York State budget that will allow an additional 50 charters to be granted in New York City. Out year projections hold the number of operating charter schools steady at 56 schools. The chart below displays the historical and projected charter school student enrollment from Fiscal 2002 through Fiscal 2011.

Chart 3: Charter School Enrollment FY 02 – FY 11



Fringe Benefits and Collective Bargaining

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

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
461	Fringe Benefits	\$1,967,215,268	\$2,028,589,423	\$2,114,767,021	7.50%
491	Collective Bargaining	\$24,223,609	\$29,958,099	\$164,450,446	578.88%
	Total	\$1,991,438,877	\$2,058,547,522	\$2,279,217,467	14.45%

Funding Analysis

The Executive Budget schedules increases in fringe benefits totaling \$21.2 million in Fiscal 2008. The personnel services related actions in the Executive Plan have corollary actions in U/A 461. The jump in U/A 491 was made in anticipation of future labor settlements that will drive personnel services spending up. The increase in this U/A was made in prior plans; the Executive Budget includes no actions related to U/A 491.

School Support Services: Bussing, Safety, Food, and Energy

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

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
438	Pupil Transportation-OTPS	\$915,813,060	\$941,986,830	\$1,025,070,363	11.93%
442	School Safety-OTPS	\$169,535,193	\$169,535,193	\$193,320,694	14.03%
435	School Facilities-PS	\$389,900,594	\$394,452,180	\$392,533,970	0.68%
436	School Facilities-OTPS	\$172,727,503	\$173,611,528	\$157,813,522	-8.63%
439	School Food Services-PS	\$175,203,337	\$185,554,247	\$188,484,911	7.58%
440	School Food Services-OTPS	\$174,911,674	\$181,503,058	\$175,628,346	0.41%
444	Energy & Leases-OTPS	\$371,491,111	\$371,491,111	\$389,146,908	4.75%
	Total	\$2,369,582,472	\$2,418,134,147	\$2,521,998,714	6.43%

Funding Analysis

Changes in the Department's planned spending on school support services in Fiscal 2008 as compared to the current year are due mostly to cost increases, rather than planned service expansions.

Pupil Transportation

Spending on student bussing contracts (U/A 438) has been on a steady climb for many years; next year spending will increase by almost 12 percent. The *Message of the Mayor* indicates that \$71.4 million of the year-to-year increase in spending on student transportation will "cover the cost of Consumer Price Index increases, escorts and air conditioning units added to special education buses, and Global Positioning System units added to buses." (page 98). The Administration has not provided the costs of each of the components of this increase other than the GPS units. These will cost \$6.6 million. SE bus contracts will grow by 10.8 percent or

Fiscal 2008 Executive Budget Report

\$68.4 million in Fiscal 2008 as compared to the Fiscal 2007 projection. GE bussing will cost 12.4 percent or \$26 million more.

The GE bussing increase is offset in the plan by a \$10 million PEG. In January 2007, the Department eliminated 97 general education bus routes to increase the efficiency of GE bus routing. This produced an annualized savings of \$10 million. The Fiscal 2007 savings totaled approximately \$5 million. In addition to the PEG, the Executive Plan schedules a \$47.7 million increase in the pupil transportation budget.

It should be noted that U/A 438 – Pupil Transportation does not present a complete view of the DOE's transportation-related expenditures. The DOE's budget for Fiscal 2008 includes \$3.6 million for the Office of Pupil Transportation. Transportation of children to special education pre-kindergarten programs is funded through U/A 470 and will cost \$76.8 million next year. Transportation of children to other private schools will cost \$1.8 million and is budgeted in U/A 472.

School Safety

U/A 442- School Safety is used to partially fund the school security operation of the New York City Police Department. Pursuant to an agreement with the DOE, the Police Department provides security to schools and the DOE provides money to fund the operation through an intra-city transfer. School safety agents who work in public schools are employees of the Police Department. The Executive Plan includes a significant, 14 percent increase in the School Safety U/A to cover escalating overtime earnings of school safety agents.

School Facilities

The Executive Budget presents a \$10 million PEG in U/A 436 – School Facilities OTPS, budget code 1723 – custodial operations. According to the Administration, this PEG target was imposed on the DOE very recently and there is no detail available regarding how DOE plans to achieve this PEG yet. Also, the PEG has been improperly scheduled in custodial operations. It should be in U/A 435 because the savings may be derived from the skilled trades staff of the DOE.

School Food

The Executive Budget includes a PEG reduction of \$5 million in the school food budget. The DOE plans to achieve this PEG by instituting better staffing ratios, but the Executive Plan does not include a companion headcount action with this PEG. The DOE has not yet been able to provide details on how this PEG will be achieved.

Fiscal 2008 Executive Budget Report

Table 4 summarizes the Fiscal 2008 Executive Budget as it relates to the Department of Education. The individual budgetary changes have been discussed in prior sections of this report.

Table 4: EXECUTIVE BUDGET ACTIONS

Description	Fiscal 2007			Fiscal 2008		
	City	Non-City	Total	City	Non-City	Total
DOE Budget as per Preliminary Plan	\$6,796,944,631	\$8,947,501,212	\$15,744,445,843	\$6,977,579,374	\$9,697,848,974	\$16,675,428,348
Executive Plan New Needs						
Allocation of School Funding	\$0	\$0	\$0	\$75,000,000	\$0	\$75,000,000
ASD Growth	\$0	\$0	\$0	\$5,300,000	\$0	\$5,300,000
Charter Schools	\$0	\$0	\$0	\$2,779,096	\$0	\$2,779,096
Contract Schools	\$0	\$4,315,000	\$4,315,000	\$14,920,979	\$11,039,194	\$25,960,173
PlaNYC 2030 Playgrounds	\$0	\$0	\$0	\$3,519,000	\$0	\$3,519,000
Pupil Transportation	\$11,740,000	(\$34,092)		\$26,820,822	\$20,890,098	\$47,710,920
Related Services	\$0	\$0	\$0	\$46,000,000	\$0	\$46,000,000
School Food	(\$2,091,000)	\$2,991,898	\$900,898	(\$2,091,000)	\$2,991,898	\$900,898
School Safety Agents Overtime	\$11,841,500	\$0	\$11,841,500	\$25,836,000	\$0	\$25,836,000
Special Commissioner of Investigation	\$96,220	\$0	\$96,220	\$599,688	\$0	\$599,688
Special -Ed Pre-Kindergarten	\$19,560,785	\$1,838,304	\$21,399,089	\$26,646,735	\$1,367,952	\$28,014,687
Total New Needs	\$41,147,505	\$9,111,110	\$38,552,707	\$225,331,320	\$36,289,142	\$261,620,462
Executive Plan Other Adjustments						
Technical Adjustments	\$124,000	\$0	\$124,000	\$0	\$0	\$0
Adjust Foundation Budget Codes	\$0	\$0	\$0	\$0	(\$164,468,687)	(\$164,468,687)
Campaign for Fiscal Equity	(\$200,000)	\$0	(\$200,000)	\$0	\$0	\$0
Categorical State Aid Adjustment	\$0	\$24,419,000	\$0	\$0	\$24,442,161	\$24,442,161
DOE WEP I/C	\$165,000	\$0	\$165,000	\$0	\$0	\$0
Federal Revenue Adjustment	\$0	\$11,911,850	\$11,911,850	\$0	\$1,206,883	\$1,206,883
FIT Increase	\$5,777,098	\$0	\$5,777,098	\$7,458,961	\$0	\$7,458,961
Foundation Aid Excess	\$0	\$0	\$0	\$0	\$39,622,400	\$39,622,400
Fuel	(\$11,895,745)	\$0	(\$11,895,745)	(\$4,721,400)	\$0	(\$4,721,400)
Growth in Collaborative Team Teaching	\$0	\$0	\$0	\$0	\$30,000,000	\$30,000,000
Heat, Light, and Power	(\$15,774,131)	\$0	(\$15,774,131)	\$1,339,904	\$0	\$1,339,904
IC w/ DOE	\$1,303,641	\$0	\$1,303,641	\$0	\$0	\$0
Lease Adjustment	\$0	\$0	\$0	\$7,381,653	\$0	\$7,381,653
Lease Adjustment - I/C	\$0	\$0	\$0	\$4,527,722	\$0	\$4,527,722
Mental Health Parity Adjustment	\$0	\$0	\$0	(\$5,523,000)	\$0	(\$5,523,000)
Multiple Pathways	\$0	\$0	\$0	(\$11,400,000)	\$11,400,000	\$0
Other Categorical Aid Adjustment	\$0	\$11,866,732	\$11,866,732	\$0	\$9,185,147	\$9,185,147
Other Formula State Aid	\$0	\$0	\$0	\$0	(\$14,312,469)	(\$14,312,469)
Register Adjustment	\$0	\$0	\$0	\$4,688,000	\$0	\$4,688,000
SCA Revenue Adjustment	\$0	\$8,358,600	\$8,358,600	\$0	\$0	\$0
School Surplus Roll	(\$9,000,000)	\$0	(\$9,000,000)	\$9,000,000	\$0	\$9,000,000
State Aid-Tax Levy Adjustment	(\$41,147,505)	\$0	(\$41,147,505)	(\$41,267,906)	\$41,267,906	\$0
State Aid FY 07 Adjustment	\$0	\$21,045,137	\$21,045,137	\$0	\$0	\$0

Fiscal 2008 Executive Budget Report

Description	Fiscal 2007			Fiscal 2008		
	City	Non-City	Total	City	Non-City	Total
State Aid Adjustment	\$0	\$41,147,505	\$41,147,505	\$0	\$0	\$0
Transfer to DOE	\$0	\$40,000	\$40,000	\$0	\$0	\$0
Transfer to DOE from BP	\$0	\$40,000	\$40,000	\$0	\$0	\$0
Universal Pre-Kindergarten	\$0	\$0	\$0	\$0	\$61,545,114	\$61,545,114
Total Other Adjustments	(\$70,647,642)	\$118,828,824	\$23,762,182	(\$28,516,066)	\$39,888,455	\$11,372,389
Executive Plan PEGs						
Efficiency Savings	\$0	\$0	\$0	(\$75,000,000)	\$0	\$0
Total PEGs	\$0	\$0	\$0	(\$75,000,000)	\$0	\$0
Total Executive Plan Changes	(\$29,500,137)	\$127,939,934	\$62,314,889	\$121,815,254	\$76,177,597	\$272,992,851
Agency Budget as per Executive Plan	\$6,767,444,494	\$9,075,441,146	\$15,842,885,640	\$7,099,394,628	\$9,774,026,571	\$16,873,421,199

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THE NEW YORK CITY DEPARTMENT OF EDUCATION
JOEL I. KLEIN, *Chancellor*

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Testimony of Chancellor Joel I. Klein

Executive Expense Budget
New York City Council
Committees on Education and Finance
May 22, 2007

Good morning Chair Weprin, Chair Jackson, and members of the Finance and Education Committees. I am joined by Deputy Chancellor Kathleen Grimm, Robert Gordon, our Managing Director for Resource Allocation and Susan Olds, our Executive Budget Director. We are pleased to be here today to discuss the Department of Education's budget.

First, I want to say on behalf of the 1.1 million children that we serve, that we're excited and grateful that our school system is finally starting to get the resources that we're due. Chair Jackson, thank you for leading the historic Campaign for Fiscal Equity case.

This year, the Governor and Legislature finally came up with a remedy on CFE to address the historic funding inequity that has gone on for decades. This only stands to benefit the children we serve and their families, as well as the thousands of teachers, principals and administrators that work hard in our schools everyday. Thank you for leading this landmark case. We can now bring these resources to bear where it counts most – in the schools, where it is needed the most and where it belongs.

BUDGET

The Department has an overall expense budget of \$16.8 billion, an increase of slightly more than \$1 billion from last year to this year. Approximately \$700 million is State money and \$330 million is City tax-levy. And we're putting most of this increase in our schools. As you will see, our budget this year reflects our belief in three key inter-related principles that you have heard me speak about many times over the past few years – leadership, empowerment and accountability. We know that schools need strong leaders who are empowered to make decisions and who are accountable for results. And we know that our resources need to be appropriately aligned to allow for these principles to take hold.

More specifically, a total of \$915 million is going to the schools. This is comprised of \$745 million of new money, and another \$170 million is redirected funding from bureaucracy.

A significant portion -- \$300 million -- is for salaries and fringe benefits, and another \$50 million is dedicated to Special Education Related Services. Much of the rest goes to support our Children First reforms, including \$110 million for Fair Student Funding, \$30 million for our assessments that are part of our Accountability initiative and \$12 million for Multiple Pathways to Graduation -- one of the many programs that are helping to increase our graduation rates, as we announced yesterday. Also reflected in this budget is \$30 million for the Science Core curriculum, and \$60 million for Pre-K expansion.

EMPOWERMENT: BREAKDOWN OF DEVOLUTION DOLLARS

In FY 2008, we will re-direct \$230 million to schools as a result of budget reductions to areas previously controlled outside the schools over the past two years. This includes the \$75 million reduction that was included in the Mayor's Executive budget. Of this total \$230 million, schools will spend about \$56 million on the support services they choose. This leaves about \$174 million of new dollars on school budgets as a result of reductions in the bureaucracy that schools can use to purchase additional teachers, instructional materials, and other services of their choosing.

Schools will use this money to purchase their new School Support Organizations ("SSOs") that they just selected, as announced last week. The Department distributed \$166,000, on average, to each school to pay for the new services, which range in price from approximately \$29,500 to \$67,000. The cost of each SSO depends upon its package of services, which typically include professional development for principals and teachers, curriculum development, staff mentoring, and interventions for struggling students. Of the total \$230 million that the Department distributed to schools to pay for support services, schools will spend about \$56 million, according to preliminary estimates. This leaves about \$174 million for schools to spend on additional teachers, instructional materials, and services of their choosing.

