



New York City Council

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Hearing on the Mayor's Fiscal Year 2012 Executive Budget

Department of Education

June 1, 2011

The Committee on Finance

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The Committee on Education

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Overview

The Department of Education provides primary and secondary education to over 1 million pre-kindergarten to grade 12 students in 32 school districts and roughly 1,500 schools, and employs approximately 75,000 teachers. The DOE prepares students to meet grade level standards in reading, writing and math, and prepares high school students to pass Regents exams and to meet graduation requirements. The Department also operates the school food service program, maintains public school buildings and offices, and provides transportation services to students. Additionally, the DOE provides special education instructional services and related therapies to students enrolled in both public and private school settings. Finally, the Department distributes categorical supports to non-public schools and service providers.

In addition to providing standard K-12 education, the Department also provides adult literacy education through its Office of Adult and Continuing Education (OACE). OACE is the largest provider of adult literacy education services in the state, offering over 900 classes for adults age 21 and over. It operates four Adult Learning Centers located in Brooklyn, Manhattan, Queens, and the Bronx and offers day and evening classes at more than 175 sites in all five boroughs.

Table 1 – Department of Education Financial Summary

Dollars in Thousands

	2009 Actual	2010 Actual	2011 Adopted	2011 Exec. Plan	2012 Exec. Plan	Difference 2011–2012*
Spending						
Personal Services	\$12,464,278	\$12,481,805	\$12,585,983	\$12,677,095	\$12,469,281	(\$116,702)
Other Than Personal Services	5,438,775	6,016,700	6,012,451	6,209,847	6,748,793	736,343
TOTAL	\$17,903,053	\$18,498,505	\$18,598,433	\$18,886,942	\$19,218,074	\$619,641
Budget by Unit of Appropriation						
401-GE Instr. & Sch Leadership – PS	\$5,767,430	\$5,461,158	\$5,524,019	\$5,444,259	\$5,473,085	(\$50,934)
402- GE Instr. & Sch Leadership - OTPS	631,802	590,955	561,688	575,278	481,388	(80,300)
403-SE Instr. & Sch Ldrshp - PS	1,143,228	1,004,421	1,039,742	1,039,742	1,050,959	11,217
404-SE Instr. & Sch Ldrshp - OTPS	3,695	2,664	6,825	6,825	6,825	0
481-Categorical Programs PS	1,249,527	1,521,342	1,470,885	1,638,338	1,267,902	(202,983)
482-Categorical Programs OTPS	710,535	806,823	693,910	776,276	692,321	(1,589)
421-Citywide SE Instr. & Sch Ldrshp - PS	711,912	726,114	763,499	763,499	771,490	7,991
422-CW SE Instr. & Sch Ldrshp - OTPS	14,599,047	16,105,149	21,415,090	21,415,090	23,415,090	2,000
423-SE Instructional Support - PS	233,988	237,982	235,465	244,030	246,360	10,895
424-SE Instructional Support - OTPS	212,647	232,350	286,739	282,739	351,838	65,099
435-School Facilities - PS	412,963	404,510	394,372	397,973	392,322	(2,050)
436-School Facilities - OTPS	336,074	372,211	148,764	200,576	160,048	11,284
438-Pupil Transportation - OTPS	968,460	995,662	1,011,664	992,879	1,100,761	89,097
439-School Food Services - PS	198,717	206,055	191,898	198,681	206,898	15,000
440-School Food Services - OTPS	184,997	196,022	199,073	204,298	238,832	39,759

