



Department of
Education

Joel I. Klein
Chancellor

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New York, NY 10007

Testimony of Deputy Chancellor Kathleen Grimm
Finance and Administration

City Council Committees on Education and Finance
November Financial Plan

November 21, 2008

Good afternoon, Chairman Jackson, Chairman Weprin, and members of the Education and Finance Committees. My name is Kathleen Grimm and I am the Deputy Chancellor for Finance and Administration at the New York City Department of Education. I am joined by my colleague George Raab, our Chief Financial Officer, and Susan Olds, the Executive Director of the Division of Budget and Operations Review. Thank you for the opportunity to be here today to discuss the November Financial Plan.

We have a Power Point presentation to walk through with you today that details the department's FY09 budget reductions. But before we turn to the Power Point, I would like to spend a few moments discussing the context of our budget and the necessary reductions.

First of all, we all know that this is a hard time for our economy and that it is necessary for the DOE and all City agencies to reduce our spending. This is a time of hard choices—choices nobody wants to make, especially when it comes to schools and the services that support student learning. As we make these choices, the Mayor instructed us to do everything we can to protect our core services.

Our priority is putting children first, helping them to learn and make academic progress. These are tough times, but as the Chancellor has told DOE staff, our goal does not change in tough times. It guides us. Our aim now, and throughout this process, has been preserving the fundamentals in our schools and helping students continue to make progress. At the same time, it is important to understand that all cuts to the education budget affect schools in some way. After all, the Central DOE offices are responsible for things like payroll, keeping the lights on, busing students to school, feeding students lunch, and administering required State tests. Cutting back in these areas is better, of course, than making direct cuts to schools and classrooms, but it is not a “pain free” reduction.

At the Chancellor's request, we have undertaken a detailed look at every dollar in our \$21 billion budget.

For FY09, we've decided to cut our Central and Field budgets by 6% and our school budgets by 1%. The Central and Field reduction

includes an 8% cut to staff, or 475 positions. There will be NO LAYOFFS at schools this year.