SSOs will not manage or supervise schools, nor will they have the power to hire or fire principals. Those critical functions remain the responsibilities of Community Superintendents and High School Superintendents. We will maintain responsibility for ensuring that all schools and support organizations are meeting the high standards set by

the department. The DOE will continue to centrally provide vital, system-wide services, including among others academic standard-setting, student placement, school funding, and teacher recruitment. Newly-created Integrated Service Centers in each borough will offer schools assistance with mandated and operational services related to human resources, payroll, budget and procurement, transportation, food services, facilities and extended use, grant management, technology, health and safety, student suspensions, youth development, and some elements of special education.

ACCOUNTABILITY

This year, we plan to build on the progress we have made in recent years, bringing our Children First reforms to the next level. We will do this by giving all schools the authority and the resources they need to build the right educational program for every child, and by holding everyone—from teachers and principals to the Mayor and me—accountable for student academic success.

In exchange for added decision-making power, we are going to hold all principals accountable for results. Each school will be graded A, B, C, D, or F on its ability to help students achieve at high levels and make progress—as well as on the results of parent, teacher, and student surveys that are being administered for the first time this spring. All schools will also receive annual Quality Reviews to determine whether they are using all available information to help students learn more and to help teachers teach better. And a point about the surveys: the deadline has been extended until June 1st, and I enlist you to help get the word out. Please let your constituents know that it's important to complete them and send them back to us by the deadline. We want to know what our parents, teachers and students think about their schools so that we can incorporate this meaningful input into a school's grade.

The Achievement Reporting and Innovation System (ARIS) will also come to schools in the Fall. ARIS is a first-of-its-kind data management system that will provide detailed information about student performance and progress to educators and parents and make

innovations at one school available to all other schools. A few months ago, the department announced that IBM was selected from a field of national leaders in data systems to create ARIS, which will help schools analyze, report, and manage information about student and school performance. IBM will provide software, hardware, consulting, and technology services for the system, which will give educators and parents access to achievement data from state standardized exams as well as from periodic assessments administered at the school level. What's so exciting about ARIS is that it will give the teachers, principals, and parents of our City the critical tools they need to really understand what students know—and don't know. Armed with this information, our educators will be able to tailor instruction to their students' needs and parents will be able to get involved in their children's education like never before.

FAIR STUDENT FUNDING

Also under our next wave of reforms, we are instituting a new initiative called Fair Student Funding that will accomplish three important goals. First, it will drive new resources toward the schools that haven't gotten their fair share historically, without taking away money from any schools. For years, our city has tolerated vast, unjustified gaps in school funding levels. Those days are gone. Under this initiative, we have created a transparent new formula for funding schools based on the needs of their students, and we are driving \$110 million in new resources to under-funded schools. Second, we are creating new incentives for excellence—by giving principals greater discretion over funds in a context of greater accountability, and by using weights to provide extra funds for schools that enroll high-need students and succeed in educating them. Finally, we have introduced new transparency to the system—with every school budget on a single page, and with new data on school funding shared in a simple spreadsheet. The funding formula is not perfect, but it is a huge improvement, and we've created a framework for further improvement in future years.

Over the past few months, my team and I have talked to parent and community groups, as well as elected officials and advocacy groups about the original proposal. The input we received during this process helped us refine the proposal significantly.

Robert Gordon led this initiative, and he will walk you through our new budgeting system.

[FSF SLIDES]

LEADERSHIP

Since the last time I testified before you on the budget, we reached a contract agreement with the Council of Supervisors and Administrators (CSA), which was ratified by its members last week and approved by the Panel for Educational Policy last night. This contract will provide for salary increases of over 23% (retroactive from 2004 through 2009), and will allow us to pay “executive principals” up to \$25,000 more if they commit to lead a high-needs school for at least 3 years. This agreement also allows us to pay principals performance-based bonuses of up to \$25,000, brings an end to “bumping” so that principals can pick their own teams, and it also aligns the Principal Performance Review with the Department of Education’s new school accountability system, so that principals will be evaluated according to the same standards by which New York City schools are now measured. These standards are based largely on students’ academic progress.

OTHER NOTABLE ITEMS

The Council supports our schools in a variety of ways. Through Reso A and other allocations, you’ve supported libraries in five large campuses in the Bronx and Brooklyn, and technology initiatives throughout the boroughs. The Council also contributes to organizations that support the work we do, such as the Sports and Arts Foundation, which along with proceeds from our Snapple contract, supports our middle school CHAMPS program. CHAMPS (Cooperative, Healthy, Active, Motivated, Positive Students), as you know, supplements physical education activities, and offers students a wide variety of sports and activities before or after school, including basketball, wrestling, fencing, yoga, and dance. We’ve received national recognition for our progress in physical education since I last appeared before you. While there’s still more work to do, we are honored that

our efforts to meet the fitness and health needs of our children are being recognized across the country.

CONCLUSION

Our approach to school reform is winning recognition from education reformers across the country. Other districts are modeling their reforms on our approach. We have been named one of five finalists out of 100 large urban school districts for the prestigious Broad Prize for Urban Education three years in a row, including this one. A few months ago, a USA today editorial picked New York City out as a national model for innovation in education reform. I'd like to quote from that piece: "New York City schools have made giant strides since Michael Bloomberg...applied the laws of supply and demand to school reform...Today, New York has changed from a symbol of all that was wrong with urban school districts to one that is increasingly seen as a model."

That said, we all know that we have much more work to do. I look forward to your assistance as we strive to make our schools as good as we know they must be.

We would be pleased to answer your questions.

TESTIMONY

VERONICA MONTGOMERY-COSTA

PRESIDENT, LOCAL 372

NEW YORK CITY BOARD OF EDUCATION EMPLOYEES

AND

DISTRICT COUNCIL 37

AMERICAN FEDERATION OF STATE,

COUNTY AND MUNICIPAL EMPLOYEES

AFLCIO

**CITY COUNCIL JOINT COMMITTEE HEARING
FINANCE AND EDUCATION
DOE BUDGET
2008 FINANCIAL PLAN**

MAY 22, 2007

TESTIMONY SUBMITTED BY

**VERONICA MONTGOMERY-COSTA
PRESIDENT - LOCAL 372 AND DC 37, AFSCME, AFL-CIO**

May 22, 2007

Chairman Weprin, Chairman Jackson and Committee Members:

Local 372 sees the Mayor's 2008 Financial Plan as a continuance of the DOE's neglect of vital school-based support services to New York City's 1.1 million students.

Since the Mayor took control of the school system, it has become increasingly more difficult to examine or comment upon the DOE budget because of the DOE's all-encompassing Units of Appropriation. Since there are no line items to assure appropriate staffing of support personnel, and no specific requirements for assignment of support staff in the new Empowerment Schools, chances are Local 372 workers — for whom Children are our life's work — will be out of work. Teachers, in turn, will have less direct instructional time with students, and each school's overall learning environment will be at risk for increased truancy, drug abuse and related violence.

Local 372 maintains that the budget's assumption of CFE funding without detail of its appropriation does not comply with the intent of the CFE court ruling. There is no clear evidence that CFE funds will be appropriately used to restore the vital school-based support services lost to New York City's children. Shortchanging of CFE funds can only result in shortfalls and budget gaps, for which Local 372 workers have been the first to be sacrificed.

**Local 372 maintains that the 2008 Financial Plan
must contain Budget Line Items and Staffing requirements for:**

- Local 372 School Lunch Workers to prepare meals and
Local 372 Loaders and Handlers to transport food and related items
to all school sites.
- Local 372 SAPIS in Every School to prevent substance abuse and violence
- Local 372 Parent Coordinator at every school site - large or small -
to provide direct link to parents and conduct parent workshops
- Local 372 School Aides who relieve teachers of duties resulting in
more direct instruction for students
- Local 372 Family Paraprofessionals — A Vital Resource for Parents
Our City's schools need more Family Paraprofessionals
- Air conditioning in every school kitchen to prevent illness and food spoilage

**An increase of 50 Charter Schools
would take the life's blood out of our neighborhood public schools.**

Local 372 believes that the problems in our schools surely won't be solved by causing parents to panic and run away from their neighborhood schools. The Mayor continues to lure parents and children to rosy alternative school environments which, to date, have been very costly and have shown no evidence of success.

**Contracting Out Is The Fleecing of New York City
Local 372 stands firm on its opposition to contracting out.**

More Schools Reform - More Fleecing of New York City Tax Payers

With all of the public relations rhetoric regarding the Children First School Reform Plan, there has been little or no mention of what it will cost the City's taxpayers and how much of that expense will directly benefit our 1.1 million school children.

- The DOE continues to create more administrative jobs each month with increasingly higher salaries.
- The DOE continues to seek more outside space at increasingly high rentals.

In testimony for a New York State Assembly Education Committee Public Hearing on the New York City School Governance Reform Plan in April 2003, Local 372 asked our City and State legislators, "What exorbitant costs will be incurred when all of the 32 school districts are reduced to 10, and all of the personnel and equipment are moved out, stored and moved back to other locations?"

We ask you today — four years later— "What exorbitant costs will be incurred when all of the 10 Regions are reduced to 4, and all of the personnel and equipment are moved out, stored and moved back to other locations?"

Perhaps the answer to these questions are hidden somewhere within the ever-expanding DOE Units of Appropriation.

In Conclusion:

Local 372 stongly urges your committees to address our concerns regarding the DOE budget.

We ask you again to support our demand that the DOE budget and the Children First School Reform Plan contain Line Items and Staffing Requirements for Local 372 support service workers. Further, the City Council should take appropriate steps to hold the DOE accountable to be integrated with the City's Financial Management System ("FMS"), which would facilitate monitoring and re-view of DOE budget.

Local 372 asks the City Council, once again, to revisit the issue of DOE contract practices to prevent the DOE from putting OUTSIDE VENDORS FIRST. The DOE bidding process must be aimed at saving taxpayer money, while improving services to school children and families.

CFE funding should not be used to give contracts to outside vendors who show no evidence of their commitment to putting OUR CITY'S CHILDREN FIRST.

Testimony of
Randi Weingarten,
President,
United Federation of Teachers

Before the
City Council Committees
on
Finance and Education

On the
Fiscal 2008
Executive Budget Proposal
for the
Department of Education

May 22, 2007

I'm here today to talk about what the teachers and other front-line educators in the public school system believe should be our education spending priorities for the next fiscal year. However, given the new funding system at DOE, I expect it will be harder to implement systemwide priorities, as schools, or more specifically principals, are each making individual decisions about their own spending priorities — (which may or may not conflict with what the Council, mayor or others, including the union, think ought to be the priorities).

While we agree that the best decision-making is closest to the students, we also believe that oversight is always necessary. To ensure the best decisions are being made, principals are supposed to consult with their staffs and with their School Leadership Teams on budget priorities. That consultation will undoubtedly enhance the quality of the decisions, and somebody must make sure it happens. The UFT will do its part, of course, but I urge you to make sure there is an effective check and balance on principals' decisions, with the official teeth to enforce it.

We are concerned that the only real accountability — some 85% of it to be specific -- is in the test scores. Today the ELA scores came out, showing that our 8th grade students did better, which is welcome, but other grades were down or flat, when you include the ELL students — whom we believe should not have been tested this way. We were especially concerned to see that the percentage of Level 1s has remained steady and the percentage of Level 4s declined. An emphasis on getting the Level 2 kids to Level 3, at the expense of the lowest and highest performing kids, may look good for a school's success rate, but it's not good educational practice.

We get concerned that in this test-driven environment if youngsters know nothing but what's tested, if they are not turned on by learning, nobody will be the wiser for it. I worry about a system that measures success so narrowly, and chooses not to know what's really going on.

Even within this construct, however, at least one funding priority has been set. We are glad to see the infusion of funds into **middle schools**, which clearly need what amounts to a Marshall Plan. We eagerly await the report of the Speaker's task force, which hopefully will be influenced in large part by the recommendations from the Committee for Educational Justice. These include small classes, a well-rounded

curriculum, rich support services, and opportunities for career exploration, expanded guidance services, and exposure to the arts. These reforms would give us the fifty pilot junior high schools promised by the mayor.

And while we are talking about middle schools, I urge you to provide middle school youngsters, indeed *all* our students, with **ample guidance services**, such as those specified in Alan Gerson's proposal for a counselor for every 450 students in grades K-8, instead of the current 617. That would mean hiring about 200 more counselors.

We also urge the **expansion of Career and Technical Ed programs** in *all* our secondary schools, especially middle schools and comprehensive high schools. CTE schools have the best graduation rates in the city; perhaps more CTE programs can serve the same purpose for regular high schools and middle schools.

And we recommend that **Project Arts** funding be solely dedicated to that purpose and not be mixed into funds to be used at the principal's discretion.

Let me take this opportunity to thank the Council for your continued support for funding for classroom supplies, for teacher workstations and for decent furniture for teachers' preparation rooms. These have all made the day-to-day lives of our educators better and enhanced their productivity.

Unfortunately, we are falling behind. Many of the 450 copiers you have contributed to about a third of our schools are now 7 or 8 years old and unusable. Yet the baseline allocation allows for only 36 to be added next year. More are needed. And the furniture has helped 88 schools so far, and is not baseline. We urge you to continue and expand this program.

Teachers' Choice also needs a boost. We estimate that an additional \$3.5 million will provide a small increase and cover whatever needs the school system for staff who dig deep into their own pockets to subsidize their students and these funds provide supplies for special projects and creative lessons that may otherwise not be possible. Members really cherish being able to do these extras and making their own priorities and they thank you for it.

Let me use my remaining time to talk about the some other needs and the new school funding and decision making processes. It is not enough to send schools money no-strings-attached. If the chancellor commits to a plan, steps should be taken to ensure

the public and our kids that it is implemented. How do we ensure, for example, whether funding priorities or citywide priorities are implemented? As you know, I have my qualms about the reorganization and the new funding formula. Still, we are pleased that the chancellor saw the wisdom of the objections that a coalition of parents, teachers and community activists raised about the potential for destabilizing schools with experienced staffs.

We certainly have no argument with directing more funds to high-needs schools, and we agree with the goal of ensuring that every school has a good mix of experienced and novice teachers. But, with new money coming in, there is no need to achieve that by engineering teacher transfers from schools that have retained an experienced staff for years.