	2009 Actual	2010 Actual	2011 Adopted	2011 Exec. Plan	2012 Exec. Plan	Difference 2011-2012*
442-School Safety - OTPS	\$217,002	\$294,679	\$295,621	\$295,621	\$299,621	\$4,000
444-Energy & Leases - OTPS	393,840	\$422,748	467,884	484,235	512,151	44,267
453-Central Administration - PS	188,951	185,592	138,431	136,015	143,197	4,766
454-Central Administration - OTPS	182,681	170,052	159,567	160,083	170,106	10,539
415-School Support Org. - PS	202,265	197,803	182,715	181,715	173,062	(9,653)
416-School Support Org. - OTPS	17,401	14,915	8,664	8,664	14,042	5,378
470-SE Pre-K Contracts - OTPS	739,296	852,591	964,313	970,319	1,129,313	165,000
472-Charter/Contract/Foster Care -OTPS	764,305	977,903	1,114,926	1,159,242	1,496,986	382,060
474-Non-Public School and FIT - OTPS	61,440	71,021	71,396	71,396	71,146	(250)
461-Fringe Benefits - PS	2,314,142	2,502,862	2,619,156	2,620,535	2,744,006	124,850
491-Collective Bargaining	41,156	33,967	25,800	12,309	0	(25,800)
TOTAL	\$17,903,053	\$18,498,505	\$18,598,433	\$18,886,942	\$19,218,074	\$619,643
Funding						
City Funds	N/A	N/A	\$7,942,589	\$7,738,598	\$9,202,993	\$1,260,404
<i>Memo: Council Funds</i>	N/A	N/A	\$22,310	N/A	N/A	N/A
Federal – CD	N/A	N/A	5,000	6,835	5,000	0
Federal – Other	N/A	N/A	2,572,369	2,853,248	1,824,581	(747,788)
Intra-City	N/A	N/A	8,784	34,714	16,198	7,414
Other Categorical	N/A	N/A	94,970	129,971	62,971	(31,999)
State	N/A	N/A	7,974,721	8,123,577	8,106,333	131,612
TOTAL	N/A	N/A	\$18,598,433	\$18,886,942	\$19,218,074	\$619,641
Positions						
Full-time Positions - Civilian	10,733	10,836	9,124	10,623	10,252	1,128
Full-time Positions - Pedagogical	112,993	110,389	109,960	108,360	102,217	(7,743)
TOTAL	123,726	121,225	119,084	118,983	112,469	(6,615)

*Continuation from previous page

The Department of Education's Fiscal 2012 Executive Budget reflects a \$619.6 million increase when compared to the Fiscal 2011 Adopted Budget. This amount is nearly \$300 million short of the estimated \$900 million year-over-year increase in spending that is necessary to maintain current service levels. City funding for the Fiscal 2012 Executive Financial Plan increases by \$1.3 billion year over year, a 15.9 percent increase from the Fiscal 2011 Adopted Budget. The significant increase stems largely from two actions. First, federal funding from the American Recovery and Reinvestment Act (ARRA) will be discontinued beginning in Fiscal 2012. The City replaced the \$853 million of ARRA funds allocated to the DOE in the current fiscal year with City funds. Second, the City added \$840.6 million to compensate for the state's Gap Elimination Adjustment (GEA). In total, the City funds budget for Fiscal 2012 grew by \$1.5 billion since adoption of the Fiscal 2011 Budget.

Budget reductions coupled with funding increases for regular growth lead to the overall increase in the DOE's budget for next year. The City's PEG program for the DOE totals \$393.8 million for Fiscal 2012. Despite these cuts, as evident in the table above, there have been several areas with significant budget growth from the Fiscal 2011 Adopted Plan to the Fiscal 2012 Executive Plan. Special Education Pre-K contracts, Charter Schools, Contract Schools, Carter Cases, and Pupil Transportation are areas of mandated contractual spending where there is in significant growth year after year. Controlling growth in these categories has proven very difficult for the DOE.

- **Special Education Instructional Support** **\$76.0 million increase**

This category grows by \$76.0 million, or 14.6 percent from the Fiscal 2011 Adopted Plan. Of this total growth, the OTPS budget increases by \$65.1 million. The net increase for OTPS stems largely from a \$69.1 million increase in direct education services, which are provided by contracted vendors.

- **Special Education Pre-Kindergarten Contracts** **\$165.0 million increase**

Special Education Pre-K contracts total \$1.1 billion in the Fiscal 2012 Executive Budget, a \$165.0 million, 17 percent increase from the current budget for Fiscal 2011. The additional funding is budgeted entirely for tuition, while funding for special education pre-k related services and transportation remains flat. The New York City Office of Management and Budget (OMB) has not provided enrollment projections or tuition rates to justify the 17 percent budget increase for tuition, nor has the OMB shown how transportation costs will not increase given the DOE's recent award of contract extensions with price increases to bus companies.

- **Charter Schools** **\$159.7 million increase**

Charter school funding grows by \$159.7 million, a 27.7 percent increase from the current budget for Fiscal 2011, with the Fiscal 2012 budget totaling \$736.9 million. The OMB has not provided any data to demonstrate that these spending projections are reasonable.

