



Fiscal 2009 Executive Budget Hearings

❖ Committee on Finance jointly with the Committee on Education

May 2008

Scheduled To Testify:

- *Department of Education (Expense)*

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Speaker of the Council*

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DEPARTMENT OF EDUCATION (040)

Agency Operations

The Department of Education (DOE or the Department) operates 1,400 schools for more than 1,000,000 children in grades pre-kindergarten through 12, approximately 97,000 of whom are enrolled in special education programs. The DOE has 139,899 employees, 113,956 of whom are classified as pedagogical.¹ Of these staff members, about 79,500 work as teachers². The public schools seek to prepare 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 student transportation, breakfast and lunch, and the operation and maintenance of more than 1,400 schools. The DOE also funds publicly supported services and programs at private schools and funds charter schools.

BUDGET OVERVIEW

This report to the Committees on Education and Finance is meant to provide the City Council members with an overview of the Department of Education's ("DOE" or "the Department") budget as presented in the Fiscal 2009 Executive Budget that includes information regarding all of the initiatives presented in the Executive Budget as well as an analysis of the Mayor's proposed funding level for the DOE. It attempts to couple the information provided by the Office of Management and Budget and the Department in order to construct a clear picture of the DOE's operations and its resources needs.

Unfortunately, the level of understanding provided via the City's budget documents and publicly available from the Department of how the proposed budget for Fiscal 2009 will impact student instruction and other areas of the DOE's program is minimal. Prior to the preparation of this report, the Council has received very little backup information for the Executive and Preliminary Budget Plans. The Department of Education Monitors Report prepared by OMB in the ordinary course of business whenever a new budget plan is presented, and the April 2008 Financial Status Report regarding the Executive Budget due to be released by the DOE both have not been published.

The exceptional paucity of information available to the City Council and the public as this report was being written exacerbated the difficulty of preparing an analysis of the DOE's budget. The Department's budget fails to provide meaningful information about the DOE's resource needs, its spending, its headcount, or its programs. This is so because the information contained in the budget is not reliable given the misalignment of DOE's internal budgeting systems with the City's. The DOE's budget also does not schedule approximately \$1 billion of its resources, leaving it instead in holding codes. Finally the budget's structure is completely out of line with the agency's programs and cannot be used to understand how the \$17.6 billion appropriated for the Department will be spent on public schools.

¹ "Financial Status Report" New York City Department of Education, March 2008, p. 12.

² "Message of the Mayor The City of New York Executive Budget Fiscal Year 2009." Michael R. Bloomberg. May 1, 2008, p. 90.

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For these reasons, this report is simply an overview of the budget initiatives in the Executive Plan and some comparisons of year to year budget levels. Where available explanation of how the DOE plans to implement the Fiscal 2009 budget initiatives is provided.

AGENCY FUNDING OVERVIEW

For the coming year the Administration has proposed a \$17.6 billion budget for the Department, \$215.8 million less than the Fiscal 2009 budget proposed by the Administration in January, but \$629.7 million more than the Fiscal 2008 budget for DOE as it stands now. The year over year operating budget increase from \$16.97 billion to \$17.6 billion is 3.7 percent.

TABLE 1: AGENCY FUNDING

Agency Funding Sources	Fiscal 2008 Adopted Budget	Fiscal 2008 Current Mod. as of 4/25/2008	Fiscal 2009 Preliminary Budget	Fiscal 2009 Executive Budget
City	\$7,200,332,308	\$7,200,519,308	\$7,174,757,253	\$7,256,370,838
Other Categorical	\$48,434,103	\$48,434,103	\$48,434,103	\$51,434,103
Capital IFA	\$0	\$0	\$0	\$0
State	\$7,869,837,370	\$7,843,673,099	\$8,677,007,533	\$8,510,828,550
Community Development	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Federal-Other	\$1,850,755,098	\$1,858,268,144	\$1,897,902,935	\$1,760,821,852
Intra-City	\$9,094,272	\$10,816,529	\$9,094,272	\$11,983,793
Total Operating Budget	\$16,983,453,151	\$16,966,711,183	\$17,812,196,096	\$17,596,439,136
Education-Related Spending				
Pension Costs – City Funded	\$1,872,765,902	\$1,894,268,686	\$2,120,620,751	\$2,101,586,727
Debt Service-City Funded	\$1,092,747,800	\$1,541,399,986	\$1,097,489,727	\$1,133,756,701
Debt Service – State Funded	\$174,010,000	\$210,922,571	\$285,540,000	\$221,600,000
Total Related Obligations	\$3,139,523,702	\$3,646,591,243	\$3,503,650,478	\$3,456,943,428
Grand Total Education Spending	\$20,122,976,853	\$20,613,302,426	\$21,315,846,574	\$21,053,382,564