Thankfully, the DOE amended its plan and will hold all schools harmless from budget cuts due to the new formula for at least two years. We will carefully watch and discern that schools will make personnel decisions based on cost and not on a teacher's qualifications and potential fit with the school's mission and not on cost. And if we see that costs — something the old system never quantified — are trumping qualifications, and are stopping schools from receiving the experienced teachers they need, we will raise those issues quite vocally. In the spirit of collaboration, we have agreed to join an oversight committee with DOE and other stakeholders in the system to monitor the implementation of FSF.

On this note, we should be redoubling our efforts to attract experienced teachers into low-performing schools. I say *attract*, not force, because the key to turning a school around is building a collaborative school community that is invested in its success.

It should not be too hard to do that. In fact, the distribution of experienced staff is not so unbalanced as some claim. Because of better salaries and more open transfer opportunities, it turns out that the proportion of experienced teachers today is just about the same in schools with more than an 80% poverty level as it is in schools with less than an 80% poverty level. In other words, on average, about 55% of the teachers in middle-class schools have more than 5 years experience. That's pretty good news. But even better news is that the same is true in poor neighborhoods — 55% of the teachers have

more than 5 years of experience. So, on average, our students, whether rich or poor, all receive the benefits of teacher experience about equally.

We can do even better. Earlier this month I made three proposals for **incentives** to bring more experienced teachers into low-performing schools. Briefly, they include permitting teachers who want to stay together, for example when a school closes, to transfer in groups. In addition, we should offer a service differential for teachers who undertake difficult assignments and special projects that go beyond the requirements of the job -- for example launching a schoolwide parent outreach program or a community environmental program. Finally, by funding low-performing schools to reduce the student: teacher ratio by 20%, teachers could better individualize instruction by having fewer students and additional time for collaborative work on school improvement.

These ideas were well received, but I want to tell you the idea that can be done right now -- and it's one that you can help us with. In many neighborhoods teachers are kept away by the lack of parking. Mass transit is unfortunately very limited between the outer boroughs. Teachers in schools in crowded residential neighborhoods spend hours circling the block looking for a spot or rushing out mid-day to change sides. If each of you in your own communities can help convince local authorities to designate reserved street parking for teachers, you would be doing those schools a great service.

Still, even with the city's agreement to modify the Fair Student Funding formula, other problems remain. The reorganization gives principals extensive budgetary discretion, which may put us on a collision course with the state's Contract for Excellence and with our goal to substantially reduce class sizes.

The Contract for Excellence makes districts accountable for spending the CFE money on proven education programs. It therefore put out a limited menu of options for each district: they can spend the new state money on class size reduction, increased student time on task, teacher and principal quality initiatives, middle and high school restructuring or full-day pre-kindergarten. In his guidance to principals the chancellor noted these priorities.

For most districts in NY State the choice among these initiatives is theirs to make. However, the Contract specifically mandates New York City, unlike other districts, to reduce class size -- not surprising considering that our class sizes are 10-60 percent larger

than those in the rest of the state. By July 1, about 5 weeks from now, the city and the individual districts must submit plans to the public and to the state Education Department for achieving smaller classes, including plans for the 07-08 school year.

That mandate is where the problem lies.

Aside from the unencumbered school allocations under the new formula, the DOE has separately budgeted funds for expanded pre-kindergarten classes, special education services, teacher and principal raises and professional development, charters and small schools, and a new science core curriculum.

However, on **class size reduction**, the budget is silent. While the state has demanded that the city reduce class sizes, no funds in the mayor's budget are earmarked for that purpose. The April agreement with the Mayor created a joint committee that will be working on this, but principals are deciding their budget priorities right now.

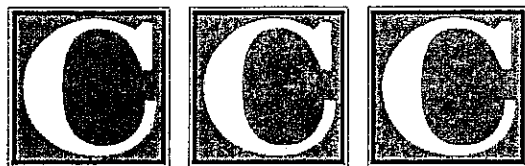
The DOE has said that schools in its Empowerment Zone this year spent 60 percent of their budget enhancements on hiring additional teachers. But that is strictly voluntary. And we heard from some of our field representatives that where schools created additional classes to reduce class size, the DOE often responded by sending more students.

So how is class size reduction to be systemically funded and implemented?

In accordance with our agreement, the class size coalition will be meeting with DOE to formulate the plan to reduce class sizes. But it remains unclear how it will be funded and what leverage the chancellor will exert over the newly empowered principals.

All together, the mayor seeks to add \$915 million to the city education budget including \$640 million in new state funds. That is just a down payment on about 5-and-a-half-billion dollars over the next four years. It's a once-in-a-lifetime opportunity; perhaps the last best chance to get class sizes in New York City to levels that at least match the rest of the state. Classes where teachers can individualize instruction and students can learn has to be our main priority, and that has to be expressed in the school budget.

Please feel free to ask me whatever questions you have today or any time. Thank you.



CITIZENS' COMMITTEE for CHILDREN
O F N E W Y O R K I N C

TESTIMONY

OF

AILIN CHEN

SENIOR POLICY ASSOCIATE FOR EDUCATION,

JUVENILE JUSTICE, AND YOUTH SERVICES

FOR

CITIZENS' COMMITTEE FOR CHILDREN OF NEW YORK, INC.

BEFORE THE

NEW YORK CITY COUNCIL

FINANCE AND EDUCATION COMMITTEES

REGARDING THE

NEW YORK CITY EXECUTIVE BUDGET PROPOSALS

FISCAL YEAR 2007-2008

May 22, 2007

Good afternoon. My name is Ailin Chen and I am the Senior Policy Associate for Education, Juvenile Justice and Youth Services at Citizens' Committee for Children of New York, Inc. (CCC). I would like to thank Council Members Weprin and Jackson and all members of the New York City Council Finance and Education Committees for this opportunity to testify on New York City's Executive Budget for City Fiscal Year (CFY) 2008.

For 63 years, Citizens' Committee for Children of New York, Inc. (CCC) has convened, informed and mobilized New Yorkers to make New York City a better place for children. CCC's approach to child advocacy is fact-based and combines the best features of public policy advocacy with a tradition of citizen activism.

The Mayor's CFY 08 Executive Budget takes bold steps towards shaping New York City for the future. He has envisioned a city that has a better-developed infrastructure, is business friendly, and is cleaner and greener. The current economic resurgence allows us to consider investing in the future, and it is wise to do so. The CFY 08 Executive Budget funds the creation of a New York City Child Care Tax Credit – making child care more affordable for families with young children. It also puts forward an unprecedented early budget agreement with the City Council to baseline \$10 million for family child care and guarantee uninterrupted child care for nearly 1500 children and includes \$5.5 million in funds to ensure 38,000 summer jobs for the city's youth. The Council's Response to the Mayor's proposals furthers aspirational thinking by promoting an impressive set of initiatives that would make the city a better place for children and families - by deepening the local EITC, creating a Renter Credit and expanding full day UPK.

There is an opportunity for the Mayor and the Council to take advantage of the budget surplus by investing deeply today in New York's most precious resource – our children – and setting them on a course to being healthy, educated and prosperous.

Yet, despite significant gains in funding for many essential services and aspirational plans, the CFY 08 Executive Budget does not fund over \$100 million in Council initiatives that have historically supported community-based services for children and youth. In addition, the CFY 08 Executive Budget includes a gap of \$68 million in child care resources. If these issues are not resolved many children, youth and families will go without community-based services upon which they have come to rely, and far fewer children will receive child care subsidies.

With respect to education, the CFY 08 Executive Budget includes new city funding totaling \$2.2 billion over four years, which when added to state education aid increases will result in \$5.3 billion in additional resources for New York City schools. This represents approximately an additional \$534 million in city tax levy and \$693 million in state funds for DOE's operating budget in CFY 08. DOE will also be able to draw upon state Contract for Excellence funds to support the Office of Multiple Pathways with a projected allocation of \$11.4 million in state funds for CFY 08.

The CFY 08 Executive Budget also includes \$61.5 million in new state funds for Universal Pre-K. As preparations are underway for the 07-08 school year, it is incumbent upon DOE to rethink its procurement and space planning processes and step up efforts to open up 18,000 seats for free half day Pre-K in September.

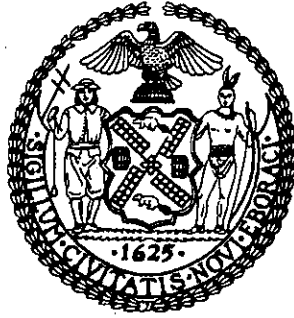
Finally, CCC would like to see a negotiated budget that includes the following restorations in the area of education:

- \$1.3 million for Attendance Improvement and Dropout Prevention
- \$19.7 million for the Teacher's Choice program
- \$2.5 million for Urban Advantage
- \$2.6 million for Worker Education Training

By way of conclusion, it is essential that the Council and Mayor begin to chart a course with new and bold initiatives that work towards *Securing Every Child's Birthright* to be healthy, housed, educated and safe. To this end, CCC urges the City Council and Mayor to work together to:

- Keep children safe and at home by ensuring that Preventive service caseworkers can provide needed support and monitoring to at-risk families – by restoring \$4.2 million to maintain reduced caseloads in general preventive programs and adding \$2.5 million to maintain 5 to 1 supervisory ratios and reduce caseloads in remaining preventive service programs.
- Add \$800,000 to expand the local Newborn Home Visiting Program to first time parents in targeted neighborhoods in Staten Island and Queens that do not currently benefit from the city's home visiting program.
- Secure authorizing legislation in Albany to create a NYC Child Care Tax Credit and to help make quality child care affordable for working parents and Create a Renter Tax Credit to provide tax relief to New York City renters and offset high rent burdens; and
- Ensure that all New York City residents have access to healthy, affordable food –by lifting the cap on food vendor permits for vendors who will sell fresh produce in underserved communities; post rankings online at nyc.gov for grocery store maintenance of acceptable food safety, pricing products and sanitary conditions, and encourage supermarkets to expand delivery areas and shuttle service to distant neighborhoods.

Thank you for your time and consideration of our requests for New York City's children.



Fiscal 2008 Executive Budget Hearings

❖ Committee on Transportation

May 2007

Scheduled To Testify:

- *Department of Transportation*
- *MTA New York City Transit*

***Hon. Christine C. Quinn
Speaker of the Council***

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

***Hon. John C. Liu, Chair
Committee on Transportation***

***Michael Keogh, Director
Finance Division***

TABLE OF CONTENTS

Department of Transportation (841).....2

Metropolitan Transportation Authority (MTA).....11

DEPARTMENT OF TRANSPORTATION (841)**Agency Operations**

The Department of Transportation (DOT) manages approximately 5,800 miles of streets and highways and 790 bridge structures, including six tunnels. The Department ensures traffic safety and mobility by mitigating the effects of construction on traffic; implementing engineering improvements; and installing and maintaining traffic signals at more than 11,900 signalized intersections. DOT also maintains over 1.3 million signs, over 300,000 streetlights, 69 million linear feet of markings and approximately 63,000 parking meters.

The Department encourages the use of mass transit by operating the Staten Island Ferry and promoting new private ferry routes. Additionally, DOT also encourages the use of alternative modes of transportation, and administers a citywide program advancing the use of alternative fuels.

AGENCY FUNDING OVERVIEW

Agency Funding Sources	Fiscal 2007 Adopted Budget	Fiscal 2007 Current Modified	Fiscal 2008 Executive Budget
City	\$372,532,424	\$384,262,867	\$408,468,364
Other Categorical	\$0	\$1,673,622	\$20,179,750
Capital IFA	\$120,843,476	\$131,648,087	\$131,271,292
State	\$45,726,049	\$73,350,559	\$45,726,049
Community Development	\$0	\$200,708	\$0
Federal-Other	\$13,746,996	\$49,325,382	\$13,746,996
Intra-City	\$1,423,073	\$1,626,660	\$1,423,073
Total	\$554,272,018	\$642,087,885	\$620,815,524

HEADCOUNT OVERVIEW

Headcount	Fiscal 2007 Adopted Budget	Fiscal 2007 Current Modified	Fiscal 2008 Executive Budget
City	2,235	2,259	2,257
Non-City	1,972	2,519	1,972
Total	4,207	4,778	4,229

AGENCY HIGHLIGHTS

The Department of Transportation's Fiscal 2008 Executive Budget is a total of \$620.8 million, a \$66.5 million increase compared to the Fiscal 2007 Adopted Budget of \$554.3 million. Because of the differences between the City's fiscal year and the State and Federal fiscal years, the Department reports only baseline funding and grants that it anticipates from the other two branches of government at the beginning of each year and will make adjustments throughout the year as additional funds are received. The Fiscal 2008 Executive Budget proposes \$408.5 million in City-tax levy funding for the Department of Transportation, a 9.7 percent increase from the

Fiscal 2008 Executive Budget Report

Fiscal 2007 Adopted Budget of \$372.5 million. It includes \$21.6 million in new needs, \$3.3 million in other adjustments and \$8.3 million in agency reductions. More information regarding these actions are in the Executive Budget Action section of this document.

PROGRAM FUNDING OVERVIEW

In addition to examining the agency's operations by funding sources, this document will also provide analysis by program area. The table below highlights the key program areas in this Agency and the amount of funding allocated to those programs. Analysis of the various programs will be provided in the appropriate units of appropriation section where warranted.