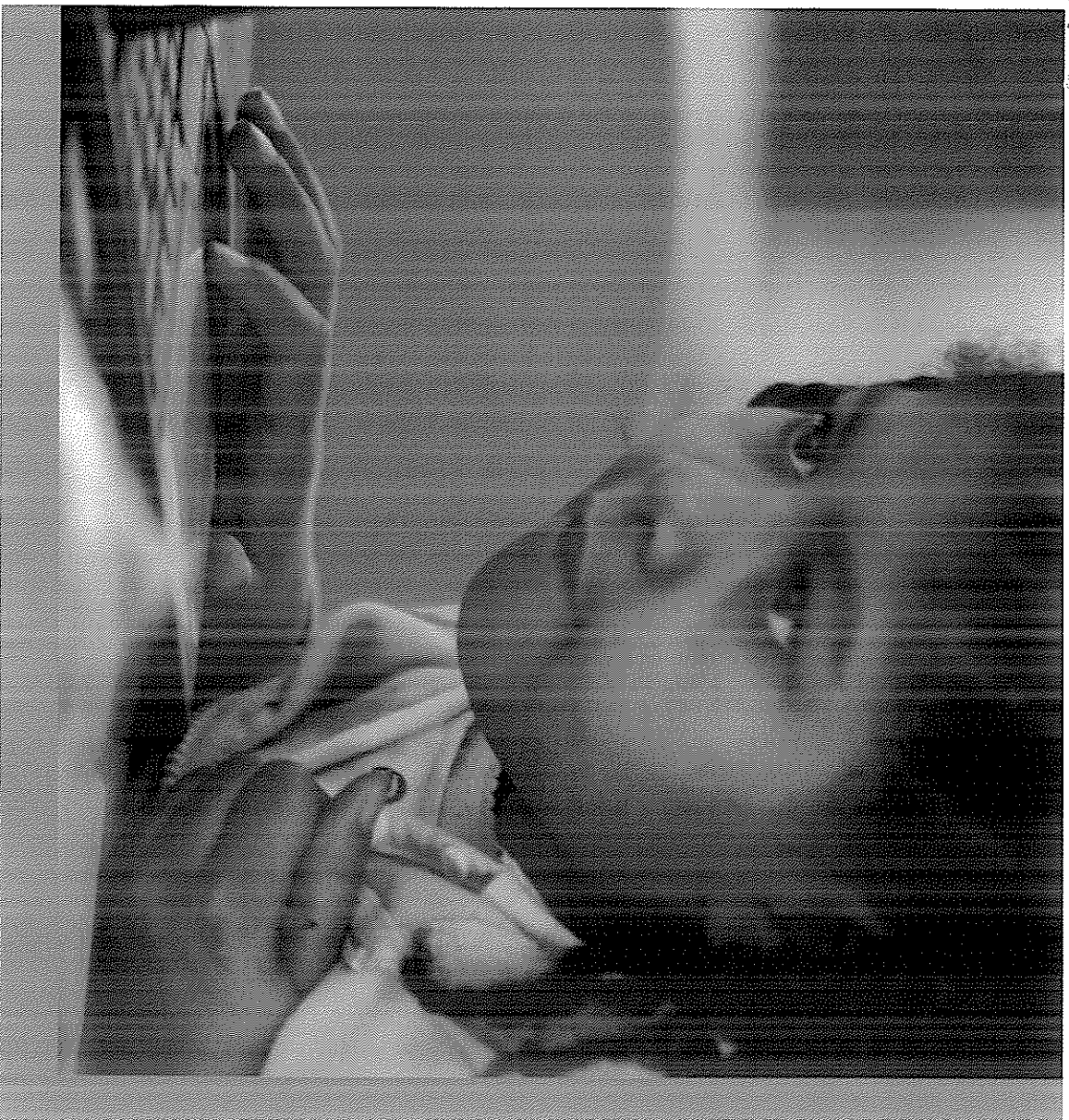
This deep reduction to our central and field budgets continues a trend that has lasted over the last three PEGS. We've worked hard to cut back in our own backyard before we touched schools or classrooms.

Think about it this way: Over the last three PEGs, our Central and Field offices have taken a disproportionately large cut compared to our schools. The Central and Field budgets represent 8% of the dollars we have that we can touch in this cost-cutting effort, while schools have 66% available funds. If we were allocating the reductions proportionately, Central and the Field would have taken 8% of the cut and the schools would have taken 66% of the cut. In practice, though, Central and the Field took double that amount, or 16%, and the schools took half that, or 36%.

In this round of reductions, we are working hard to continue maximizing student achievement; minimize cuts to schools; and maintain stability at schools, by avoiding layoffs this year and giving schools the information and support they need to plan for next year.

I will now walk you through more of the details with my Power Point presentation.