The Agency Funding summary presented in Table 1 displays where the DOE's resources come from. The first row shows that the Administration plans to hold its commitment of city tax levy funding essentially flat at \$7.26 billion in Fiscal 2009. The modest \$56 million growth from the City funding level for Fiscal 2008 is entirely attributable to the roll of Fiscal 2008 school budget funding into Fiscal 2009. In the Preliminary Budget for Fiscal 2009, the Administration scheduled a \$25.6 million City tax levy funding drop for the Department. By offering schools a chance to roll a portion of their Fiscal 2008 budget into the coming year, to offset some of the budget cuts, the Administration was able to craft a Fiscal 2009 budget with a slightly increased City fund commitment for Fiscal 2009.

The State's commitment to fund schools will grow next year by \$667.2 million over the current modified budget for Fiscal 2008. This growth is due primarily to an anticipated increase in

Foundation Aid, which will rise from \$5.53 billion in Fiscal 2008 to \$6.13 billion in Fiscal 2009. The Foundation Aid revenue estimate carried in the budget is nevertheless lower by \$200 million than the projection previously included in the DOE's budget. This City's former Fiscal 2009 Foundation Aid projection has been simply unrealistic and it did not match the State's commitment. Other adjustments to the State revenue budget introduced in the Executive Plan offset this correction and leave the City's total State revenue estimate for Fiscal 2009 down by \$166.2 million as compared to the Preliminary Budget.

Federal Aid to City schools is projected to drop by \$97.4 million next year as compared to the current modified budget for Fiscal 2008. Changes in the Executive Budget lower the DOE's federal revenue budget by \$137.1 million in Fiscal 2009 and by \$72.2 million in Fiscal 2008 compared to January Plan projections. This funding drop relates mostly to a revision of the Department's revenue estimates, which had been too high, rather than to a reduction of federal appropriations.

FISCAL 2009 EXECUTIVE BUDGET OVERVIEW

Executive Plan Initiatives

The Executive Budget for Fiscal 2009 set the Department's budget at \$17.6 billion and introduces budget cuts and adjustments that lower the Fiscal 2009 budget by \$274.7 million. New budget cuts, or Program to Eliminate the Gap initiatives ("PEG"), contained in the plan total \$104 million in Fiscal 2009. Spending increases in the plan total \$70.8 million and include \$36 million for Charter Schools, \$18.8 million for transportation of special education pre-Kindergarten students, and \$30 million for food. When combined with other spending and revenue estimate adjustments, the funding shifts in the Executive Plan lower the Department's Fiscal 2009 budget by \$274.7 million.

The following table lists all of the initiatives in the Executive Budget and shows how each affect the City and non-city funds portions of DOE's Fiscal 2008 and Fiscal 2009 Budget.