Program Funding	Fiscal 2006 Actual Expenses	Fiscal 2007 Adopted Budget	Fiscal 2007 Current Modified	Fiscal 2008 Executive Budget
Administration & Operations	\$50,949,463	\$58,080,944	\$61,624,360	\$63,906,630
Streets & Highways	\$136,581,262	\$134,144,876	\$155,487,567	\$161,223,040
Transit Operations	\$149,879,428	\$80,491,391	\$92,334,274	\$87,692,248
Traffic & Parking	\$217,487,929	\$216,861,590	\$257,360,603	\$241,205,626
Bridges	\$68,325,221	\$64,693,217	\$75,281,081	\$66,787,980
Total	\$623,223,303	\$554,272,018	\$642,087,885	\$620,815,524
Sources: City Council, Independent Budget Office				

PROGRAM HEADCOUNT OVERVIEW

Headcount by Program	Fiscal 2006 Actual Expenses	Fiscal 2007 Adopted Budget	Fiscal 2007 Current Modified	Fiscal 2008 Executive Budget
Administration & Operations	539	567	566	484
Streets & Highways	1,209	1,253	1,294	1,127
Transit Operations	711	705	703	684
Traffic & Parking	1,418	1,383	1,385	1,131
Bridges	836	830	830	803
Total	4,713	4,738	4,778	4,229
Sources: City Council, Independent Budget Office				

UNITS OF APPROPRIATION

The operating budget of an agency is structured into several levels, each of which provides varying levels of detail on an agency's spending plans. The City Charter requires that U/As represent the amount appropriated for personal services (i.e. salaries) or Other Than Personal Services (i.e. supplies) for a particular program, purpose, activity or institution.

Fiscal 2008 Executive Budget Report

Executive Administration and Operations Management (U/As 001 and 011)

Funding in these units of appropriation provides for all aspects of administration and planning of the Department including payroll, budgeting, accounting, purchasing, legal services, data processing, training, facilities management and program evaluation. In addition, funding in these units of appropriation provides for community relations, traffic safety, street condition surveys, franchises and revocable consents.

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
001	Executive Admin & Plan Management-PS	\$30,811,024	\$36,380,546	\$33,073,598	7.34%
011	Executive Admin & Plan Management-OTPS	\$27,269,920	\$25,543,814	\$30,833,032	13.07%
	Total	\$58,080,944	\$61,924,360	\$63,906,630	10.03%

Funding/Program Analysis

The Fiscal 2008 Executive Budget contains \$63.9 million in Fiscal 2008 for administration and operations. Of that amount, \$38.8 million is for general administration, \$2.2 million is for call center operations, \$2.9 million is for permits and consents, including street surveillance, and \$17.8 million is for facilities management and vehicle maintenance.

The Administration and Operations program is responsible for support services to the other units of the Department, including the agency's capital project division, call center operations, franchises and revocable consents, facilities management and vehicle maintenance. The Fiscal 2008 Executive Budget for these U/As reflects an increase of ten percent when compared to the Fiscal 2007 Adopted Budget. This increase is mostly the result of lease adjustment and collective bargaining agreement. More information regarding these actions are in the Executive Budget Action section of this document.

Highway Operations (U/As 002 and 012)

Funding in these units of appropriation provides for the maintenance of city streets and arterial highways, allows for the monitoring of "street cut" activity by utilities, private contractor and other agencies to ensure that repairs meet required standards. They include funds to supervise street resurfacing and repair work, etc., and to maintain and repair vehicles and equipment used for street and arterial maintenance programs.

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
002	Highway Operations-PS	\$75,500,335	\$85,614,378	\$85,228,931	12.89%
012	Highway Operations-OTPS	\$58,644,541	\$69,873,189	\$75,994,109	29.58%
	Total	\$134,144,876	\$155,487,567	\$161,223,040	20.19%

Funding/Program Analysis

The Fiscal 2008 Executive Budget contains \$161.2 million in Fiscal 2008 for the Streets and Highways program. Of that amount, \$14.1 million is allocated for permit management and construction coordination, \$4.3 million is for capital project administration and \$142.8 million is for roadway repairs and maintenance. The Fiscal 2008 Executive Budget for these U/As reflects an increase of 20.2 percent when compared to the Fiscal 2007 Adopted Budget. This increase is

Fiscal 2008 Executive Budget Report

mostly the result of PlaNYC 2030 initiatives. More information regarding these initiatives are in the Executive Budget Action section of this document.

Transit Operations (U/As 003 and 013)

Funding in these units of appropriation provides for the operation of ferry service between Staten Island and Manhattan and Hart Island and Manhattan. Funding also allows for the maintenance of dock and ferry terminal facilities and the supervision of private ferries in addition to subsidized franchised bus companies, including the MTA bus companies.

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
003	Transit Operations-PS	\$50,807,196	\$55,929,075	\$55,758,566	9.75%
013	Transit Operations-OTPS	\$29,684,195	\$36,405,199	\$31,933,682	-7.58%
	Total	\$80,491,391	\$92,334,274	\$87,692,248	8.95%

Funding/Program Analysis

The Fiscal 2008 Executive Budget contains \$87.7 million in Fiscal 2008 for the Transit Operations program. Of that amount, \$84 million is allocated for ferry operations, \$1.2 million for surface transportation and \$2.5 million for transit administration.

Traffic Operations (U/As 004 and 014)

Funding in these units of appropriation provides for the coordination of all activities to promote traffic flow and enforcement, including the monitoring of signal and street light contractors, maintenance of traffic control devices (i.e. crosswalk markings, etc.), and the provision of environmental impact services. In addition, funds in these units of appropriation provides for parking enforcement activities including the maintenance, collection from, and installation of parking meters.

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
004	Traffic Operations-PS	\$56,934,742	\$73,128,755	\$62,224,805	9.29%
014	Traffic Operations-OTPS	\$159,926,848	\$183,931,848	\$178,980,821	-11.91%
	Total	\$216,861,590	\$257,060,603	\$241,205,626	11.23%

Funding/Program Analysis

The Fiscal 2008 Executive Budget contains \$241.2 million in Fiscal 2008 for the Traffic and Parking program. Of that amount, \$42.9 million is allocated for parking operations; \$15.3 million for safety and red light cameras; \$156.4 million for signals, signs and lighting; \$16.7 million for planning and research; and \$9.9 million for traffic administration. The Fiscal 2008 Executive Budget for these U/As reflects an increase of 11.2 percent when compared to the Fiscal 2007 Adopted Budget. This increase is mostly the result of PlaNYC 2030 initiatives. More information regarding these initiatives are in the Executive Budget Action section of this document.

Fiscal 2008 Executive Budget Report

Bureau of Bridges (U/As 006 and 007)

Funding in these units of appropriation provides for the inspection, maintenance, repair and operation of approximately 800 city-owned bridges and tunnels, including the four East River bridges. They also include funds to supervise consultant designs of bridge projects and major bridge reconstruction projects.

U/A#	U/A Name	Fiscal 2007 Adopted Budget	Fiscal 2007 Modified as of 4/23/2007	Fiscal 2008 Executive Budget	Percent Change Since Adopted
006	Bureau of Bridges-PS	\$52,217,282	\$57,066,275	\$55,315,045	5.93%
007	Bureau of Bridges-OTPS	\$12,475,935	\$18,214,806	\$11,472,935	-8.04%
	Total	\$64,693,217	\$75,281,081	\$66,787,980	3.24%

Funding/Program Analysis

The Fiscal 2008 Executive Budget contains \$66.8 million in Fiscal 2008 for bridges. Of that amount, \$21.8 million is allocated for bridge repair; \$14.7 million for preventive maintenance; \$17.3 million for engineering and design; \$3.1 million for inspections and quality assurance; and \$9.8 million for bridge administration.

Fiscal 2008 Executive Budget Report

EXECUTIVE BUDGET ACTIONS (000s)

Description	Fiscal 2007			Fiscal 2008		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as per Preliminary Plan	\$384,260	\$228,612	\$612,872	\$391,827	\$173,183	\$565,010
Executive Plan New Needs						
Towing Contract Increase	\$0	\$0	\$0	\$67	\$0	\$67
Spill Response Contract	\$0	\$0	\$0	\$100	\$0	\$100
Safety Team	\$0	\$0	\$0	\$226	\$0	\$226
Security Contract Increase	\$623	\$0	\$623	\$1,060	\$0	\$1,060
Ferry Security Needs	\$781	\$0	\$781	\$5,413	\$0	\$5,413
Funding Increase of Coring Contract	\$0	\$0	\$0	\$100	\$0	\$100
Ferry Terminal Retail Consultant	\$50	\$0	\$50	\$150	\$0	\$150
Restore Night Ferry Service	\$0	\$0	\$0	\$1,218	\$0	\$1,218
Bike Network Development	\$0	\$0	\$0	\$8,071	\$558	\$8,629
Bus Initiatives	\$0	\$0	\$0	\$1,240	\$50	\$1,290
Intelligent Transp System	\$0	\$0	\$0	\$3,975	\$750	\$4,725
Resurfacing 100 Additional Lane Miles	\$0	\$0	\$0	\$0	\$19,875	\$19,875
Fiscal 2007 Exec. Budget Actions*	\$0	\$0	\$0	\$0	\$843	\$843
Total New Needs	\$1,454	\$0	\$1,454	\$21,620	\$22,076	\$43,696
Executive Plan Reductions						
Additional Revenue -Commer Parking	\$510		\$510	\$510		\$510
Additional Building Permit Revenue	\$0		\$0	\$254		\$254
Exp. Commercial Parking 14 - 22 St.	\$0		\$0	\$233		\$233
CHIPS Funding	\$0	\$0	\$0	(\$9,257)	\$9,257	\$0
Total Plan Reductions	\$510	\$0	\$510	(\$8,260)	\$9,257	\$997
Executive Plan Other Adjustments						
Collective Bargaining	\$846	\$147	\$993	\$1,551	\$162	\$1,713
State Ferry Subsidy Surplus	(\$1,069)	\$1,069	\$0	(\$4,279)	\$4,279	\$0
Heat, Light and Power	(\$693)	\$0	(\$693)	\$136	\$0	\$136
Fuel	(\$122)	\$0	(\$122)	\$41	\$0	\$41
Gasoline	\$1,418	\$0	\$1,418	\$1,083	\$0	\$1,083
Lease Adjustment	\$0	\$0	\$0	\$4,740	\$0	\$4,740
Emission Reduction Equipment	\$0	(\$545)	(\$545)	\$0	\$2,604	\$2,604
Yard Security	\$0	\$303	\$303	\$0	\$384	\$384
Security Contract Increase IFA	\$0	\$71	\$71	\$0	\$122	\$122
Dugout Move	\$0	\$0	\$0	\$0	\$280	\$280
Fiscal 2007 Funding Adjustments	\$0	\$7,050	\$7,050	\$0	\$0	\$0
Total Other Adjustments	\$380	\$8,095	\$8,475	\$3,272	\$7,831	\$11,103
Total Executive Plan Budget Changes	\$2,344	\$8,095	\$10,439	\$16,632	\$39,164	\$55,796
Agency Budget as per Executive Plan	\$386,604	\$236,707	\$623,311	\$408,459	\$212,347	\$620,806

Executive Budget Action Analysis

New Needs

- **Towing Contract Increase.** Due to a rate increase, the Department will receive an additional \$67,000 in Fiscal 2008 only for towing related services contract. As with other City agencies, this contract is managed by the Department of Citywide Administrative Services (DCAS).
- **Spill Response Contract.** The Fiscal 2008 Executive Budget contains \$100,000 in Fiscal 2008 and the outyears for costs associated with an emergency spill response preparedness contract.
- **Safety Team.** The Fiscal 2008 Executive Budget contains baseline funding of \$226,000 and three positions in Fiscal 2008 and the outyears for a centralized safety team. This team will be responsible for ensuring agency-wide compliance with federal Occupational Safety and Health Administration's (OSHA) rules and regulation in an effort to ensure employee safety.
- **Security Contract Increase.** Due to a rate increase, DOT will receive additional funding of \$623,000 in Fiscal 2007 and \$1.1 million in Fiscal 2008 and Fiscal 2009 for its security contract with Allied Barton.
- **Ferry Security Needs.** The Fiscal 2008 Executive Budget contains additional funding of \$781,000 in Fiscal 2007 and \$5.4 million in Fiscal 2008 only for costs associated with the implementation of marine security enhancements within the Staten Island Ferry system and at City-owned passenger ferry terminals and landings. This action will bring total ferry security spending in Fiscal 2008 to approximately \$10 million.
- **Funding Increase of Coring Contract.** The Fiscal 2008 Executive Budget contains funding of \$100,000 in Fiscal 2008 only for the Coring Contract. This action will allow DOT to contract out the testing of core soil samples. This is to ensure that repair work done on city streets by utilities companies after street cuts are in compliance with the Department's standards.
- **Ferry Terminals Retail Consultant.** The Department of Transportation will receive funding of \$50,000 in Fiscal 2007 and \$150,000 in Fiscal 2008 only for costs associated with a consultant for retail space leasing contracts for the St. George and Whitehall Terminals.
- **Restore Night Ferry Service.** The Fiscal 2008 Executive Budget contains additional funding of \$1.2 million for overnight ferry service for the Staten Island Ferry. This funding was eliminated as a result of a 2003 proposal to contract out overnight ferry service on the Staten Island Ferry to a private contractor between the hours of 12 am and 6 am. However, that did not happen and this action restores funding for overnight service in Fiscal 2008 only.
- **Bike Network Development.** To accelerate the implementation of the City's 1,800 mile Bike Lane Master Plan, which is contained in the Mayor's PlaNYC 2030, the Department of Transportation will receive funding of \$8.1 million in Fiscal 2008, \$9.6 million in Fiscal

Fiscal 2008 Executive Budget Report

2009, \$11.1 million in Fiscal 2010 and \$12.5 million in Fiscal 2011. Funding will allow the Department to implement an additional 200 miles of bike lanes by 2009.

- **Bus Initiatives.** The Fiscal 2008 Executive Budget contains \$1.2 million in Fiscal 2008 through Fiscal 2010 and \$1.5 million in Fiscal 2011 for bus initiatives. The Department will employ proven strategies to smooth traffic flow by providing bus only lanes on some city bridges.
- **Intelligent Transportation System (ITS).** The Mayor's PlaNYC 2030 calls for all the city's highways to be equipped with ITS technologies by the year 2012. As a result, the Fiscal 2008 Executive Budget contains funding of \$4 million in Fiscal 2008 through Fiscal 2010 and \$3.6 million in Fiscal 2011 for DOT to implement an integrated centralized traffic management system using technology, including cameras. This system, when fully implemented, will allow the Department the ability to respond in real-time to emerging traffic conditions citywide. In addition, although not reflected in DOT's budget, the Fiscal 2008 Executive Budget contains funding of \$5.3 million in Fiscal 2008 and \$4.8 million in Fiscal 2009 and the outyears for 117 traffic enforcement agents and related OTPS costs to help ease traffic on city streets.