DEPARTMENT OF EDUCATION FY 09 Budget Reductions



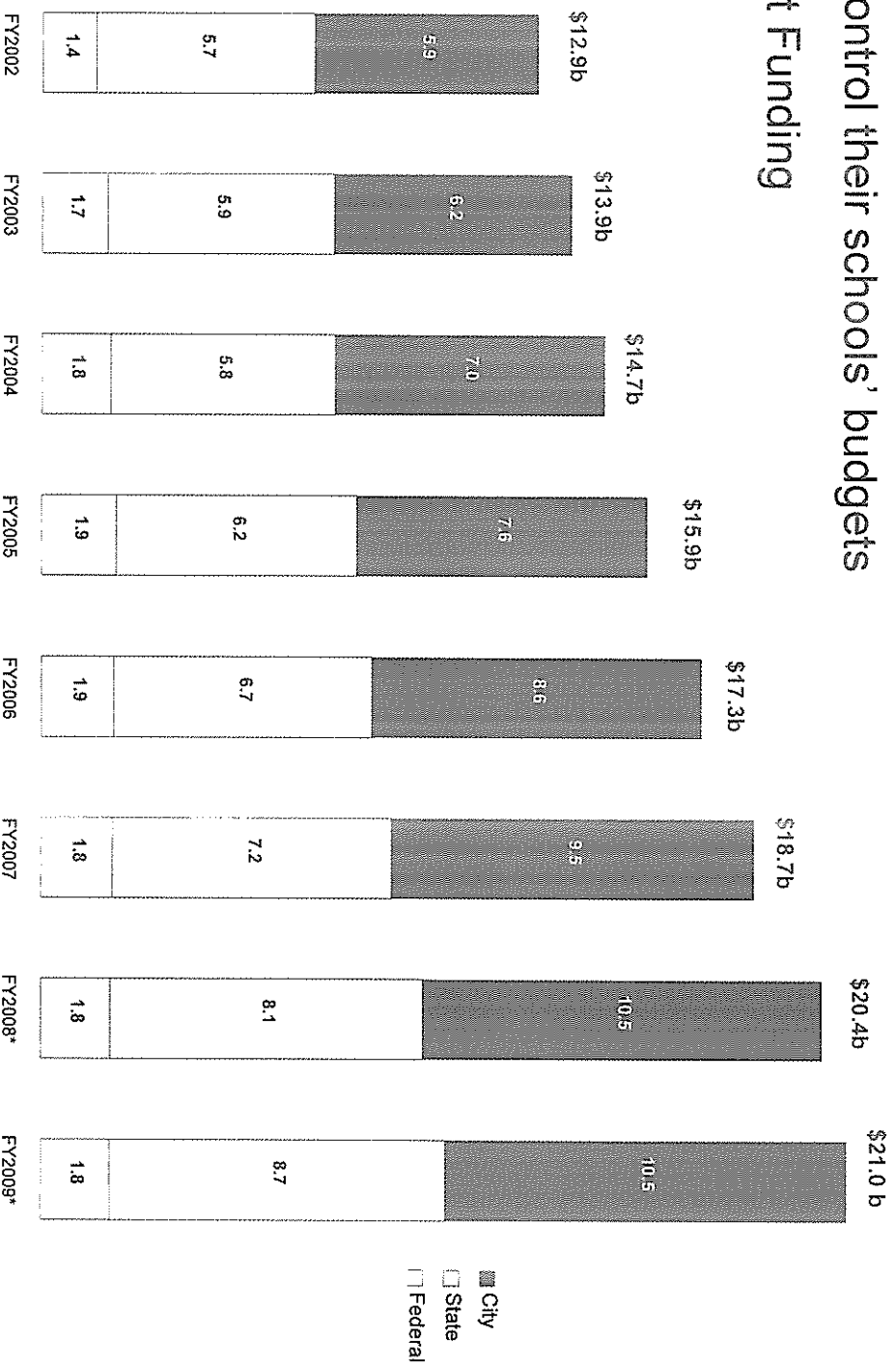
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The financial foundation for our schools is much stronger today than it was when Mayor Bloomberg took control

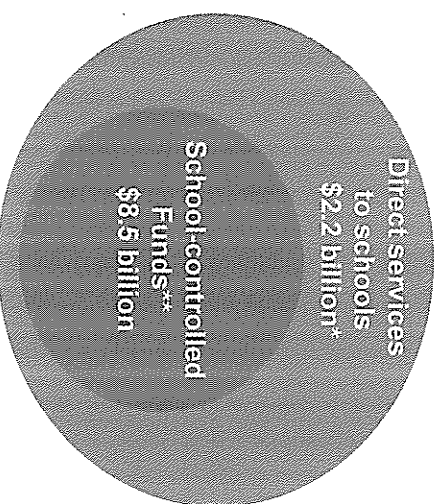
- More than \$8 billion increase in funding
- Principals control their schools' budgets
- Fair Student Funding