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EXECUTIVE BUDGET ACTIONS (\$000)

Description	Fiscal 2008			Fiscal 2009		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as per the Preliminary Plan	\$7,070,076	\$9,805,447	\$16,875,523	\$7,174,757	\$10,637,439	\$17,812,196
PEGs						
Central & Field Administration	\$0	\$0	\$0	(\$17,000)	\$0	(\$17,000)
721 & High Cost Revenue City/State Swap	\$0	\$0	\$0	(\$14,000)	\$14,000	\$0
Fringe Cut for Admin. PEG	\$0	\$0	\$0	(\$10,000)	\$0	(\$10,000)
Lower Accrual Reserves	\$0	\$0	\$0	(\$35,000)	\$0	(\$35,000)
Lead Teach PEG Restoration	\$0	\$0	\$0	\$10,000	\$0	\$10,000
Replacement for Lead Teacher PEG	\$0	\$0	\$0	(\$10,000)	\$0	(\$10,000)
Facility & Infrastructure Reduction	\$0	\$0	\$0	(\$18,000)	\$0	(\$18,000)
School OTPS Cut	\$0	\$0	\$0	(\$10,000)	\$0	(\$10,000)
Total PEGs	\$0	\$0	\$0	(\$104,000)	\$14,000	(\$90,000)
New Needs						
Healthy Meals Initiative	\$0	\$0	\$0	\$30,000	\$0	\$30,000
SE Pre-K Bus Contracts & State Aid	\$0	\$1,159	\$0	\$10,000	\$8,842	\$18,842
Charter Schools	\$0	\$0	\$0	\$36,000	\$0	\$36,000
Food Revenue Adjustment	\$0	\$0	\$0	\$0	\$15,845	\$15,845
Transportation Adjustment	\$0	(\$10,638)	(\$10,638)	\$0	(\$29,885)	(\$29,885)
Total New Needs	\$0	(\$9,479)	(\$10,638)	\$76,000	(\$5,198)	\$70,802
Other Adjustments						
School Budget Roll	(\$56,000)	\$0	(\$56,000)	\$56,000	\$0	\$56,000
Commission on Poverty Initiatives	\$0	\$0	\$0	\$2,573	\$0	\$2,573
Fringe Benefits	\$0	\$0	\$0	\$7,585	\$0	\$7,585
School Food	\$148	\$0	\$148	\$0	\$0	\$0
Lease Adjustments	\$0	\$0	\$0	\$10,806	\$0	\$10,806
Physical Fitness and Health Education	(\$1,818)	\$0	(\$1,818)	(\$1,818)	\$0	(\$1,818)
School Health Services	(\$352)	\$0	(\$352)	(\$352)	\$0	(\$352)
School Safety	\$18	\$0	\$18	\$10,018	\$0	\$10,018
School UA Funding	\$0	\$0	\$0	\$8,000	\$0	\$8,000
Related Services	\$8,000	\$0	\$8,000	\$0	\$0	\$0
Heat, Light and Power and Fuel	(\$7,095)	\$0	(\$7,095)	\$16,837	\$0	\$16,837
Foundation Aid Adjustment	\$0	(\$423)	(\$423)	\$0	(\$199,202)	(\$199,202)
State Formula Aid	\$0	(\$43)	(\$43)	\$0	\$21,046	\$21,046
State Excess Cost Aid	\$0	\$17,403	\$17,403	\$0	\$20,541	\$20,541
State 2% Cut	\$0	\$0	\$0	\$0	(\$961)	(\$961)
State Categorical Aid	\$0	\$11,715	\$11,715	\$0	\$0	\$0
Universal Pre-Kindergarten	\$0	(\$6,847)	(\$6,847)	\$0	(\$928)	(\$928)
School Food Revenue	\$0	\$7,219	\$7,219	\$0	\$0	\$0
Remove Federal Revenue for CB	\$0	(\$55,724)	(\$55,724)	\$0	(\$102,872)	(\$102,872)
Federal Revenue Adjustments	\$0	(\$24,012)	(\$24,012)	\$0	(\$32,683)	(\$32,683)
Loss of Medicaid Revenue	\$0		\$0	\$0	(\$17,000)	(\$17,000)
Intracity Aid Adjustments	\$0	\$3,038	\$3,038	\$0	\$2,888	\$2,888
Total Other Adjustments	(\$57,099)	(\$47,674)	(\$104,773)	\$53,649	(\$309,171)	(\$255,522)
Total Executive Plan Budget Changes	(\$57,099)	(\$57,153)	(\$115,411)	\$25,649	(\$300,369)	(\$274,720)
Agency Budget as per the Executive Plan	\$7,012,977	\$9,748,294	\$16,760,112	\$7,200,406	\$10,337,070	\$17,537,476