Agency Reductions (Programs to Eliminate the Gap)

- **Additional Revenue from Commercial Parking.** Due to increased revenue from commercial parking, the Fiscal 2008 Executive Budget contains additional revenue of \$510,000 in Fiscal 2007 and Fiscal 2008 only.
- **Additional Revenue from Commercial Parking.** The Department anticipates additional revenue of \$254,000 in Fiscal 2008 and the outyears from building related permits.
- **Expansion of Commercial Parking.** As a result of the expansion of commercial parking from 14th Street to 22nd Street, the Department anticipates additional revenue of \$233,000 in Fiscal 2008, \$638,000 in Fiscal 2009, \$630,000 in Fiscal 2010 and \$626,000 in Fiscal 2011.
- **Consolidated Highway Improvement Programs (CHIPs) Funding.** The Department of Transportation proposes to use State funding for CHIPs eligible personal services (PS) and other than personal services (OTPS) related expenses, resulting in City tax-levy savings of \$9.2 million in Fiscal 2008 only.
- **Resurfacing 100 Additional Lane Miles -IFA.** The 2008 Executive Budget contains \$19.9 million in Fiscal 2008, \$13.9 million in Fiscal 2009, and \$10.9 million in Fiscal 2010 and Fiscal 2011 for costs associated with resurfacing an additional 100 lane miles per year by DOT. This will be funded through intra-funding agreements (IFAs), which are funding shifts from the capital budget to the expense budget for capital work performed by the Department's staff.

Other Adjustments

- **Collective Bargaining.** The Department of Transportation will receive City funding of \$846,000 in Fiscal 2007 and \$1.5 million in Fiscal 2008 and the outyears for collective bargaining costs.
- **State Ferry Subsidy Surplus.** Due to increased State funding for the Staten Island Ferry, the Fiscal 2008 Executive Budget contains City savings of \$1.1 million in Fiscal 2007 and \$4.3 million in Fiscal 2008 only.
- **Heat, Light and Power.** Due to re-estimates, the Department anticipates a decrease of \$693,000 in Fiscal 2007 and an increase of \$136,000 in Fiscal 2008 and the outyears in heat, light and power costs.
- **Fuel.** Due to re-estimates, the Department anticipates a decrease of \$122,000 in Fiscal 2007 and an increase of \$41,000 in Fiscal 2008 and the outyears for fuel costs.
- **Gasoline.** Due to re-estimates, the Department anticipates an increase of \$1.4 million in Fiscal 2007 and \$1.1 million in Fiscal 2008 and the outyears for gasoline costs.
- **Lease Adjustment.** Due to a funding re-estimate, DOT anticipates an increase of \$4.7 million in Fiscal 2008 and a decrease of \$10,000 in Fiscal 2009 and the outyears for lease-related costs.

METROPOLITAN TRANSPORTATION AUTHORITY (MTA)

The Metropolitan Transportation Authority was established under New York State Public Authorities Law in 1965 as a public benefit corporation. The Authority has responsibility for developing and implementing a unified public transportation policy for New York City and the seven New York metropolitan-area counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester. It carries out these responsibilities through its subsidiary and affiliate entities that include the New York City Transit Authority (NYCTA) and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA); the Staten Island Rapid Transit Operating Authority (SIRTOA); The Long Island Rail Road Company (LIRR); the Metro-North Commuter Railroad Company (MNCRC); the Metropolitan Suburban Bus Authority (MSBA); the MTA Bus Company; and the MTA Capital Construction Company. Another affiliate of the MTA, the Triborough Bridge and Tunnel Authority (TBTA), is empowered to construct and operate toll bridges and tunnels and other public facilities in New York City. The revenues from all authorities and subsidiaries support the organization as a whole.

February Financial Plan 2007-2010

MTA Consolidated Statement of Operations – Including MTA Bus Company

(\$ in millions)

	2005 Actual	2006 Final Estimate	2007 Adopted	2008 Projected	2009 Projected	2010 Projected
Operating Revenue						
Farebox	\$3,565	\$3,820	\$3,876	\$3,929	\$3,964	\$3,992
Toll Revenue	1,205	1,235	1,237	1,240	1,236	1,235
Other Revenue	410	438	423	443	4666	485
Capital & other Reimburse	26	0	0	0	0	0
Total Operating Revenue	\$5,206	\$5,493	\$5,536	\$5,612	\$5,666	\$5,712
Operating Expenses						
Labor Expenses	\$5,304	\$5,659	\$6,095	\$6,431	\$6,693	\$6,948
Non-Labor Expenses	1,916	2,183	2,477	2,542	2,675	2,779
Other Expenses Adjustmen	(11)	(2)	(7)	(16)	(9)	(9)
General Reserve	0	0	75	75	75	75
Depreciation	1,469	1,594	1,721	1,790	1,887	1,981
Total Operating Expenses	\$8,678	\$9,434	\$10,360	\$10,823	\$11,321	\$11,774
Net Operating Deficit	(\$3,472)	(\$3,941)	(\$4,824)	(\$5,211)	(\$5,654)	(\$6,061)
Subsidies	\$3,422	\$4,117	\$4,022	\$3,956	\$4,051	\$4,170
Debt Service	(1,018)	(1,321)	(1,457)	(1,598)	(1,749)	(1,884)
Deficit after Subsidies & Debt	(\$1,067)	(\$1,144)	(\$2,260)	(\$2,854)	(\$3,352)	(\$3,775)
Conversion to Cash						
Depreciation	\$1,469	\$1,594	\$1,721	\$1,790	\$1,887	\$1,981
All other	(327)	(91)	(133)	(29)	(53)	(65)
Prior year cash bal.	507	582	941	270	0	0
Baseline Net Cash Balance	\$582	\$941	\$270	(\$823)	(\$1,518)	(\$1,860)
Post-2007 GAP Closing Actions	0	0	0	13	22	22
Shared Services / Reorganization	0	0	0	11	41	55
Net Cash Surplus/(Deficit)	\$582	\$941	\$270	(\$799)	(\$1,455)	(\$1,782)

MTA BUDGET OVERVIEW

The Expense Plan

The Calendar Year 2007 Adopted Budget for the MTA includes a Four Year Financial Plan for the years 2007 through 2010. The Authority issued a preliminary budget in July of 2006 for public review and comment before issuing a final budget in late November that was presented to the MTA Board for a vote in December of 2006 and subsequently released in February 2007 with no significant changes.

The MTA's 2007 Adopted Budget remains balanced through the calendar year with an anticipated net cash surplus of \$270 million, as opposed to a deficit of \$32 million projected for 2007 in the 2006 Financial Plan. The Plan, after certain adjustments, reflects a closing cash balance in 2006 of \$941 million that is carried over to support 2007.

Similar to last year, the Authority recorded a huge year-end surplus due to increased real estate-related tax revenues. Beginning with calendar year 2004, the Authority recorded a year-end surplus of \$507 million, \$1.1 billion in 2005, and \$1.3 billion in 2006. Despite these surpluses, there still exist a possibility that the MTA will implement modest fare and toll increases of five percent late in 2007 and in 2009. In addition, after taking into account all proposed gap-closing measures, the MTA's 2007 Adopted Budget reflects an end-of-year cash deficit of \$799 million in 2008, \$1.4 billion in 2009 and \$1.8 billion in 2010. According to the Authority, the projected deficits for the outyears are the result of structural imbalances in the budget stemming from rising debt services costs, increasing pension and healthcare expenses, in addition to ongoing needs in the area of security and maintenance required for its state-of-the-art equipment.

Lastly, as part of the 2005 Adopted Budget, the Authority set aside \$200 million from its 2004 cash surplus to hedge against a sudden drop in future mortgage tax subsidies that could result from a downturn in the real estate market. The 2007 Adopted Financial Plan reflects the allocation of \$80 million of these funds to a special Governmental Accounting Standards Board (GASB) account with the remainder distributed between the NYCT and the Commuter Railroad at 70 percent and 30 percent respectively.

The Capital Plan

The MTA recently held a groundbreaking ceremony to begin the construction of the Second Avenue subway line, marking the third time that this project has begun. The last two times, the project stalled due to inadequate funding. However, this time the Authority is fairly confident, even in the face of rising construction costs, that the Second Avenue subway line will be built.

The MTA's capital plan for 2005-2009 continues to present significant budgetary problems. The Authority is expected to borrow approximately \$9.3 billion to help finance the 2005-2009 Capital Plan of \$21.1 billion. As such, the debt service on these bonds is projected to grow from \$116 million in 2008 to over \$600 million by 2015. Combined with past capital commitments, the total debt service would grow from \$1.1 billion in 2005 to \$1.9 billion in 2010 and would reach \$2.1 billion by 2015.

Fiscal 2008 Executive Budget Report

Given the size of the Authority's future debt payments, it is conceivable that in the absence of additional federal, state and City funding, or other funding streams such as the Sustainable Mobility And Regional Transportation (SMART) Financing Authority, proposed by the Mayor as part of the PlaNYC 2030, the Authority could seek to close the budget gaps through a combination of service cuts, agency efficiencies and/or fare and toll increases, in addition to the five percent fare increase already in the budget for 2009.

New York City Transit Authority (NYCTA)

The New York City Transit (NYCT), a subsidiary of the Metropolitan Transportation Authority (MTA), provides bus and subway service to New York City. The NYCT is responsible for providing safe, clean, and reliable public transportation services to all persons traveling within the City. The NYCT employs approximately 40,000 workers who are responsible for the operation and maintenance of 3,700 buses and 5,900 subway cars. Over 1.5 billion people ride the City's buses and subways each year.

February Financial Plan 2007-2010 (\$ in millions)

	2006 Final Estimate	2007 Adopted Budget	2008 Projected	2009 Projected	2010 Projected
Operating Revenue					
Farebox	\$2,745.3	\$2,778.1	\$2,812.0	\$2,826.1	\$2,838.7
Other Revenue	277.4	276.8	297.3	313.0	330.3
Capital & Other Reimbursements	795.8	814.7	797.8	788.5	801.1
Total Operating Revenue	\$3,818.4	\$3,869.7	\$3,907.0	\$3,927.5	\$3,970.0
Operating Expenses					
Labor Expenses	\$4,431.4	\$4,791.6	\$5,033.9	\$5,202.2	\$5,372.3
Non-Labor Expenses	1,275.2	1,395.5	1,431.8	1,526.8	1,587.2
Other Expenses Adjustmen	0	0	0	0	0
Operating Expenses Before Depr. 1	\$5,706.6	\$6,187.1	\$6,465.7	\$6,729.1	\$6,959.6
Depreciation	1,015.2	1,085.5	1,151.7	1,221.7	1,291.7
Total Operating Expenses	\$6,721.8	\$7,272.6	\$7,617.4	\$7,950.8	\$8,251.3
Net Operating Deficit	(\$2,903.3)	(\$3,402.9)	(\$3,710.4)	(\$4,023.3)	(\$4,281.3)
Projected Subsidies	\$2,615.5	\$2,463.9	\$2,430.7	\$2,471.2	\$2,511.3
Deficit after Projected Subsidies	(\$287.8)	(\$939.0)	(\$1,279.7)	(\$1,552.1)	(\$2,770.0)
Conversion to Cash					
Depreciation	\$1,015.2	\$1,085.5	\$1,151.7	\$1,221.7	\$1,291.7
Post-2007 PEG	0	0	11.4	20.7	20.7
Net Cash Surplus/(Deficit) 2	\$727.4	\$146.5	(\$116.6)	(\$309.7)	(\$1,457.6)

Source: Metropolitan Transportation Authority

Note: 1 - Excludes Debt Service, 2 - Excludes Prior Year Balance & Interagency Transfers

Budget. The NYCT Operating Budget, before depreciation, is approximately \$6.2 billion for Calendar Year (CY) 2007 and includes \$815 million of reimbursable expenses. The Authority's Board of Directors approved the CY 2007 Operating Budget on Wednesday, December 13, 2006.

Operating Revenue / Expense Projections. For CY 2007, the NYCT operating revenues are projected to be \$3 billion, which are largely farebox revenues of \$2.8 billion and fare

reimbursements of \$104 million. Also included in operating revenues is \$76 million from paratransit reimbursements and \$97 million from other revenues, including advertising. The budget also projects non-reimbursable expenses before depreciation of \$5.4 billion for CY 2007. These expenses include \$4.1 billion in labor costs and \$1.3 billion in non-labor costs. The depreciation expense is projected to be \$1.1 billion in 2007.

Transit Tax Revenue. The NYCT is funded, in part, with tax revenues from the Metropolitan Mass Transportation Operating Assistance Account (Metro Account), Petroleum Business Tax (PBT), Mortgage Recording Tax (MRT) and the Urban Mass Transportation Operating Account (Urban Account). Combined, the revenue from these accounts is projected to be \$2.0 billion in CY 2007, which is \$104.6 million less than the CY 2006 amount of \$2.1 billion. Calendar year 2006 saw a huge increase in real estate activity, which is projected to decline as real estate activity slows in 2007.

The City's Contribution. For CY 2007, the City's contribution to the NYCT's budget is expected to be approximately \$590.4 million. It is comprised of the following: \$45 million for the school fare subsidy; \$13.8 million for the elderly and disabled subsidy; \$39.5 million for paratransit reimbursement; \$158.2 million to match State Operating Assistance; \$257.1 million for MTA Bus subsidy; and \$76.8 million for the maintenance and operation of Long Island Railroad and Metro North Railroad stations in the City.

Paratransit. Pursuant to an agreement between the City and the MTA, the NYCT assumed operating responsibility for all paratransit services required under the Americans with Disability Act of 1990. The City reimburses the NYCT for thirty-three percent of net paratransit operating expenses less fare revenues and urban tax proceeds. Total paratransit revenue is expected to be \$85.7 million in CY 2007, which includes \$39.5 million from City reimbursements.