Most new money has been directed to schools

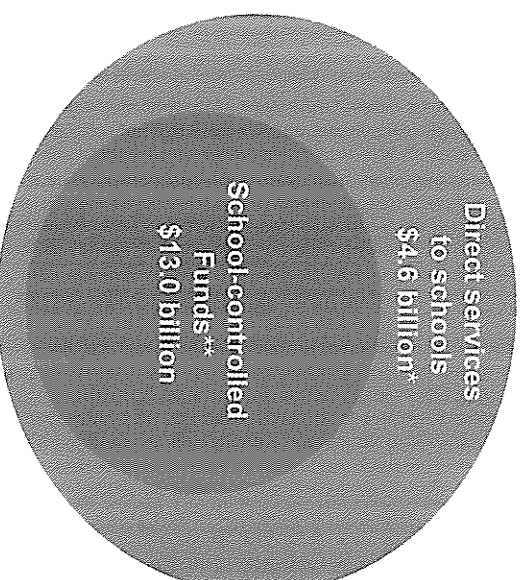
- Principals' spending power climbed with a \$4.5 billion increase in school-controlled funds
- Direct services to schools (e.g., food, transportation) are up more than \$2.4 billion
- *The DOE has redirected more than \$350 million from the bureaucracy to schools and classrooms*

School Budgets: 2002
\$10.7 billion



+ 64%
→

School Budgets: Today
\$17.6 billion



* Direct services to schools includes support services (transportation, food, facilities), restricted/non-restricted school programs and school admin (SSO, ISC)

**School-controlled funds include teacher salaries, materials, programs for students, school support staff, pension, fringe

Economic conditions require the City to reduce spending (across all agencies)

In order to close the growing and substantial deficits in the City's budget this fall, the Mayor required all City agencies to reduce their spending for FY09 and FY10 by 2.5% and 5.0%, respectively.

For the DOE, these percentage cuts translate into budget reductions of:

- **\$180 million for FY09***
- **\$385 million for FY10***

DOE'S PRIORITIES DURING THESE HARD TIMES

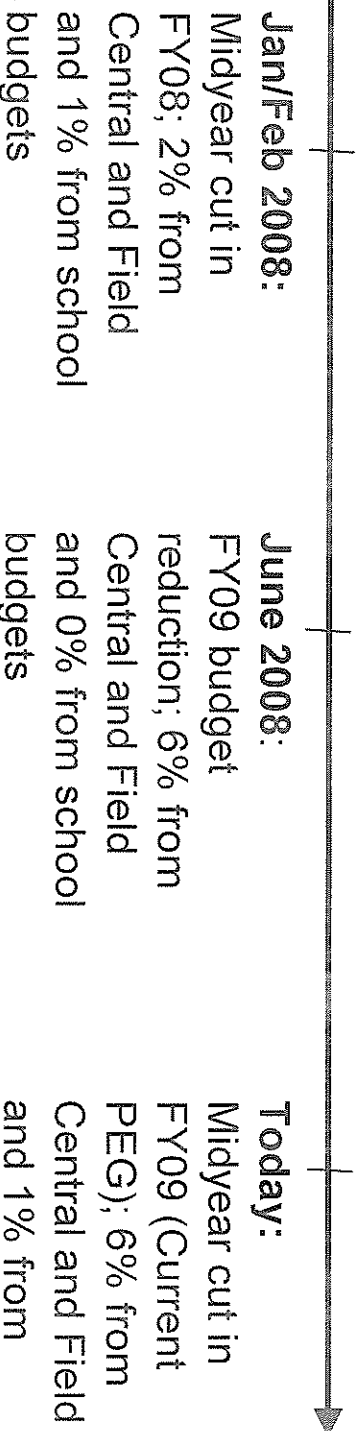
Cutting back is difficult. During this process, the DOE is prioritizing the following three things:

MAXIMIZING STUDENT ACHIEVEMENT. The DOE has prioritized programs and functions that have the highest impact on promoting student achievement.