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The Executive Plan also makes changes to the DOE's Fiscal 2008 budget, which lowers it by \$115.4 million. Chief among these are a variety of federal revenue adjustments that amount to a \$79.5 million budget drop. The other significant budget adjustment is a \$56 million increase to the scheduled roll of \$40 million out of school budgets for the current year into Fiscal 2009. None of the funding shifts for Fiscal 2008, however, are counted as PEGs.

With one exception, the Executive Plan makes no changes to the initiatives proposed in the January Plan. As per the Chancellor's promise, the Administration removed a \$10 million PEG that would have essentially eliminated the Lead Teacher Program that now operates in under performing middle schools.

The budget cuts, or PEGs, introduced in the Executive Budget are itemized below. Very limited information regarding the DOE's plan for implementing these initiatives has been made available as of the writing of this report.

Programs to Eliminate the Gap in the Executive Budget

- **School OTPS Budget Cut** **(\$10 million)**

This initiative would lower the other than personal services ("OTPS") budget for schools. It is unknown how this cut would be distributed among schools and purchases of what types of good or services would be affected.

- **Central and Field Administration** **(\$17 million)**

This initiative involves a \$5 million reduction to the personal services ("PS") and OTPS budget for the School Support Organizations, and reduction to the Human Resources and Information Technology Offices in DOE's central administration. It also cuts one of the DOE's holding codes by \$3 million.

- **Fringe Benefits** **(\$10 million)**

This PEG cuts the DOE's fringe benefits budget, which totals \$2.225 billion in Fiscal 2009.

- **Replacements for Lead Teacher Program PEG** **(\$10 million)**

As Chancellor promised at the Committee on Education's hearing on the DOE's Preliminary Budget, the cut to the Lead Teacher Program has been reversed. In its place, the Department proposed to reduce the special education pre-Kindergarten tuition budget by \$6 million and the in-State contract school budget by \$4 million. No information has been made available regarding how the DOE will achieve these cuts.

- **Reduced Accrual Reserves** **(\$35 million)**

Approximately three percent of the Department's total budget may be counted as accrual reserves consisting of funding held to satisfy outstanding liabilities. Recognizing that the accrual reserve estimates may be higher than needed, this initiative cuts the reserves held in the budgets for special education pre-Kindergarten and in-State contract school tuition.

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- **Facilities and Infrastructure Reduction** **(\$18 million)**

This cut lowers allocations for DOE and private custodians who maintain public schools.

- **City/State Revenue Swap** **(\$14 million)**

The Executive Plan recognizes an increase in State revenue for special education services.

Preliminary Budget Changes

The Preliminary Budget introduced initiatives that would decrease the DOE's budget by \$133.1 million in Fiscal 2008 and by \$234.1 million in Fiscal 2009. These funding drops derive mostly from a large PEG plan that includes \$180.1 million in cuts in Fiscal 2008 and \$324.3 million in cuts for Fiscal 2009. Offsets to these cuts involve a variety of revised spending estimates such as those for energy, employee fringe benefits, and savings associated with the 55/25 Program that alters employee retirement guidelines. The Preliminary Budget did not include proposals for any new or expanded programmatic initiatives, nor did it include revisions to the State revenue portion of the Department's budget.

The cumulative impact of the Preliminary and Executive Budget initiatives on the Department's budget for Fiscal 2009 is a reduction of \$508.8 million.

HEADCOUNT OVERVIEW

The Department's expects to have 122,260 full-time employees and 16,970 full-time equivalent employees next year for a total of 139,590 positions. Of these employees 114,103 are pedagogical, while approximately 79,500 are teachers. An even smaller subset of these employees is classroom teachers. Unfortunately, the Department's budget does not show how many teachers are primarily involved in teaching. Given the overall ratio of students to teachers⁴, approximately 13 to one, and the much larger average class size at every grade level, one may assume that a significant portion of the DOE's teachers are not whole class instructors.