- **Contract Schools** **\$157.3 million increase**

The Fiscal 2012 Executive Budget for contract schools is \$452.6 million, up \$157.3 million, or 53.3 percent from the current budget for Fiscal 2011. Within this category, in state contract schools total \$408.7 million, a 55.5 percent increase from Fiscal 2011's \$262.8 million current budget. The budget for out of state contract schools grows to \$43.8 million in Fiscal 2012, an \$11.4 million, or 35.2 percent increase from the current budget for Fiscal 2011. The OMB has not provided any data to demonstrate how these spending projections were calculated.

- **Carter Cases** **\$63.0 million increase**

The budget for Carter cases increases to \$246.2 million, a \$63 million, 34.4 percent increase from the current budget for Fiscal 2011. The OMB has not provided any data to demonstrate that these spending projections are reasonable.

- **Pupil Transportation** **\$89.1 million increase**

Growth in the total pupil transportation budget totals \$89.1 million, an 8.8 percent increase from the Fiscal 2011 Adopted Plan. This growth leads to a \$1.1 billion budget for Fiscal 2012. Within pupil transportation, the majority of growth seems to stem from an increase in funding for special education bussing. Again, the Administration has not shown how these budget increases were calculated.

- **Contracts** **\$706.6 million increase**

The DOE's contract budget in Fiscal 2012 is projected to be \$4.5 billion, a \$706.6 million or 19 percent increase from the Fiscal 2011 Adopted contract budget. The DOE's contract

budget shows the most growth in the following contract categories: a 21 percent increase in General Contractual Services; a 33 percent increase in Payments to Contract Schools; and a 76 percent increase in contracts for Computer Services.

- **Fringe Benefits** **\$124.9 million increase**

Fringe benefits increases to \$2.7 billion in the Fiscal 2012 Executive Budget, up \$124.9 million from Fiscal 2011. This growth is despite the teacher layoff PEG from the November Plan that has a fringe benefits cost-savings of \$46.9 million. An additional PEG in the Executive Plan projects \$2.7 million in savings. The OMB has not provided the City Council with any backup to demonstrate why there is an increase in fringe benefits despite the overall decrease in headcount.

- **Central Administration** **\$15.3 million increase**

The budget for Central Administration increases by \$15.3 million, or 5.1 percent to \$313.3 million, despite \$34.2 million in PEGs impacting this category of spending.

The following categories show decreases in the Fiscal 2012 Executive Budget from the Fiscal 2011 Adopted Plan:

- **General Education Instruction and School Leadership** **\$131.2 million decrease**

The General Education budget decreases by \$131.2 million from the Fiscal 2011 Adopted Plan to the Fiscal 2012 Executive Budget. The 2.2 percent decrease results from a combination of various budget actions. The City replaced \$853 million of ARRA funds and the state's \$840.6 million Gap Elimination Adjustment with City funds. PEGs totaling \$350 million combined with routine cost increases also contribute to the net reduction of \$131.2 million in General Education Instruction and School Leadership spending.

- **Categorical Programs** **\$203.0 million decrease**

Funding totals \$2.0 billion in Fiscal 2012, a \$203.0 million or 9.4 percent reduction from Fiscal 2011. The reduction is almost entirely in PS spending and stems largely from the discontinuation of ARRA funding after the current fiscal year. Although the City replaced ARRA funding, it was allocated directly to General Education Instruction and School Leadership spending.

The Fiscal 2011 Adopted Budget also included approximately \$22.3 million in City Council funding (including funding for Council initiatives, Programs to Eliminate the Gap [PEG] restorations, and local initiatives). As Council funding is allocated on a one-time basis, it is not included in the Fiscal 2012 Budget.

Headcount

The Fiscal 2012 Executive Budget includes a net headcount reduction of 6,615 positions. Full-time non-pedagogical positions increase by 1,128 for a total of 10,252 in Fiscal 2012. Full-time pedagogical positions decline by 7,743 for a total of 102,217 positions in Fiscal 2012. The reduction in pedagogical headcount results largely from two PEGs totaling \$350 million that would eliminate 5,778 teachers, including an estimated 1,500 through attrition and 4,278 through layoffs. This would reduce the general education teaching force by roughly ten percent. The elimination of these positions and corresponding savings contributes to the \$203 million reduction in PS spending for Categorical Programs and the \$50.9 million reduction in PS spending for General Education Instruction and School Leadership.