MINIMIZING CUTS TO SCHOOLS. The DOE is cutting as much as possible from central and field budgets to keep as much money as possible in schools, where it can make the biggest difference for students.

NO SCHOOL LAYOFFS IN '08 AND '09. To preserve stability at schools, the DOE did not lay off school staff in FY08 and will not lay off school staff in FY09 as part of its cost-cutting effort.

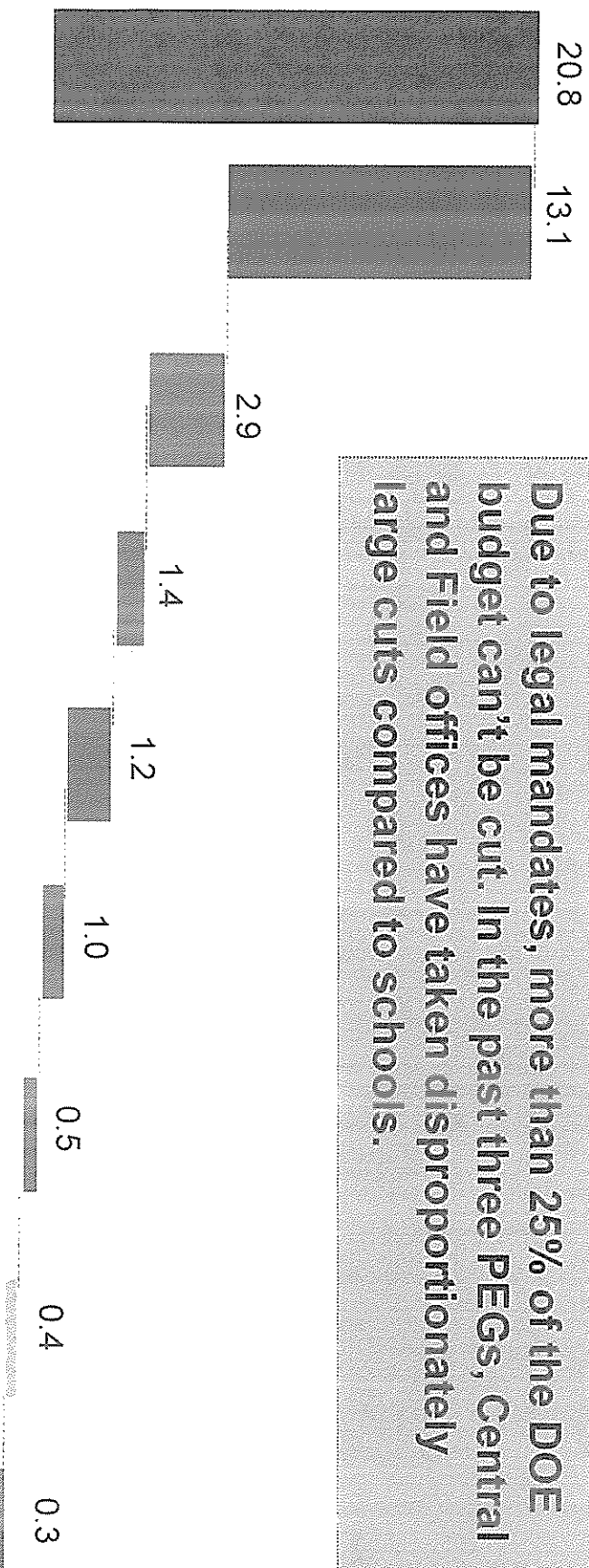
DOE will continue to minimize reductions to school budgets by cutting central and field budgets



	FY08 MIDYEAR CUT	FY09 JUNE BUDGET REDUCTION	ADDITIONAL FY09 MIDYEAR REDUCTION
Central and Field	\$14,719	\$36,560	\$40,353
Indirect Impact to Schools	\$9,500	\$49,908	\$26,885
Schools	\$98,954	\$0	\$103,644
D75 Schools	\$0	\$0	\$1,869
Other (Mainly revenue adjustments and fringe)	\$56,973	\$88,130	\$7,510
Purchasing Efficiencies	\$0	\$25,746	
TOTAL	\$180,146	\$200,344	\$180,261

Estimated Breakdown of DOE's Budget – FY09 Post PEG

Due to legal mandates, more than 25% of the DOE budget can't be cut. In the past three PEGs, Central and Field offices have taken disproportionately large cuts compared to schools.