State Subsidies. For CY 2007, the State's subsidy for NYCT is expected to be \$203.2 million. Of this amount, \$45 million is for school fare reimbursement and \$158.2 million is to match city operating assistance. This funding does not include State dedicated tax revenues of approximately \$3 billion the MTA expects to receive in 2007.

Capital Plan Commitment. For the NYCT, including the Staten Island Railway, the Adopted Plan will commit \$3.1 billion in Calendar Year 2007 for capital projects. Of that amount, \$804 million is federal funds, \$173 million is City funds, and the remainder will be \$2.1 billion in MTA funding. Some of the items to be paid for with the \$3.1 billion planned CY 2007 commitment include \$1.2 billion for 620 R160 "B" Division rail cars, \$126.6 million for the Charleston Annex Depot in Staten Island and \$1.8 million for Phase I of the Bus Rapid Transit initiative, among others.

The MTA Bus Company (MTABC)

The MTA Bus Company was created in September 2004 pursuant to an agreement with the City of New York to consolidate the operations of seven private franchise bus companies. The purpose of the takeover was to improve the quality and efficiency of bus service formerly provided by the private bus franchise operators. The agreement calls for the City to pay MTABC

Fiscal 2008 Executive Budget Report

the difference between the actual cost of operating the bus routes and all revenues and subsidies received by the MTABC and allocable to the operation of the bus routes. As a result, the costs of operating the MTABC are fully reimbursable by the City to the Authority. Dedicated taxes used to subsidize the former private buses that continue to be paid directly to the City are used to partially fund the MTA Bus. For Calendar Year 2007, City reimbursement is projected to be \$257.1 million.

The proposed Calendar Year 2007 Budget, the first comprehensive budget for the MTABC, reflects the necessity of restoring overall headcount to pre-transition levels and readjusting non-operating positions to address the needs of the MTABC in providing reliable bus service.

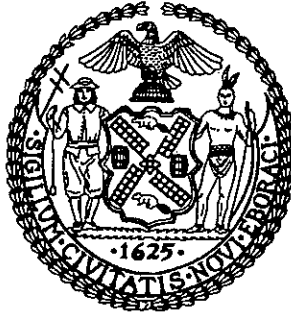
February Financial Plan 2007-2010

	2006 Final Estimate	2007 Adopted Budget	2008 Projected	2009 Projected	2010 Projected
Operating Revenue					
Farebox	\$126.0	\$128.6	\$131.0	\$132.3	\$133.6
Other Revenue	3.6	3.8	3.8	3.8	3.8
Capital & Other Reimbursements	.6	24.3	24.7	32.3	23.8
Total Operating Revenue	\$130.2	\$156.8	\$159.5	\$168.4	\$161.2
Operating Expenses					
Labor Expenses	\$232.9	\$266.0	\$276.0	\$285.5	\$297.0
Non-Labor Expenses	106.5	140.4	145.6	155.1	149.6
Other Expenses Adjustment	0	0	0	0	0
Operating Expenses Before Depr. 1	\$339.4	\$406.4	\$421.6	\$440.6	\$446.6
Depreciation	13.7	30.1	36.3	38.8	41.5
Total Operating Expenses	\$353.2	\$436.5	\$457.9	\$479.4	\$488.2
Net Cash Surplus/(Deficit) 2	(\$223.0)	(\$279.7)	(\$298.4)	(\$311.0)	(\$327.0)

Source: Metropolitan Transportation Authority

Note: 1- Excludes Debt Service, 2 - Excludes Prior Year Balance & Interagency Transfers

Operating Revenue / Expense Projections. For CY 2007, the MTABC operating revenues are projected to be \$132.4 million, which are largely farebox revenues of \$128.6 million and other operating revenue of \$3.8 million. The budget also projects non-reimbursable expenses before depreciation of \$406.4 million for CY 2007. These expenses include \$266 million in labor costs and \$140.4 million in non-labor costs. The depreciation expense is projected to be \$30.1 million in 2007.



Fiscal 2008 Executive Budget Hearings

Committee on Transportation (Capital)

May 2007

Scheduled to Testify:

- Department of Transportation
- MTA New York City Transit

***Hon. Christine C. Quinn
Speaker of the Council***

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

***Hon. John C. Liu, Chair
Committee on Transportation***

***Michael Keogh, Director
Finance Division***

Fiscal 2008 Executive Capital Budget Report

Agency Overview

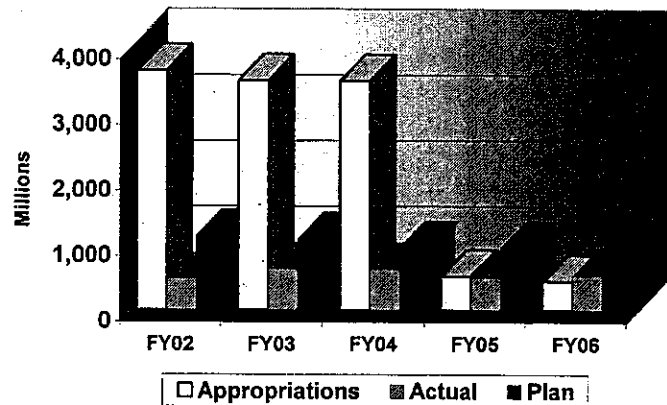
The Department of Transportation (DOT) is responsible for the movement of pedestrian and vehicular traffic throughout the City. DOT is comprised of five operating bureaus: The Bureau of Highway Operations, the Parking Violations Bureau, the Bureau of Traffic Operations, the Bureau of Bridges and the Bureau of Transit Operations.

The goals of DOT's Capital Program include, but are not limited to, providing roads in good condition for safe travel, providing safe and efficient travel throughout the City by maintaining bridge and tunnel structures, improving the flow of traffic and minimize congestion, and maintaining the safe and efficient operation of ferries and ferry terminals. To meet these and other objectives, the Bureau of Highway Operations builds and maintains approximately 5,700 linear miles of streets and highways. It also operates an asphalt plant to provide materials for resurfacing and repair work.

The Bureau of Bridges inspects, maintains, repairs and operates 842 bridge and tunnel structures, oversees major bridge and tunnel construction work. The Bureau of Bridges also manages the "Flag" Repair Program to correct deficient bridge conditions. The Staten Island and Harts Island Ferries, various aviation facilities, and the repair of docks and terminal facilities are the responsibility of the Bureau of Transit Operations.

Under the previous Administration, the Department of Design and Construction (DDC) was created to manage the majority of the City's infrastructure projects, including many projects funded through DOT's capital program. For example, DDC manages DOT's highway reconstruction and resurfacing contracts, sidewalk and curb contracts and parking facility reconstruction projects. While most capital personnel were transferred to DDC, some stayed at DOT for those projects assigned to the agency. DOT personnel manage all Highway Bridge and Waterway Bridge contracts.

DEPARTMENT OF TRANSPORTATION
Appropriations vs. Actual & Planned Commitments
(City funds)

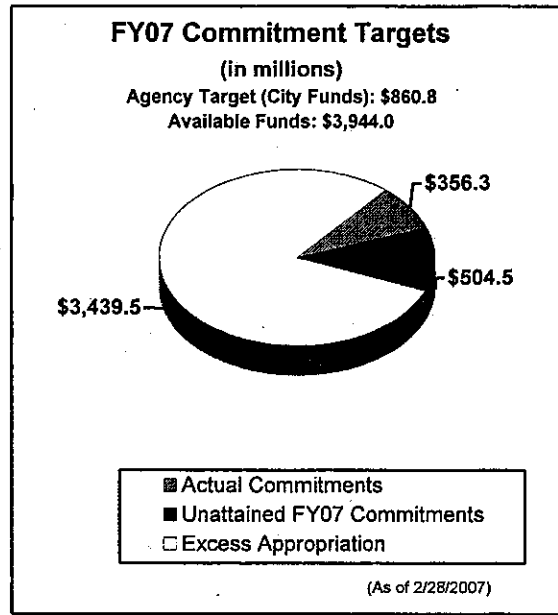


Fiscal 2008 Executive Capital Budget Report

Current Budget Summary

The April 2007 Capital Commitment Plan includes \$5.78 billion in Fiscal 2008-2011 for the Department of Transportation (including City and Non-City Funds). This represents 13 percent of the City's total \$44.5 billion April Plan for Fiscal 2008-2011. The agency's current commitment plan for Fiscal Years 2008 - 2011 is 33.4 percent more than the \$4.33 billion scheduled to be committed in the January Commitment Plan, an increase of \$1.45 billion.

As of February 28, 2007, DOT had only committed \$356.3 million, or 41.4 percent, of its \$860.8 million Fiscal 2007 plan. Over the past five years the Department of Transportation has only committed an average of 54.5 percent of its annual capital plan. Therefore, it is assumed that a large portion of the agency's Fiscal 2007 capital plan will be rolled into Fiscal 2008 thus greatly increasing the size of the Fiscal 2008-2011 capital plan.



Currently DOT's appropriations total \$3.94 billion in City funds for Fiscal 2007. These appropriations are to be used to finance the DOT's \$504.5 million city-funded Fiscal 2007 capital commitment program. The agency has more than seven times the funding it needs to meet its entire capital commitment program for the current fiscal year.

The Executive Ten-Year Capital Strategy for Fiscal Years 2008-2017 provides approximately \$11.1 billion to the Department of Transportation. Bridges and Highways will receive 89 percent of this funding, totaling approximately \$9.9 billion. Bridges will be allocated \$5.82 billion for continued reconstruction of the four East River Bridges and the retrofitting of "fair" or "poor" rated bridges. Of the \$5.82 billion total, the City will provide 70.5 percent with \$4.11 billion; the federal government will provide 23.2 percent with \$1.35 billion; the State will provide less than one percent with \$55 million; and private donors will provide 5.3 percent with \$311 million. Highways will be allocated \$4.03 billion for the rehabilitation of 2,990 linear miles (9,811 lane miles) of City streets. The City will provide 91.1 percent of this rehabilitation cost with 3.68 billion; the federal government will provide 4.2 percent with \$169 million; the State will provide less than one percent with \$8.8 million; and private donors will provide 4.5 percent with \$183.6 million. Traffic will be provided \$950.2 million of which \$396.5 million will be used for signal installation and computerization and \$194.6 million for lampposts and luminaries installation.

Fiscal 2008 Executive Capital Budget Report

The Department of Transportation's capital commitments for the last five years are shown below:

FIVE YEAR HISTORY – CAPITAL BUDGET (\$ in millions)					
	FY02	FY03	FY04	FY05	FY06
CITY	480	627	623	410	530
NON-CITY	108	139	284	301	74
TOTAL	588	766	907	711	604

The Preliminary Four-Year Capital Plan is shown below:

PRELIMINARY CAPITAL PLAN – JANUARY 2007 (\$ in millions)					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	1,120.0	941.7	544.3	770.2	3,376.2
NON-CITY	309.7	430.8	155.1	62.5	958.1
TOTAL	1,429.7	1,372.5	699.4	832.7	4,334.3

The Executive Four-Year Capital Plan is shown below:

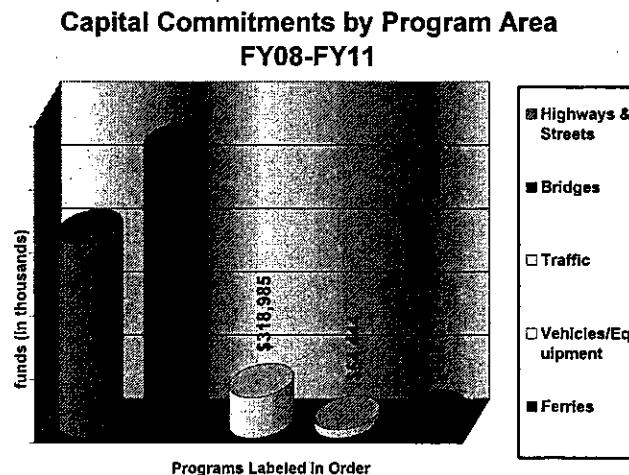
EXECUTIVE CAPITAL PLAN – APRIL 2007 (\$ in millions)					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	1,700.0	1,335.3	632.9	578.4	4,246.6
NON-CITY	614.6	662.5	176.2	81.6	1,534.9
TOTAL	2,314.6	1,997.8	809.1	660.0	5,781.5

EXECUTIVE BUDGET ISSUES:

- DOT's Executive Plan for Fiscals 2008-2011 includes \$5.78 billion in planned commitments of which \$4.25 billion is City funded and \$1.53 billion is Non-city funded. This represents an increase of \$870.1 million in City funds and \$576.7 in Non-City funds when compared with the January Plan. These changes can largely be attributed to roll of \$451.4 million from Fiscal 2007 to 2008, increasing construction costs, and the inclusion of a number of PlaNYC 2030 initiatives.

The major changes between the January Plan and the Executive Plan for Fiscals 2008-2011 are:

- Williamsburg Bridge: \$33.4 million has rolled from Fiscal 2007 to Fiscal 2008, and planned commitments have increased by \$12.1 million. Total planned commitments for this project are now \$75.3 million.
- Reconstruction of the Roosevelt Avenue Bridge: \$5.8 million is added for construction and construction supervision bringing total planned commitments for this project to \$33 million.
- Reconstruction of ramps at St. George's Terminal- SI: \$179.1 million is advanced from Fiscal 2011, \$20 million to FY08 and \$158.6 million to FY09, and \$26.1 million is cut from this project.
- Hamilton Avenue Asphalt Plant (Equipment): \$4 million originally planned for Fiscal 2007 has rolled to Fiscal 2009, and planned commitments for this project have increased to \$10 million.
- Reconstruction of Willis Avenue Bridge: \$124.9 has rolled from Fiscal 2007 to Fiscal 2008, and planned commitments have increased by \$190 million. Total planned commitments for this project are now \$354.7 million.
- Private Funding has increased from \$37.4 million to \$265.9 for Fiscal 2008-2011 and from \$37.4 million to \$508.2 million for Fiscal 2008-2017. Federal funds also increased by 38 percent and State funds by 39 percent. Total non-city funding for Fiscal 2008-2011 is currently \$576.7 million.