The Department's personal services budget is so out of line with the Department's internal budgeting system that it is unreliable. Simply to illustrate how far afield of reality the DOE's headcount budget is two examples are included here. The Chancellor's Office, according to the Supporting Schedules of the Fiscal 2009 Executive Plan will have a staff of eight next year, but a budget of \$1,117. Unless the Chancellor's entire staff is volunteering, the budget must be inaccurate. Another high profile office within the Department, the Division of Assessment and Accountability, will pay its 18 staffers an average salary of \$432,756 next year if its \$7.79 million budget is accurate. Given the lack of reliable information in the DOE's budget regarding headcount, an analysis of the staffing levels within its schools and offices as a whole is impossible.

It should be noted, however, that the Department does provide on its website each school's budget that includes staffing data. School budgets show, for example, the number of teachers

⁴ See: "Class Size Report." New York City Department of Education, February 15, 2008.

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assigned to each grade, the number of cluster teachers, and the number of paraprofessionals. On a school by school basis headcount information is available. It remains impossible, however, when viewing the Department's budget or other publicly available information to tally up each type of employee in order to understand Department-wide or even school-wide headcount information.

UNITS OF APPROPRIATIONS

What follows is a description of the DOE's budget by functional or programmatic area as far as can be defined by the Department's unit of appropriation structure. The Department's U/As have been grouped into the following categories: School Budgets; City-wide Special Education; Categorical Aid; Administrative Spending; Funding for Private and Charter Schools; Fringe Benefits and Collective Bargaining; and School Support Services. Initiatives included in the Executive Budget are discussed as are significant actions proposed in the Preliminary Budget. The next table presents the DOE's expense budget by spending category.

Budget Category	Fiscal 2008 Adopted Budget	Fiscal 2008 Modified as of 4/25/2008	Fiscal 2009 Preliminary Budget	Fiscal 2009 Executive Budget
School Budgets	\$7,325,531,729	\$7,283,335,389	\$7,756,484,359	\$7,633,025,246
City-Wide Special Education	\$1,027,485,637	\$1,025,028,754	\$1,092,313,669	\$1,072,299,559
Categorical Aid	\$2,052,726,122	\$2,024,123,753	\$1,946,797,964	\$1,915,583,065
Private and Charter Schools	\$1,278,431,259	\$1,281,702,259	\$1,406,342,531	\$1,387,940,133
Administration	\$623,812,067	\$631,023,765	\$604,119,461	\$578,781,133
School Support Services	\$2,525,850,903	\$2,541,630,824	\$2,642,183,112	\$2,655,118,884
Fringe Benefits & Collective Bargaining	\$2,149,615,434	\$2,179,866,439	\$2,363,955,000	\$2,353,691,116
Total Operating Budget	\$16,983,453,151	\$16,966,711,183	\$17,812,196,096	\$17,596,439,136

School Budgets

The Department's budget contains the four units of appropriation presented in the table below that relate to school budgets. Money allocated to principals by the Department to fund their schools (other than the city-wide special education schools) comes from these units of appropriation.

U/A	U/A Name	Fiscal 2008 Adopted Budget	Fiscal 2008 Current Mod. as of 4/25/2008	Fiscal 2009 Preliminary Budget	Fiscal 2009 Executive Budget
401	GE Instruction & School Leadership-PS	\$5,613,337,482	\$5,544,422,700	\$5,772,473,511	\$5,521,266,257
402	GE Instruction & School Leadership-OTPS	\$600,569,216	\$631,450,565	\$627,823,814	\$720,226,010
403	SE Instruction & School Leadership-PS	\$1,106,785,683	\$1,102,622,776	\$1,351,044,040	\$1,385,389,985
404	SE Instruction & School Leadership-OTPS	\$4,839,348	\$4,839,348	\$5,142,994	\$6,142,994
	Total	\$7,325,531,729	\$7,283,335,389	\$7,756,484,359	\$7,633,025,246

According to the City's budget, funding in U/A 401 and 402 pays for school staff 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/A 403 and 404 pays for special education instruction and related services provided to students in DOE schools.