DOE Budget	School Budgets	School Support Services	"Pass-Throughs"	Debt Service	Restricted School Programs	School Programs	Central Admin	Field Admin
	<ul style="list-style-type: none"> Teacher Salaries School staff School Supplies & Materials 	<ul style="list-style-type: none"> Food Facilities Transport Safety 	<ul style="list-style-type: none"> Contract Schools Special Ed / Pre-K 	<ul style="list-style-type: none"> Interest on bonds for capital projects 	<ul style="list-style-type: none"> Multiple Pathways Learning to Work Core Curriculum Supplemental Education Services (NCLB) 	<ul style="list-style-type: none"> Nursing PSAL 	<ul style="list-style-type: none"> Tweed (Payroll, HR, Legal Services, etc) 	<ul style="list-style-type: none"> ISC SSO CSE



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Fringe & Pension included in all categories except debt service

Summary - FY09 & Preliminary FY10 Budget Cuts

Note that these cuts do not include the proposed State reductions.

Buckets		FY09		FY10	
		Cut	% Bucket	Preliminary – under consideration Cut	% Bucket
1	Central and Field	\$ 40,353,058	6.55%	\$ 53,005,110	8.65%
2	Indirect Impact to Schools	26,885,427	1.18%	46,479,327	1.91%
3	Direct Impact to Schools	103,644,164	1.32%	269,861,667	3.45%
4	D75 (tax levy only)	1,869,159	0.26%	3,738,318	0.53%
5	Other: Fringe	7,510,846		12,268,156	
		\$ 180,262,654		\$ 385,352,578	

Bucket 1: Central (such as Legal, Teaching & Learning, Human Resources, Accountability, and Finance) and Field (including Integrated Service Centers & School Support Organizations)

Bucket 2: Facilities, transportation, food, indirect school support (such as Public School Athletic League)

Bucket 3: School budgets

Bucket 4: District 75 school budgets (excludes D75 administrative budget)

Bucket 5: Fringe for FY09 and FY10

• Bucket 1 includes \$22mm budget for ELA/Math scoring

• FY10 figures are not adjusted for FY09 reductions
• FY10 school funding is assumed at FY09 levels

Bucket 1: \$40 million* for a 6% cut to Central and Field

*** Includes reduction of 338 positions for 8% of Central and Field positions through a further rationalization of these operations.**

- Revise scoring of state assessments in Math and ELA, grades 3-8
- Reduce and/or combine publications in OSEPO
- Reduce meeting/conference expenses
- Cancel mid-year Teaching Fellows program, reduce size of next Teaching Fellows cohort
- Eliminate citywide science assessments
- Defer other than personnel spending (OTPS) for the Office of School & Youth Development
- Hold Achievement Reporting and Innovation System (ARIS) training in DOE facilities only
- Reduce training in Division of Instructional and Informational Technology (DIIT)
- Reduce consulting expenses for ECLAS2 early childhood assessment program
- Reduce high school enrollment tool costs

Central and Field operating budgets include costs for payroll, computer network operations, teacher recruiting, principal training, human resources, data management, state assessment administration and scoring, periodic assessments, progress reports, Integrated Service Centers, and School Support Organizations.