Fiscal 2008 Executive Capital Budget Report

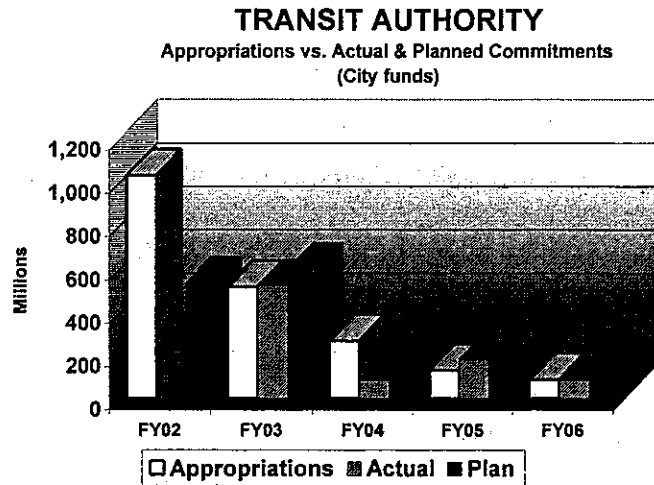
- The Executive Plan includes PlaNYC 2030 initiatives that were not in the Preliminary Capital Budget. These initiatives are:
 - **Intelligent Transportation System:** DOT will improve roadway and transit efficiency by installing Advanced Solid-State Traffic Controllers, connecting all traffic signals to the Traffic Management Center, and deploying an Advanced Traveler Information System on all highways. \$52.1 million has been added to the Capital Plan, including \$49 million in Fiscal 2008-2011.
 - **Bike Network Development 2030:** DOT will expand the bicycle network by 200 lane-miles between Fiscal 2006-2009, increase bicycle parking options, improve the promotion of cycling, and increase education and enforcement of cycling rules. \$5.4 million has been added to the Capital Plan, including \$4.4 million in Fiscal 2008-2011.
 - **Bus Initiatives:** DOT will continue to move forward the implementation of the first BRT corridors, convert lanes on the Queensboro, Williamsburg, and Manhattan bridges to peak hour bus/HOV operation, and work with New York City Transit to address “hot spots” where buses are slowed by traffic congestion. \$45.5 million has been added to the Capital Plan, including \$18.7 million in Fiscal 2008-2011.
 - **Congested Corridors/Growth Areas:** DOT will address multi-modal congestion issues in additional growth areas around the city, to manage streets efficiently for all users, and to address anticipated growth and land use changes. \$122.6 million has been added to the Capital Plan, including \$51.9 million in Fiscal 2008-2011.
 - **Town Square Initiative:** DOT will create a new (or enhance an existing) pedestrian plaza in every community in the City by 2030. The plazas will be created from existing road space. \$130.7 million has been added to the Capital Plan, including \$44.5 million in Fiscal 2008-2011.

Agency Overview

The Metropolitan Transportation Authority New York City Transit (NYCT) operates one of the largest public transportation systems in the world. The Metropolitan Transportation Authority (MTA), the parent corporation of New York City Transit, is a New York State public authority responsible for coordinating and implementing a mass transportation program for New York City and seven adjacent counties. The MTA operates five agencies: New York City Transit, Long Island Rail Road, Metro North Rail Road, Bridges and Tunnels, and Long Island Bus.

The New York City subway system operates on more than 700 miles of track in over 238 directional route-miles serving the boroughs of Manhattan, the Bronx, Queens, and Brooklyn. The Staten Island Rapid Transit Authority (SIRTOA) operates a 14-mile rapid transit line linking 22 communities and the Staten Island-Manhattan Ferry service. The Authority's bus system, including the newly created MTA Bus, serves all five boroughs. On average, the combined transit (6,200 subway cars) and bus systems (5,600 buses) transport over 2.3 billion riders annually.

Capital expenditures for the NYCT are coordinated by the MTA. NYCT's capital program includes major infrastructure improvements to subway stations (for example, track and signal replacements and upgrading of security), modernization of subway stations, major equipment replacements and the implementation of the Automated Fare System.

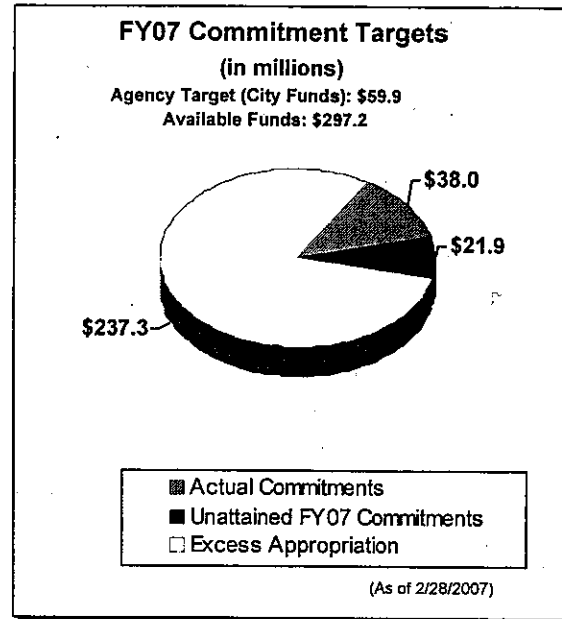


Fiscal 2008 Executive Capital Budget Report

Current Budget Summary

The April 2007 Capital Commitment Plan includes \$334.9 million in City funds only in Fiscal 2008-2011 for the Transit Authority. This represents less than one percent of the City's total \$44.5 billion April Plan for Fiscal 2008-2011. The agency's April Commitment Plan for Fiscal 2008-2011 remains unchanged when compared to the January Commitment Plan at \$334.9 million.

As of February 28, 2007, the Transit Authority has only committed \$38 million, or 63.4 percent, of its \$59.9 million Fiscal 2007 Plan. Over the past five years the Transit Authority has only committed an average of 54.5 percent of its annual capital plan. Therefore, it is assumed that a significant portion of the agency's Fiscal 2007 Capital Plan will be rolled into Fiscal 2008, thus greatly increasing the size of the Fiscal 2008-2011 Capital Plan.



Currently, NYCT's appropriations total \$297.2 million in City funds for Fiscal 2007. These appropriations are to be used to finance the Authority's \$59.9 million city-funded capital commitment program. The agency has over four times more funding than it needs to meet its entire capital commitment program for the current fiscal year.

Fiscal 2008 Executive Capital Budget Report

The Transit Authority's capital commitments for the last five years are shown below:

FIVE YEAR HISTORY – CAPITAL BUDGET (\$ in millions)					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	6	521	80	180	83
NON-CITY	0	0	0	0	0
TOTAL	6	521	80	180	183

The Preliminary Four-Year Capital Plan is shown below:

PRELIMINARY CAPITAL PLAN – JANUARY 2007 (\$ in millions)					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	81.1	89.0	90.0	74.8	334.9
NON-CITY	0	0	0	0	0
TOTAL	81.1	89.0	90.0	74.8	334.9

The Executive Four-Year Capital Plan is shown below:

EXECUTIVE CAPITAL PLAN – APRIL 2007 (\$ in millions)					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	81.1	89.0	90.0	74.8	334.9
NON-CITY	0	0	0	0	0
TOTAL	81.1	89.0	90.0	74.8	334.9

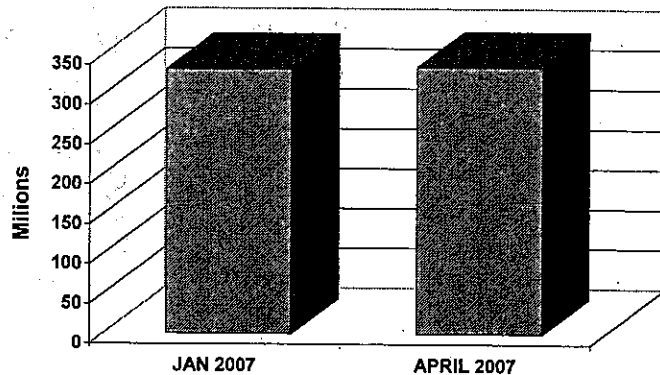
EXECUTIVE BUDGET ISSUES:

- 2005-2009 MTA Capital Program.** The Capital Program Review Board (CPRB) approved a \$21.1 billion 2005-2009 capital program in July of 2005 and subsequently, an updated version in March of 2006. The capital program shows increased funding of \$140 million, primarily new federal funding for the MTA Bus. However, this increase will be offset by approximately \$99 million in

reductions to the core program proposed by the MTA in an amendment that will reflect the transfer of funds to ongoing projects in the 2000-2004 Capital Program that have experienced cost increases. Overall, when compared to the July 2005 CPRB approved plan, the amended CPRB approved program totals remain largely unchanged.

TRANSIT AUTHORITY

January 2007 vs. April 2007
CAPITAL COMMITMENT PLANS



CAPITAL BUDGET SUMMARY

2005-2009 MTA Capital Program Amendment (\$ in millions)

	January 06 Approved	December 06 Amendment	Variance
Core Capital Programs			
New York City Transit	\$11,301.1	\$11,219.5	(\$81.6)
Long Island Rail	2,176.0	2,169.9	(6.1)
Metro-North Rail Road	1,383.1	1,375.5	(7.6)
CPRB Core Subtotal	\$14,860.2	\$14,764.9	(\$95.2)
Security Program	495.0	495.0	0.0
Interagency	159.1	155.4	(3.7)
Core & Security Subtotal	\$15,514.2	\$15,415.3	(\$98.9)
ESA/SAS/JFK Link	2,475.0	2,475.0	0.0
Total 2005-2009 CPRB Program	\$17,989.2	\$17,890.3	(\$98.9)
City #7 Line Extension	1,990.0	2,100.0	110.0
Bridges and Tunnels	1,167.9	1,202.1	34.2
MTA Bus	138.2	138.2	0.0
TOTAL	\$21,285.3	\$21,330.6	\$45.3

Source: Metropolitan Transportation Authority

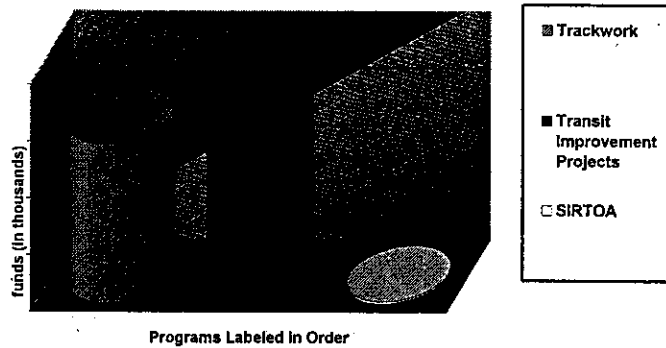
Fiscal 2008 Executive Capital Budget Report

New York City Transit

- For the NYCT, the amended 2005-2009 Capital Plan would commit \$11.2 billion in core programs, a decrease of \$82 million from the \$11.3 billion approved by the Board in January 2006. These funds would provide for the purchase of 959 state-of-the-art new subway cars, 1,122 low-emission buses, 951 paratransit vehicles and the rehabilitation of the 86th

Street station in Bay Ridge, Brooklyn, among others for system-wide infrastructure upgrades.

**Capital Commitments by Program Area
FY08-FY11**



**MTA-NYCT 2005-2009 Capital Program by Investment Category
(\$ in millions)**

	January 06 Approved	December 06 Amendment	Variance
Subway Cars	\$1,804.6	\$1,804.6	\$0.0
Buses	834.0	846.7	12.7
Passenger Stations	1,655.1	1,665.0	9.9
Tracks	1,141.7	1,156.2	14.5
Line Equipment	963.5	940.5	(23.0)
Line Structures	626.9	606.6	(20.3)
Signals & Communications	1,882.5	1,736.7	(145.7)
Power	584.8	499.2	(85.5)
Shops	289.6	306.0	16.4
Yards	272.1	264.1	(8.0)
Depots	612.7	591.2	(22.0)
Service Vehicles	113.5	118.9	5.4
Miscellaneous	434.2	598.7	164.5
Staten Island Railway	85.9	85.1	(0.8)
NYCT TOTAL	\$11,301.1	\$11,219.5	(\$81.6)

Source: Metropolitan Transportation Authority

Expansion Projects

- **Number 7 Subway Line Extension.** The Plan calls for investing \$2.1 billion over five years to extend the #7 Subway Line to serve the Hudson Yards. The project, as planned, will extend the #7 Subway line west from Times Square and then south along 11th Avenue, and will include a new station at 34th Street and 11th Avenue. Design work is funded through the City's capital budget; however, the City through a local development corporation called the Hudson Yard Infrastructure Development Corporation (HYDC), will fund all construction for the #7 Subway Line extension. The funding arrangement calls for the project to be paid for, in part, with revenues from the Hudson Yard Development district and with revenues appropriated from the City's general fund. In November 2006, the City, in a memorandum of understanding with the MTA, agreed to increase its funding by \$100 million for the #7 Subway Line extension project, bringing the total funding for the project to its current level of \$2.1 billion.
- **SAS/ESA/JFK Expansion.** The amended 2005-2009 Capital Plan continues funding of only \$2.5 billion for the Second Avenue Subway (SAS), the East Side Access (ESA), and JFK rail link projects, even though the Board estimated the need for these projects to be \$7.9 billion. However, according to the MTA, adjustments to each of these budgets will be made when the federal funding package for ESA and SAS are finalized, starting with the anticipated receipt of federal funding for the ESA in early 2007. The Authority awarded the first construction contract for the Second Avenue Subway in March of 2007 and expects that it would take approximately 40 months to complete. The first construction contract calls for the construction of new tunnels between 92nd and 63rd Streets, the excavation of the launch box for the tunnel boring machine south of 92nd to 95th Streets, and access shafts at 69th and 72nd Streets in Manhattan.
- **Security Program.** In the 2005-2009 amended Capital Budget, the security program budget and program objectives remain unchanged at \$495 million, except for proposed change in funding source. The Plan originally approved by the CPRB assumed full federal funding for the security program. In the amended Plan, the Authority will use \$141 million in Bridges and Tunnels bonds and cash to replace anticipated federal funds for critical security needs for the MTA Bridges and Tunnels. Since December 2005, the MTA has secured a total of \$3.35 million in Department of Homeland Security funding. Of that amount, \$350,000 is for the MTA police and \$3 million is for an MTA-wide Incident Management Training program.