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The Department plan to spend \$7.63 billion to fund New York City public schools next year, or about \$350 million more than it plans to spend this year. This is a 4.8 percent increase. The increase from the Adopted Budget for Fiscal 2008 is \$307 million, or 4.2 percent. However, looking at the year to year increase in school funding without considering the history of school budgets in New York City can be misleading.

Fiscal 2008 is the first budget year affected by the Campaign for Fiscal Equity lawsuit that successfully showed that City schools did not have enough resources to provide all students with a sound basic education. Just 11 months ago, following adoption by the State of a four-year plan to boost aid to New York City schools that included growing State and City spending, the Administration set the Department's schools budget at \$8.09 billion for Fiscal 2009,⁵ and at \$7.33 billion for this year. As of last June, schools across the City, parents, and the entire education community expected City schools to experience a \$760 million budget increase in Fiscal 2009. This increase would bring students a bit closer to the sound, basic education to which they are entitled.

The year over year growth in school budgets should be measured against the promises made by the State and the City to finally provide schools with the minimum amount of money to fulfill their obligations. The cuts and funding shifts in the Preliminary and Executive Plans that leave schools with \$350 million more than last year, can actually be viewed collectively as a \$453 million cut to schools budget when the promises made last June are considered.

Furthermore, the year-to-year growth in these U/As must be measured against routine cost increases. Collectively bargained salary increases, rising commodities costs, and contractually required price rises combine to require significant growth in school budgets just to maintain current service levels.

Executive Plan Adjustments to the School Budgets

The Executive Budget introduced a PEG to lower schools' OTPS funding by \$10 million. This is the only cut of the \$104 million PEGs that touches school budgets. However, the Executive Budget includes many other initiatives that collectively lower the school U/As by \$123.5 million in Fiscal 2009. Revenue shifts and re-estimates of State and federal aid lower the amount of funding scheduled in these U/As by \$165.7 million.

The reductions scheduled in the Plan are partially offset by a \$56 million increase in the roll of school funding from Fiscal 2008 into Fiscal 2009. All together, 875 schools have chosen to roll funding that collectively adds to \$96 million. The DOE encouraged principals to roll funding into next year in order to mitigate the impact of the budget cuts to their schools in Fiscal 2009, and has ensured principals that any funding rolled will not be subject to further cuts.

The Executive Plan actions couple with the previously proposed Preliminary Plan actions to render a \$382.2 million reduction in the school U/As in Fiscal 2009. The Preliminary Plan produced an overall drop for Fiscal 2009 totaling \$258.8 million that is comprised mostly of

⁵ Department of Education FY 2008 Adoption Monitors Briefing Package," Office of Management and Budget, June 15, 2007, p. 5.

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PEGs. Twelve of the 18 Preliminary Budget PEGs impact school budgets. These include the direct school PEGs and cuts to English Language Learner funding, summer school, technology support costs, and school food efficiencies.

Other changes in the Preliminary Budget in this area include a \$22.7 million transfer out of the school budget U/As into DOE's collective bargaining reserve. A \$42.5 million reduction was also schedule in recognition of anticipated savings from the 55/25 retirement program.

City-wide Special Education Spending

U/A#	U/A Name	Fiscal 2008 Adopted Budget	Fiscal 2008 Modified as of 4/25/2008	Fiscal 2009 Preliminary Budget	Fiscal 2009 Executive Budget
421	CW SE Instruction & School Leadership-PS	\$654,603,671	\$652,634,622	\$699,075,914	\$685,655,620
422	CW SE Instruction & School Leadership-OTPS	\$24,615,090	\$24,615,090	\$23,415,090	\$23,415,090
423	SE Instructional Support-PS	\$222,818,670	\$222,330,836	\$211,572,071	\$209,978,255
424	SE Instructional Support-OTPS	\$125,448,206	\$125,448,206	\$158,250,594	\$153,250,594
	Total	\$1,027,485,637	\$1,025,028,754	\$1,092,313,669	\$1,072,299,559

The Department's budget contains four units of appropriation used to fund instruction of severely handicapped children in citywide schools, their homes, and hospitals. Funding is also used for instructional support and related services. Centrally managed special education related services such as speech therapy and nurses are also funded.