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***Fringe savings not included here.**

Bucket 2: \$27 million cuts with an indirect impact on schools

- Reduce facilities work – will monitor cleanliness and make necessary repairs
 - Reduction in custodial services
 - Reduction in maintenance and repair contracts and related materials
 - Elimination of 137 positions in the trades workforce and management
- Delay initial trial of GPS implementation (transportation)
- Eliminate school bonuses for As and Well Developed on the Progress Reports
- Reduce family worker positions (not required) for pre-Kindergarten and revise support and technical assistance for PK in public schools
- Mandate that schools with Absence Teacher Reserves (ATRs) use them as substitutes rather than hiring external per diem substitute teachers
- For FY10, estimating cutting less than half of a percentage point from the transportation budget

***Fringe savings not included here**

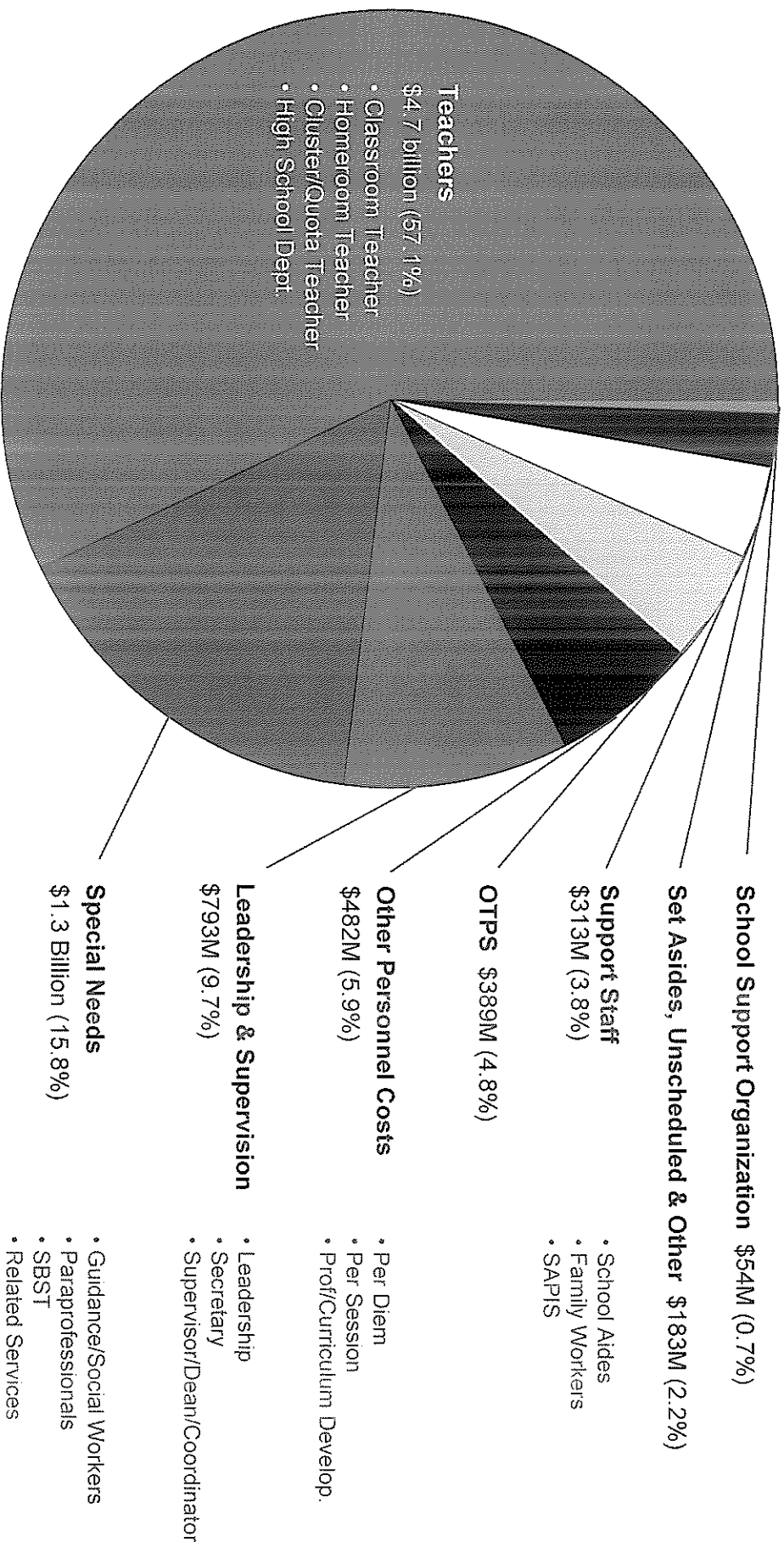
Bucket 3: Reduce school funds by \$104 million for a 1.3% reduction in FY09