The reduction in pedagogical headcount is not isolated to the Fiscal 2012 Executive Budget; it has been a trend for several years. In June 2008 there were 114,151 pedagogical employees. This number has decreased every year since. In November 2010, there were 109,327 pedagogical employees, 4,824 fewer than in June 2008. This is a 4.2 percent decrease. In General Education and School Leadership, specifically, there were 66,716 pedagogical employees in June 2008. By November 2010 there were 56,560 remaining. This elimination of 10,156 positions equates to a 15.2 percent reduction in less than three years.

The net increase in non-pedagogical positions in Fiscal 2012 includes the addition of 182 positions to Central Administration, as reflected in the \$4.8 million increase in PS spending here, as well as the addition of 1,508 positions to General Education Instruction. Despite the total increase, the Fiscal 2012 Executive Budget includes a headcount reduction of 1,600 positions in General Education and School Support Organizations. This realignment does not reflect any real reduction in headcount, rather it aligns the budget with current headcount numbers. It is unclear if the headcount reduction in School Support Organizations corresponds with the category's \$9.7 million decrease in PS spending.

Fair Student Funding – Changes to Formula and Implementation

Fair Student Funding (FSF) is a formula developed by DOE to determine each school's operating budget. FSF is intended to provide schools with enough money to cover their basic operating costs as determined by the number of students enrolled in the school and their needs. The formula sets a single cost for every student and adds additional funding for each student according to the FSF weights. For example, a special education student or a student who scores below proficiency on the state test would generate additional FSF funds. A school's FSF level is referred to as the FSF entitlement.

The DOE has proposed several changes to the Fair Student Funding (FSF) formula and implementation. The proposed changes in the formula would not impact the overall amount of funds available for schools, but would impact the amount each school receives in its school budget.

First, the DOE revised its FSF formula for the 2011-2012 school year so that the weight system used to reflect academic need would more accurately reflect current practices and student need. There are modifications to three weights in the FSF formula:

- **Academic Intervention Support (AIS) weights:** The Poverty Weight will change from .24 to .12 and the way FSF counts pupils as proficient will be revised to account for New York State re-scaling of test scores. As the table below demonstrates, the proposed method will bring AIS funding closer to the level of academic need and provide a greater portion of funding for middle school and high school students. This change will disperse available funds among more students with academic need.

Table 2 – Academic Intervention Formula Changes			
FSF Academic Intervention	% of Students Below Proficiency (scored 1 or 2 on State test)	% AIS Funds Current Method	% AIS Funds Proposed Method
Elementary School	25%	61%	30%
Middle School	33%	10%	25%
High School	42%	29%	45%
Total	100%	100%	100%

Source: New York City Department of Education

- **Special Education Weight for Self-Contained:** High schools generally organize self-contained classrooms with 15 students, though the current self-contained (SC) weight supports classrooms of 12 students. The SC weight will change to provide schools with only enough funding to organize classrooms of 15 students. This will reduce the system-wide cost by reducing the amount of money given to high schools to support special education students.
- **Special Education Weight for Collaborative Team Teaching:** Collaborative Team Teaching (CTT) classes contain both special education and general education students, as well as a special education and general education instructor. The ratio of general education students to special education students is 60/40. The CTT weights for all grades except kindergarten will change to reflect classrooms of 12 rather than 10 special education students. This change will reduce the system-wide cost by reducing the need for additional classes and by reducing the amount of money provided to schools for their CTT classes. Given the new CTT weight coupled with school budget cuts, it is reasonable to expect that the number of general education students in these classes will increase from 15 to 18 to reflect the 60/40 split. Therefore, class size could increase to 30 students total.

Second, the Department has proposed changes to the implementation of FSF. The City has restored federal stimulus funds that expire in Fiscal 2012. The DOE will target \$43 million of these restoration funds to those schools with the lowest FSF levels. Of this amount, \$13 million will be added directly to the “bottom” schools – those that would otherwise be below 83 percent of entitlement. The additional \$30 million will be shifted from the “top” schools – those that would otherwise be above 88.9 percent of entitlement. These “top” schools would lose no more than 1.5 percent of their funding, pre-cut. This cap is to prevent additional schools from falling below the FSF formula funding level.