Year-over-year, projected spending in all of these areas is increasing. The impact of the Preliminary and Executive budget actions on city wide special education programs is unclear, and back-up data regarding student enrollment, cost increases, staffing patterns, or programmatic initiatives has not been made available.

Categorical Aid

U/A#	U/A Name	Fiscal 2008 Adopted Budget	Fiscal 2008 Modified as of 4/25/2008	Fiscal 2009 Preliminary Budget	Fiscal 2009 Executive Budget
481	Categorical Programs-PS	\$1,373,574,766	\$1,343,250,140	\$1,324,991,898	\$1,279,509,055
482	Categorical Programs-OTPS	\$679,151,356	\$680,873,613	\$621,806,066	\$636,074,010
	Total	\$2,052,726,122	\$2,024,123,753	\$1,946,797,964	\$1,915,583,065

U/As 481 and 482 schedule state and federal appropriations to the Department that must be used to fund a particular program or purpose. Revenue that the DOE must pass-through to private agencies and schools is also included here.

This funding is allocated by the Department to schools, central offices, and other areas with in the DOE. Some categorical aids are budgeted in other U/As in the DOE's budget. The City's budget documents provide limited details on the purpose of these funds or how they are used by the Department.

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Administrative Spending

U/A	U/A Name	Fiscal 2008 Adopted Budget	Fiscal 2008 Current Mod. as of 4/25/2008	Fiscal 2009 Preliminary Budget	Fiscal 2009 Executive Budget
415	School Support Organization – PS	\$209,026,528	\$208,666,233	\$204,215,109	\$196,735,676
416	School Support Organization – OTPS	\$10,447,072	\$17,969,424	\$21,574,072	\$21,096,424
453	Central Administration-PS	\$165,384,684	\$165,874,677	\$165,327,832	\$161,961,937
454	Central Administration-OTPS	\$238,953,783	\$238,513,431	\$213,002,448	\$198,987,096
	Total	\$623,812,067	\$631,023,765	\$604,119,461	\$578,781,133

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

Spending on administration, both central and local, is projected to fall next year, although the local offices' OTPS spending will more than double.

The Executive Budget included a new PEG targeted at administrative spending intended to reduce the budget by \$17 million in Fiscal 2009. Local offices will bear \$5 million of this cut and a loss of 78 positions. The central office will lose 43 positions and \$12 million. None of these position cuts or budget reductions targets the DOE's press office as suggested by the City Council in its response to the Preliminary Budget for Fiscal 2009.

The Department will achieve the PEG savings posted in the Executive and Preliminary plans by eliminating vacancies and through a hiring reduction. The Preliminary Plan included \$10.6 million PEG called "Hiring freeze and Other Administration" worth \$10.6 million in Fiscal 2009, with \$6.6 million of this cut targeted central administration, and the remainder targeted schools and fringe benefits. A second PEG labeled "Hiring Freeze and Vacancy Reduction Program" cut the local administrative offices by \$6.2 million. Unlike most City agencies, the DOE was not subject to the hiring freeze imposed by the Mayor in late 2007. DOE began a hiring slow down on April 1, 2008 whereby the Department may fill one of every two vacancies.