**JANETTE SADIK-KHAN
COMMISSIONER
NEW YORK CITY DEPARTMENT OF TRANSPORTATION**

**HEARING BEFORE THE CITY COUNCIL
COMMITTEE ON TRANSPORTATION
MAY 22, 2007**

Good morning Chairmen Liu and Weprin and Members of the Transportation and Finance Committees. I am Janette Sadik-Khan, Commissioner of the New York City Department of Transportation (DOT) and with me here today is Conan Freud, DOT's Deputy Commissioner for Administrative Services and David Woloch, DOT's Deputy Commissioner for External Affairs. Thank you for the opportunity to discuss DOT's budget and to update you on my priorities for the coming year. I first want to thank Commissioner Weinshall and First Deputy Commissioner Bergtraum for their leadership of the agency and help with my transition. As you may know, it's my second week on the job and my first time appearing before you, so let me begin by saying that I am honored to be here today – and to be part of this budget process.

Now let me turn to the DOT budget. DOT's Expense Budget for FY 2008 is \$621 million. This funding will provide DOT with the resources to meet the transportation needs of New York City. Specifically, funding to serve the 65,000 daily passengers on the Staten Island Ferry which operates 365 days a year; to do maintenance and repair work on the City's 787 bridges located throughout the five boroughs, ensure the structural integrity of the historic East River Bridges that carry 498,213 vehicles each day; to repave 950 lane miles of City streets, which is fifty more than last year; and to maintain the City's 20,000 lane miles of streets.

DOT funds will also be used to power and maintain approximately 300,000 street lights, 12,300 traffic signals and 1.3 million signs across the City, and to maintain the 47 City-owned parking facilities. The budget also provides funding to fulfill the Mayor's commitment to install 70 additional miles of bike lanes and routes.

DOT has an aggressive capital program for Fiscal Year 2008 that includes the beginning of the construction phase to replace the Willis Avenue Bridge which will be built adjacent to the old bridge and carries an average of 78,000 vehicles each day connecting Manhattan to the Bronx. This year we will also begin construction of the East 153rd Street Bridge in the Bronx, the first cable-stayed bridge to be erected in the City. The graceful design of this new bridge will create a prominent landmark for the Concourse Village neighborhood and is part of the City's efforts to revitalize the South Bronx. We will also begin several roadway projects including the reconstruction of Fifth Avenue from 24th to 34th Streets in Brooklyn which will begin this summer and improve the quality of life in the Sunset Park neighborhood. In addition, on Staten Island, we will begin making improvements at five intersections along Hylan Boulevard later this fall which will enhance the safety of the New Dorp, Bay Terrace and Great Kills neighborhoods.

We also expect to let an installation contract to add an additional 2,200 traffic signals to our existing computerized signal network. Upon completion of this project, approximately 8,200 of the City's 12,300 signalized location will be under central computer control. This allows us to control the timing of more signals and enhances our ability to improve traffic flow and react "real-time" to incidents in more areas of the City.

Our plan also includes funding in both our Expense and Capital budgets needed to implement critical transportation initiatives related to PlaNYC. In all, PlaNYC calls for the investment of \$852 million over the next ten years to improve the roads, bridges, and sidewalks in New York City. Of the \$852 million, \$371 million will come from the City Capital budget which will include the following investments over the next 10 years:

- \$131 million for new public plazas throughout the City;
- \$15 million to improve access to the subway and bus system; including building out sidewalk extensions underneath elevated subway stations; improving pedestrian access

by widening sidewalks and crosswalks and modifying signal timing at subway stations; and building out or installing sidewalks at bus stop locations.

- \$123 million to reduce congestion on critical corridors and growing neighborhoods throughout the City;
- \$52 million for ITS investments that will improve our management of the road network and provide more information to drivers and other users of the transportation system;
- \$5.4 million for new bicycle lanes and routes; and
- \$46 million for roadway investments to improve bus service, including BRT and new bus service over the East River bridges.

We are moving quickly to begin implementation and we recognize that for PlaNYC to be successful we need to begin to see changes in our transportation network. Our fiscal year 08 work will include: starting construction work on six public plazas; constructing sidewalks at five bus stops under elevated tracks; implementing 70 lane-miles of new bike facilities; completing nine congested corridor studies; and making bus improvements, including the implementation of two BRT corridors.

PlaNYC will address the challenges that the City faces as we add 900,000 people to our population and take on the challenges of global warming. A key element of our strategy is to implement a congestion pricing program for Manhattan that will reduce congestion throughout the City and provide the necessary funds to improve transit in both the short and the long term. As the Mayor has said, it's our responsibility to act now so that we can ensure the health and quality of life of our citizens, children and grandchildren.

The critical transportation initiatives in PlaNYC go hand-in-hand with what I consider to be my top priorities as the new DOT Commissioner. Over the next three months, DOT will develop a new strategic business plan -- mapping out what our goals and priorities will be for the next two and a half years and how we will meet them. As we move forward on this plan, we will listen to the concerns of

communities, protecting our most vulnerable citizens and improving the efficacy of our existing programs – and pursue new strategies to accomplish these goals.

The strategic business plan has four main goals:

1) Improving Safety. Anyone involved in running any kind of transportation operation has to put safety first, and I aim to make our streets even safer for all users – from children to seniors, from motorists to bicyclists and ferry riders. Specifically, we are going to work toward:

- Performing a City-wide comprehensive pedestrian fatality and injury analysis;
- Continuing to move forward on our Safe Routes to School Program with the Department of Design and Construction to advance our school capital program at our first group of 12 schools, including neck downs and medians to slow traffic and better protect our school children, and by adding another 135 school locations to the Safe Routes Program;
- Implementing traffic calming measures throughout the five boroughs, from speed bumps to bike lanes to increasing crossing time for pedestrians; and
- Building on our safety and security enhancement programs at the Staten Island Ferry, including bridge resource management training; retrofitting all vessels with electronic chart display information systems; implementing a computerized-based maintenance management system; and completing security enhancements at the St. George Terminal.

2.) Unclogging Our Networks. We will be looking for quick opportunities to get things moving better by:

- Expanding muni-meter coverage from 14th to 22nd Street from 9th to 2nd Avenues in Manhattan;
- Exploring residential parking permit programs to assist with neighborhood parking needs;
- Using information technology to increase bus speeds by extending green lights to allow them through intersections;
- Implementing our first bus rapid transit lines;

- Rethinking our private ferry “build it and they will come” philosophy by working with the Economic Development Corporation to encourage private operators to enter the market and provide private ferry services, as we are pursuing for the Rockaways;
- Doing more to keep trucks on approved routes by expanding our pilot placard program, in which NYPD officers will each have a truck route map in their memo books. We also plan to implement many of the recommendations in the Citywide Truck Study including the posting of additional positive and negative signage, route amendments, engineering improvements and implementing the new Citywide signage program; and
- Expanding our efforts to reduce parking placards used by government officials.

3.) Greening Our Transportation System. We will do more to improve the environment across the City by:

- Continuing to expand the bicycling network by installing 160 miles of new bike lanes and routes over the next two fiscal years with a focus on making connections to existing facilities and putting a bicycle network back bone in place;
- Working collaboratively with the Council on legislation to expand the accessibility of bicycle storage in buildings to encourage New Yorkers to bike;
- Moving forward with a trial program this year at our Staten Island Ferry operation to retrofit our fleet of ferryboats with emissions reduction upgrades; implement the use of bio-diesel and ultra-low sulfur fuel and investigate the feasibility of using Diesel Oxidation Catalysts; and
- Purchasing more hybrid vehicles and looking for ways to expand our use of clean fuels.

4.) Creating Better Streets. We will accelerate and improve our work on street and highway surfaces and infrastructure by:

- Planning and implementing “Complete Streets” – streets not just designed for vehicles, but corridors designed to better accommodate pedestrians, green space, bicyclists and transit;

- Bringing quality design to our streets through our Street Furniture initiative by converting 650 of the City's bus stop shelters and replacing over 40 newsstands this year; and
- Pursuing a state of good repair for the City's 20,000 lane miles of streets and its 787 bridges.

I am looking forward working with the Members of the Council on these transportation initiatives, as well as other DOT related issues, constituent matters and legislation. I ask that you join me and this Administration as we move forward with our PlaNYC agenda as we strive to create safer streets, reduce congestion, enhance the health of our citizens, improve mobility and bring more transportation choices to our communities.

Again, it is an honor to present our budget to you today. At this time, I would be happy to answer any questions that you may have.

Remarks of Gary Lanigan
Director of Budgets
Metropolitan Transportation Authority
NYC Council Hearing
May 22, 2007

Good Morning Chairman Liu and members of the Committee. My name is Gary Lanigan and I am the Director of Budgets and Financial Management at the Metropolitan Transportation Authority. I am joined today by Michael Chubak, Director of the Office of Management and Budget at NYCT and Greg Kulberg the MTA Director of Capital Programs. I appreciate this opportunity to discuss the status of the MTA's budget.

I will make my remarks brief since the MTA's financial situation is relatively unchanged since I last appeared before you in March of this year. Under the MTA's budgetary practices, our financial plan is updated in February and again in July for the fiscal year that begins in January. In February, MTA released its updated financial plan for the years 2007-2010 that included a final budget for 2007 and a financial plan for the years 2008-2010.

As I discussed back in March, the MTA's financial picture in 2007 is in relatively good shape, however, the MTA faces significant out-year operating budget deficits that need to be addressed.

Based on our last financial plan, MTA projected a cash surplus of \$941 million for 2006. The actual closing cash balance was \$4 million lower than the final estimate. Results for the early months of 2007 indicate that like the City, MTA continues to benefit from real estate transaction revenues, notably commercial real property transfers. However, historically these revenues are volatile and

continue to be difficult to predict. Our financial plan update in July will reflect a new forecast for these revenues.

After accounting for the planned 2006 surplus and other gap closing and policy actions, the MTA projected a final net cash surplus for 2007 of \$270 million. In 2008, 2009, and 2010 the MTA projected cash deficits of \$799 million, \$1,455 million and \$1,782 million, respectively.

In the testimony that I provided to this committee on March 9th, I explained at some length that our projected deficits result from revenues that are projected to flatten while expenses continue to grow. You may recall that I explained how some 40% of the MTA's \$10 billion operating budget is consumed by costs over which management has limited, if any ability to control and that these costs are expected to grow by 96% between 2004 and 2010. Over that six year period we project that these uncontrollable costs will increase as follows: Debt Service – 122%, Health and Welfare – 71%, Pensions – 72%, Energy – 80%, Insurance – 180%, and ParaTransit Cost – 164%. The remaining 60% of the MTA operating budget is comprised of expenses that we can and do control. These expenses are projected to grow by approximately 25% over the same six year period, 2004 to 2010. This increase largely reflects growth in CPI which alone would account for a 16.4% increase. Growth beyond CPI is driven by increased and improved maintenance, improved service levels and increased security cost to reflect the reality of the world we live in today.

The MTA believes that significant changes in controllable expenses can be achieved by taking a hard look at the way we do business. Our Executive Director/CEO, Lee Sander has already started a review of these issues. He has directed each of the agency Presidents to submit productivity programs for

review and possible inclusion in the upcoming budget. He has launched a blue ribbon panel of construction industry leaders to partner with MTA's chief engineers and capital program staff to make sure we're using the best practices available to reduce our capital construction costs. He is evaluating opportunities for implementing shared services across the seven agencies. This model seeks to achieve savings by creating a business service center to handle the day to day human resources, payroll and financial transactions currently performed seven times over by each of our agencies. He is taking a reasoned, thoughtful look at the potential value, both financial and operational, of merging the three bus systems and is initiating an organizational assessment across the family of agencies with the primary goal of identifying opportunities and weaknesses. Finally he is working closely with the state elected officials and our other funding partners throughout the region to identify both short and long-term funding solutions.

Where does this leave us? As I mentioned earlier the MTA will release its 2008 preliminary budget in July. As part of that presentation the Executive Director will present his proposal for closing the projected \$800 million budget gap in 2008 and update the financial plan projections for 2009 through 2011. This will allow almost five months for public discussion before the MTA Board is required to adopt a budget in December.

One of the reasons the MTA is able to effectively serve our customers is that we are constantly reinvesting in the system through our successive five-year Capital Programs. These programs, approved by the Legislature and Governor, will, by the year 2009, have provided over \$75 billion for the renewal and enhancement of the MTA's infrastructure since the Capital Program began in 1982. These investments have allowed the MTA to undergo a transformation from the days

of service delays disorder and crime to our current safe, efficient, reliable transportation network.

The 2nd Avenue Subway is an MTA expansion project that is both long overdue and vital to the City's 21st century transportation network. On its first day of operation, it is estimated that the first segment of the new 2nd Avenue Subway – traveling from 96th Street to 63rd Street - will serve over 200,000 people while offering the additional benefit of easing the overcrowding on the Lexington Line.

The first tunneling contract for this project has been awarded and the project is also on track to receive its full funding grant agreement by the end of this year. The cost of the first phase of the 2nd Avenue Subway is estimated at \$4.1 billion. We are also progressing the \$6.4 billion East Side Access project which will allow Long Island Railroad trains to access Grand Central Terminal. Two large tunneling contracts in Manhattan and Queens are underway and work on the new station at GCT is expected to be awarded mid-year. Also this year, the first tunneling segment for the #7 extension to the Westside of Manhattan is expected to be underway.

In addition, the MTA is continuing to contribute to the renewal of Lower Manhattan by advancing the South Ferry Terminal and Fulton Street Transit Center projects. Both are in construction and targeted for completion in 2008 and 2009 respectively.

I thank you for this opportunity to address you and will be happy to answer any questions you may have.