In total, 295 schools will gain an average of \$146,387 in order to bring them up to 83 percent of entitlement. The top 634 schools would lose an average of \$46,032. The remaining 577 schools in the “middle” would have no change in the amount of restoration funds they receive. As evident in

the table below, the change in implementation will increase funding to the schools most below the FSF formula funding level.

Table 3 – Average Percentage of FSF Formula				
	Current Average % of FSF	Proposed FY 2012 % of FSF	Number of Schools	Total Funding Change
1 st decile (70% - 82%)	78.3%	83.8%	295	\$43 million
2 nd decile (83% - 84.9%)	81.7%	85.1%	577	\$0
3 rd decile (85% - 86.9%)	85.2%	85.2%		
4 th decile (87% - 88.9%)	87.1%	87.1%		
5 th decile (89% - 90.9%)	89.6%	88.2%	634	(\$30 million)
6 th decile (91% - 92.9%)	91.8%	90.4%		
7 th decile (93% - 95.9%)	93.7%	92.2%		
8 th decile (96% - 98.9%)	96.4%	94.9%		
9 th decile (99% - 104.9%)	100.1%	98.1%		
10 th decile (105% - 339%)	107.7%	106.1%		

Source: New York City Department of Education

Fiscal 2012 Executive Budget Actions

- ☑ Executive Budget actions lead to a net Fiscal 2012 budget increase of \$98.4 million. This includes \$43.8 million of PEGs and \$142.2 million in new spending. Increased cost estimates of fuel, heat, light, and power increase spending by \$32.9 million. Other adjustments, such as to state aid and universal pre-k, increase spending by \$142.2 million. The majority of the net increase, however, stems from a projected \$100 million increase in Medicaid reimbursement, \$84.7 million of which will fund new needs (see below).
- ☑ Medicaid revenue is expected to increase by \$100 million to \$117 million in Fiscal 2012. The Human Resources Administration (HRA) has been working with the DOE to claim this revenue, including advising the DOE and preparing staff with the necessary forms and documents. Roughly \$40 million of the projected \$100 million revenue will be from retroactive claims for case management services. The remaining \$60 million would be collected for new Fiscal 2012 claims for case management and speech, occupational, and physical therapy services. The DOE has already submitted claims for retroactive reimbursement and plans to begin submitting claims for Fiscal 2012 on July 1st.

The Executive Budget applies the Medicaid revenue to fund new needs pertaining to OTPS spending for General Education Instruction and School Leadership, building leases, and charter schools. Specifically, General Education will gain \$47.6 million for supplies and materials for high schools. About \$25.7 million of the additional revenue will be allocated to charter schools, and \$11.4 million will fund spending for building leases. The remaining \$15.3 million will be allocated to Special Education PS.

- ☑ The PEG program for the DOE totals \$393.8 million for Fiscal 2012. This includes six PEGs introduced in November totaling \$350.0 million and six PEGs introduced in the Executive Plan that would achieve \$43.8 million in savings.
- ☑ State aid restorations total \$196.7 million for the Fiscal 2012 Executive Plan. They include a \$25 million restoration to schools for the blind and deaf, \$120.8 million for summer special education, and \$50.9 million of the Gap Elimination Adjustment restored to school budgets.