Funding for Private and Charter Schools

U/A	U/A Name	Fiscal 2008 Adopted Budget	Fiscal 2008 Current Mod. as of 4/25/2008	Fiscal 2009 Preliminary Budget	Fiscal 2009 Executive Budget
470	SE Pre-K Contract Payments-OTPS	\$621,490,510	\$621,490,510	\$666,565,458	\$653,496,458
472	Charter/Contract/Foster Care-OTPS	\$595,344,664	\$595,344,664	\$679,103,977	\$673,770,579
474	NPS & FIT Programs-OTPS	\$61,596,085	\$64,867,085	\$60,673,096	\$60,673,096
	Total	\$1,278,431,259	\$1,281,702,259	\$1,406,342,531	\$1,387,940,133

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

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New York City. Transportation costs for students are also included. Funding in U/A 474 is transferred to non-public schools to purchase educational supplies such as library books, textbooks, and data processing equipment. Additionally, support for the Fashion Institute of Technology (FIT), a State University of New York school, is included here.

The Executive Budget includes two PEGs that lower funding budgeted for special education pre-Kindergarten tuition and in-State contract school tuition. One is a \$35 million cut to the accrual reserves held in these areas. The others cut the tuition budget for special education pre-Kindergarten by \$6 million and for in-State contract schools by \$4 million. The Plan also boosts the student transportation portion of the special education pre-Kindergarten U/A by \$107.2 million and the tuition portion by \$2.7 million.

The Executive Budget also added \$36 million to cover increased payments due to charter schools. Charter school spending will increase next year because 20 new charter schools are expected to open, and the student enrollment projections have been adjusted upward.

The Executive Budget shows only new adjustments to the budget and provides a year to year comparison. It does not provide any details related to the underlying factors that are responsible for the projected spending increase in these areas.

Fringe Benefits and Collective Bargaining

U/A	U/A Name	Fiscal 2008 Adopted Budget	Fiscal 2008 Current Mod. as of 4/25/2008	Fiscal 2009 Preliminary Budget	Fiscal 2009 Executive Budget
461	Fringe Benefits	\$2,129,637,620	\$2,159,888,625	\$2,288,147,052	\$2,283,440,558
491	Collective Bargaining	\$19,977,814	\$19,977,814	\$75,807,948	\$70,250,558
	Total	\$2,149,615,434	\$2,179,866,439	\$2,363,955,000	\$2,353,691,116

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.

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

U/A	U/A Name	Fiscal 2008 Adopted Budget	Fiscal 2008 Current Mod. as of 4/25/2008	Fiscal 2009 Preliminary Budget	Fiscal 2009 Executive Budget
438	Pupil Transportation-OTPS	\$1,033,910,552	\$1,033,910,552	\$1,121,326,456	\$1,068,988,318
442	School Safety-OTPS	\$193,320,694	\$192,751,698	\$204,068,865	\$214,085,822
435	School Facilities-PS	\$392,545,970	\$396,170,796	\$394,900,934	\$388,077,142
436	School Facilities-OTPS	\$155,813,522	\$152,176,696	\$148,676,696	\$137,628,092
439	School Food Services-PS	\$188,484,911	\$188,484,911	\$188,490,225	\$188,167,084
440	School Food Services-OTPS	\$175,628,346	\$191,989,263	\$175,628,346	\$221,473,353
444	Energy & Leases-OTPS	\$386,146,908	\$386,146,908	\$409,091,590	\$436,699,073
	Total	\$2,525,850,903	\$2,541,630,824	\$2,642,183,112	\$2,655,118,884

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/As 435 and 436 supports the custodial and maintenance operations at the DOE's more than 1,300 buildings. Funding in U/As 439 and 440 pays for the staff and supplies necessary to provide breakfasts, lunches and other meals to school children, most of whom are eligible for free or reduced priced meals. Light and power services, fuel for heating and vehicles, and all City-funded DOE leases consisting of space for the community school districts, high schools, special education and central administration are paid for with funds from U/A 444.

The Executive Plan includes several initiatives that boost funding dedicated to school support services. It adds \$10 million to the school safety budget to align the budget with actual costs. This action however is curious because it is not paired with an intra-city transfer to the Police Department that provides security services to DOE schools. The Plan added \$30 million to cover rising food prices in Fiscal 2009. The budget for heat, light and power was also increased by \$17.1 million. The Plan also added \$10.8 million to cover increased lease costs.

The only school support service targeted for a budget cut in this Plan is custodial operations that is subject to an \$18 million PEG.