- DOE notified schools of reduction targets on November 10
- Schools have until today (Nov 21) to work with their ISCs and SSOs to identify specific targets for reduction
- DOE provided guidelines on reductions to schools
- An estimated cut for FY10 was provided to help schools plan for the future
- Chancellor's top aides met with principals to seek input on budget reductions
- No school layoffs

Bucket includes all funds in schools budgets plus funds for school telephones, copiers, and suspension centers where utilization is controlled by principals but the funds reside outside of school budgets.

Bucket 3: How Schools Budget

Includes Total Budget for Fiscal Year 2009 (excludes D75 and pension)



Total = \$8.2 billion

Data: Galaxy Data as of October 14, 2008

Bucket 4: District 75

District 75 schools were exempt from the last two rounds of cuts. This year, D75 schools will absorb a cut of less than \$2 million cut. This is a reduction of 0.26% to D75 schools' FY09 tax levy funding.

- Tax Levy funds: \$727 million
- Reimbursable funds: \$104 million

Bucket 5: Fringe

- FY09 cut: \$7.5 million
- FY10 cut: \$12.3 million



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D75 figures represent total allocation as of November 2008

Reductions by Unit of Appropriation

The chart below shows the cuts by Unit of Appropriation.

U of A	FY09		FY10	
	PEG	HC	PEG	HC
401	\$ (16,179,075)	(43)	\$ (29,991,302)	(43)
402	\$ (109,786,194)	-	\$ (268,589,597)	-
415	\$ (2,247,395)	(54)	\$ (4,248,611)	(54)
416	\$ (1,048,190)	-	\$ (892,293)	-
421	\$ (1,869,159)	-	\$ (3,738,318)	-
435	\$ (7,819,277)	(95)	\$ (15,708,683)	(95)
436	\$ (6,000,000)	-	\$ (6,000,000)	-
438	\$ (1,700,000)	-	\$ (6,700,000)	-
439	\$ (205,046)	-	\$ (495,603)	-
440	\$ (158,100)	-	\$ (173,910)	-
453	\$ (11,063,890)	(284)	\$ (14,566,641)	(283)
454	\$ (14,675,484)	-	\$ (21,979,465)	-
461	\$ (7,510,846)	-	\$ (12,268,156)	-
474	\$ (250,000)	-	\$ -	-
Grand Total	\$ (180,512,656)	(476)	\$ (385,352,579)	(475)

Source: OMB FY10 November Financial Plan for DOE

Note: A lot of the funds within the school Units of Appropriation are managed outside of school budgets. For example, Prek monitoring, ELA/Math scoring funds, and funds for the core curriculum fall within the 401-402 Units of Appropriation but the funds do not fall within school budgets.



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THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☐ in favor ☐ in opposition

Date: _____

Name: Kathleen Grimm (PLEASE PRINT) (X)

Address: DOE

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THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☐ in favor ☐ in opposition

Date: _____

Name: George Raab (PLEASE PRINT)

Address: _____

I represent: DOE

Address: _____

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Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☐ in favor ☐ in opposition

Date: _____

Name: Susan Olds (PLEASE PRINT)

Address: _____

I represent: DOE

Address: _____

◆ Please complete this card and return to the Sergeant-at-Arms ◆