Table 4 – Budget Actions in the Executive Plan*Dollars in Thousands*

<i>Dollars in Thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of the February 2011 Plan	\$7,722,246	\$11,097,379	\$18,819,625	\$9,410,087	\$9,709,580	\$19,119,667
Programs to Eliminate the Gap (PEGs)						
Field Services – PS Attrition	\$0	\$0	\$0	(\$13,742)	\$0	(\$13,742)
Field Services – OTPS	0	0	0	(6,162)	0	(6,162)
Central Admin – PS Attrition	0	0	0	(3,112)	0	(3,112)
Central Admin – OTPS	0	0	0	(8,002)	0	(8,002)
Custodial PEG	0	0	0	(10,000)	0	(10,000)
Fringe Benefits	0	0	0	(2,737)	0	(2,737)
Total, PEGs	\$0	\$0	\$0	(\$43,755)	\$0	(\$43,755)
Other Adjustments						
Fuel, Heat, Light and Power	\$16,350	\$0	\$16,350	\$32,872	\$0	\$32,872
Middle School Mentors	0	0	\$0	108	0	108
Needs & Medicaid	0	0	\$0	0	84,722	84,722
PlaNYC: DOE Energy Incentive	0	2,698	2,698	0	0	0
State Aid Adjustments	0	28,306	28,306	0	4,201	4,201
Foundation Aid Restoration	0	0	\$0	(50,885)	50,885	0
Reversal of Governor's proposal for Blind and Deaf Schools	0	0	\$0	(25,000)	25,000	0
Summer SE Restoration	0	0	\$0	(120,759)	120,759	0
Summer SE Update	0	26,302	26,302	0	0	0
Other Adjustments	\$0	(\$6,339)	(\$6,339)	\$200	\$20,061	\$20,261
Total, Other Adjustments	\$16,350	\$50,967	\$67,317	(\$163,464)	\$305,628	\$142,164
Total, All Changes	\$16,350	\$50,967	\$67,317	(\$207,219)	\$305,628	\$98,409
Agency Budget as of the Executive 2012 Plan	\$7,738,596	\$11,148,346	\$18,886,942	\$9,202,868	\$10,015,208	\$19,218,076

Program to Eliminate the Gap (PEGs)

The Fiscal 2012 Executive Plan includes \$393.8 million worth of PEGs to the DOE in Fiscal 2012. The November 2010 Plan included \$350.0 million in cuts to the DOE. The Executive Plan added another \$43.8 million in reductions to the Department. The Department has not provided any information to the City Council regarding how the PEG savings will be achieved or how the cuts will impact services.

☑ School Cut – Teacher Layoff and Attrition. \$350.0 million

The DOE plans to eliminate 4,278 teaching positions through layoffs for a savings of \$269 million and 1,500 teaching positions through attrition for a savings of \$81 million in Fiscal

2012. The Fiscal 2012 Executive Plan includes \$5.5 billion in the DOE's General Education Instruction PS budget for Fiscal 2012. The \$350 PEG will result in a 6 percent reduction to spending in UA 401 in Fiscal 2012 and the loss of 5,778 general education teachers.

☑ Central Administration PEGs. \$34.2 million

The DOE will achieve savings totaling \$34.2 million through various cuts to their central administration budget. Of these savings \$23.0 million will be shifted into school budgets, leaving a net budget reduction of \$11.2 million to the DOE. These PEGs were initially introduced in the November 2010 Financial Plan.

o Central Administration – PS and OTPS. \$11.1 million

The Fiscal 2012 Executive Plan includes an \$11.1 million cut to the DOE's central administration: \$3.1 million in the PS budget and \$8.0 million in OTPS budget. The Department will eliminate 36 positions in central administration headcount to achieve these savings.

o Reduction of central supply and travel budget. \$18.3 million

The Fiscal 2012 Executive Budget includes an \$18.3 million cut to the DOE's central supply budget and a \$1.0 million reduction to the DOE's central travel budget.

o Central restructuring - reduction in part-time work. \$3.8 million

The Fiscal 2012 Executive Budget includes a \$3.8 million reduction in spending on part-time work in the DOE's central office.

o Transferred Central Administration Savings to School Budgets.

The Fiscal 2012 Executive Budget includes a transfer of \$23.0 million from the DOE's \$34.2 million central administration cuts to school budgets and will save 380 positions in Fiscal 2012 and the outyears. This mitigation was achieved through savings from cuts to the DOE's central office's supply, travel, and part-time work spending areas.

☑ Field Services – PS and OTPS. \$19.9 million

The Fiscal 2012 Executive Plan includes a \$19.9 million cut to Children's First Networks: \$13.7 million in PS spending and \$6.2 million in OTPS. The DOE will generate the PS savings by eliminating 119 field staff positions through attrition. These PEGs were newly introduced in the Fiscal 2012 Executive Plan.

☑ Fringe Benefits. \$2.7 million

The Fiscal 2012 Executive Plan includes a \$2.7 million cut to fringe benefits in Fiscal 2012. This PEG grows by \$170,000 in Fiscal 2013, \$354,000 in Fiscal 2014, and \$547,000 in Fiscal 2015 in the DOE's budget. This PEG was newly introduced in the Fiscal 2012 Executive Plan.

☑ Custodial PEG.**\$10.0 million**

The Fiscal 2012 Executive Plan includes a \$10.0 million cut to the DOE's custodial budget. Due to built-in growth in DOE's custodial budget, the DOE's Fiscal 2012 Executive Budget reflects a net budget reduction of \$3 million. The DOE imposed cuts to its custodial budget in Fiscal 2011 and the City Council restored \$3 million of these cuts in the Fiscal 2011 Adopted Budget. The November 2010 Plan also included a \$3.2 million cut to the DOE's custodial budget in Fiscal 2011 only. The November Plan estimated that the \$3.2 million PEG would lead to a loss of 150-200 custodial positions, but the Executive Plan does not give an indication of the headcount impact of the \$10 million cut.

State Budget Impacts

The Fiscal 2011-2012 State Executive Budget provides \$8.1 billion for the New York City Department of Education. This is a \$131.6 million, 1.7 percent increase from the Fiscal 2011 Adopted Budget. The overall increase stems from a variety of budget actions as well as year-over-year growth. State cuts are across the board, totaling \$680.1 million. The State Budget includes an \$840.6 million Gap Elimination Adjustment (GEA) intended to limit growth in the state's education spending. A \$50.9 million state restoration reduced the cut that was originally \$891.5 million in the Governor's Proposed Budget, and the City replaced the remaining \$840.6 million with City funds. The GEA decreases New York City's school aids. In addition, it allows the City to reduce its Contracts for Excellence funding by the percentage reduction of the Gap Elimination Adjustment.

Because the state cuts are to Foundation Aid and other formula aid, the impact falls directly on schools. The DOE cannot make cuts to mandated spending, such as contract schools, pupil transportation, and Special Education Pre-K contracts. The DOE, instead, must cut from areas of non-restricted spending, such as school budgets. This is in large part the cause of the \$131.2 million net spending decrease to General Education Instruction and School Leadership spending planned for Fiscal 2012.

The State Executive Budget also continues the freeze on Foundation Aid at \$6.19 billion from the 2009-2010 school year. It would extend the full phase-in of Foundation Aid until the 2016-17 school year; the aid would have been fully phased in in 2011-12 had it not been delayed. Extending the Foundation Aid freeze through next year has no impact on the DOE's Fiscal 2012 budget because the budget already assumed that this aid would remain at the current level.

Finally, the Governor's proposals to cut \$120.8 million from state aid for summer special education and a \$50 million schools for the blind and deaf were rejected in the State Executive Budget and the cuts have been fully restored in the City's Fiscal 2012 Executive Budget. State restorations reflected in the Executive Budget for Fiscal 2012 total \$196.7 million.

Council Funding

City Council Initiatives

A small, but significant part of the DOE's budget is funding added by the New York City Council to support particular programs or functions. These include a variety of initiatives that fund community-based organizations (CBOs) working with schools and students throughout the City such as the Dropout Prevention & Intervention Initiative and the Urban Advantage Program. The largest initiative, Teacher's Choice, reimburses public school teachers and other school staff for supplies purchased for use in student instruction. The full-day Pre-Kindergarten funding allowed the Department to expand from half- to full-day UPK programs in several CBOs throughout the City. Bridge to Tomorrow, a GED program that operates out of Workforce1 Centers, was created in Fiscal 2011 with the Council's support. In addition, the \$3 million for custodial operations partially reversed a budget cut proposed by the Administration for Fiscal 2011. This restoration, however, was reversed in the November 2010 Plan, which introduced a \$3.2 million PEG for custodial services.

Table 5 – Council Changes at Adoption (to the FY 2011 Budget)

Dollars in Thousands

Dropout Prevention & Intervention	\$1,500
Executive Leadership Institute (CSA)	300
Teacher's Choice	9,250
Urban Advantage-Science Education	2,250
Custodial Operations	3,000
Full Day Universal Pre-Kindergarten	2,750
Respect for All	300
Workforce 1 Center GED Pilot	1,255
Subtotal	\$20,605
Local Initiatives	\$1,705
TOTAL	\$22,310

Appendix A: Budget Actions in the November and February Plans

<i>Dollars in thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
DOE Budget as of July 2010 Plan	\$7,954,964	\$10,655,846	\$18,610,810	\$7,889,978	\$10,598,441	\$18,488,419
November 2010 Plan						
Program to Eliminate the Gap (PEGs)						
School Cut - Layoff	\$0	\$0	\$0	(\$269,048)	\$0	(\$269,048)
School Cut - Attrition	0	0	0	(81,000)	0	(81,000)
Reduction of central supply budget	(617)	0	(617)	(18,280)	0	(18,280)
Reduction of central travel budget	(1,000)	0	(1,000)	(1,000)	0	(1,000)
Central restructuring - PT cut	0	0	0	(3,768)	0	(3,768)
Admin Mitigation of School Cut	0	0	0	23,048	0	23,048
Ed. Jobs Bill Mitigation	(159,141)	159,141	0	0	0	0
Summer SE Mitigation	(51,000)	51,000	0	0	51,000	51,000
Facilities Reduction	(3,230)	0	(3,230)	0	0	0
CEO-LPN Career Ladder	(100)	0	(100)	0	0	0
Total PEGs	(\$215,088)	\$210,141	(\$4,947)	(\$350,048)	\$51,000	(\$299,048)
New Needs						
HIP Rate Adjustment	\$7,000	\$0	\$7,000	\$50,000	\$0	\$50,000
Total New Needs	\$7,000	\$0	\$7,000	\$50,000	\$0	\$50,000
Other Adjustments						
City Backfill of ARRA	\$0	\$0	\$0	\$853,011	\$0	\$853,011
ARRA Initiatives	0	108,943	108,943	0	14,926	14,926
School Facilities Revenue	0	35,001	35,001	0	0	0
Education Jobs Bill Funding	0	31,000	31,000	0	0	0
Mandated Autism Coverage Veto	(15,969)	0	(15,969)	(15,969)	0	(15,969)
Mobility Tax Adjustment	0	(80)	(80)	(124)	0	(124)
State FMAP Cut	0	(52,071)	(52,071)	0	0	0
Title IID Adjustment	0	(14,366)	(14,366)	0	(14,366)	(14,366)
Other Adjustments	581	4,235	4,816	(194)	0	(194)
Total Other Adjustments	(\$15,388)	\$112,662	\$97,274	\$836,724	\$560	\$837,284
Total November Plan Changes	(\$223,476)	\$322,803	\$99,327	\$536,676	\$51,560	\$588,236
February 2011 Plan						
New Needs						
HIP Rate Decrease	(\$3,742)	\$0	(\$3,742)	(\$25,615)	\$0	(\$25,615)
Total New Needs	(\$3,742)	\$0	(\$3,742)	(\$25,615)	\$0	(\$25,615)
Other Adjustments						
Summer Special Education Cost Shift	\$0	\$0	\$0	\$0	(\$120,759)	(\$120,759)
ARRA Initiatives	0	33,178	33,178	0	0	0
Blind and Deaf Schools	0	0	0	0	9,000	9,000
CEO-LPN Career Ladder	0	0	0	548	0	548
City Backfill of State Cut	0	0	0	1,008,500	0	1,008,500
DOE HRA Medicaid Claiming	0	(4,500)	(4,500)	0	0	0

<i>Dollars in thousands</i>	Fiscal 2011			Fiscal 2012		
	City	Non-City	Total	City	Non-City	Total
Federal Aid Technical Adjustments	\$0	\$42,577	\$42,577	\$0	\$8,075	\$8,075
State Cut Backfilled by City Funds	0	0	0	0	(891,439)	(891,439)
Intracity Adjustments	0	4,116	4,116	0	0	0
Mobility Tax Adjustment	0	181	181	0	1,003	1,003
State Formula Aids Adjustment	0	0	0	0	(1,995)	(1,995)
Summer Special Education Growth	0	0	0	0	82,694	82,694
Title I Competitive Grant	0	43,178	43,178	0	0	0
Transportation Aid Adjustment	0	0	0	0	(27,000)	(27,000)
Miscellaneous Reductions	(5,500)	0	(5,500)	0	0	0
Total Other Adjustments	(\$5,500)	\$118,730	\$113,230	\$1,009,048	(\$940,421)	\$68,627
Total February 2011 Plan Changes	(\$9,242)	\$118,730	\$109,488	\$983,433	(\$940,421)	\$43,012
Total Changes	(\$232,718)	\$441,533	\$208,815	\$1,520,109	(\$888,861)	\$631,248
DOE Budget as of February 2011 Plan	\$7,722,246	\$11,097,379	\$18,819,625	\$9,410,087	\$9,709,580	\$19,119,667

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