



Department of
Education

Testimony of Chancellor Dennis M. Walcott on the FY 2012 Executive Budget

Before the New York City Council Education and Finance Committees

June 1, 2011

Good morning, Chairs Jackson and Recchia and all the members of the Education and Finance Committees here today. Thank you for inviting me to testify about the Mayor's Fiscal Year 2012 Executive Budget, as it relates to our schools. I am joined today by Veronica Conforme, the Department of Education's Chief Financial Officer, and Shael Suransky, our Chief Academic Officer.

In my first few weeks as Chancellor, I've had the opportunity to visit many of our schools, attend parent and community meetings, and have countless conversations with students, parents, teachers and principals. Every day I find myself amazed at the commitment, diversity and creativity of our staff and school communities in providing our students with a top-notch education.

And given the gains we've made in recent years, we certainly have a lot to be proud of. That said, there is much more we can do and need to do to make sure all our students graduate college and career ready, parents are meaningfully engaged in the process, and that our schools and staff get the support they need to achieve these goals.

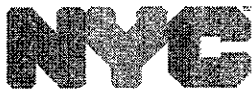
In addition, we will have to keep our progress going under difficult financial circumstances. Now, I wish I could tell you that our budget situation has changed dramatically since I last appeared before you in April, but unfortunately our budget situation remains extremely challenging given the fiscal realities we are facing as a City, State and Nation.

Here are the facts. The State's final adopted budget decreased scheduled aid to our schools by \$812 million – the largest cut ever in State education funding in a single year. We are also losing \$853 million in Federal stimulus funds this year as well. In total, this amounts to a collective loss of nearly \$1.7 billion.

The Mayor and I, along with many of you, spoke to our colleagues and even traveled up to Albany to make the case for additional monies. These efforts resulted in some limited relief, but not nearly enough to avert the painful choices we face today.

To fill this gap and help meet our rising costs, Mayor Bloomberg has proposed allocating an additional \$2 billion in city tax levy funds towards education, once again demonstrating this Administration's commitment to making education its number one priority.

As the State has divested in education, the City has stepped up to the plate. In fact, City funded spending on education has more than doubled since the beginning of this Administration, from \$5.9 billion in FY 2002 to a proposed \$13.4 billion today.



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In FY 2002, State and City funding comprised a nearly equal portion of non-Federal spending on education. However, in FY 2012, City funding will comprise 61 percent of non-Federal spending and State funding will only comprise 39 percent of non-Federal spending. If the State had continued to share education costs equally with the City, the State would be providing \$2.2 billion more in education funding in FY 2012.

Unfortunately, that is not the situation we find ourselves in today. As a result, despite the City's continued financial commitment to education, historic State education cuts coupled with mandated expenses and rising costs require us to make painful choices.

In total, the Department of Education's proposed FY 2012 budget is \$23.9 billion, funded through a combination of City, State and Federal dollars. However, only \$10 billion of our budget constitutes flexible spending, with \$8.9 billion going directly to school budgets and 70 percent covering teacher salaries.

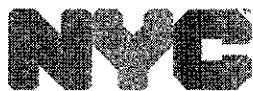
Mandated and non-flexible spending categories generally include: special education services and busing, English language learner (ELLs) services, pensions, debt service, energy and leases, school safety, judgments and claims, and certain non-public school services. It also includes state and federally-funded programs such as Pre-K, charter school tuition payments and most SchoolFood expenses.

Our flexible spending categories include general education funding and busing, facilities, and central and field administration. A small portion of SchoolFood is also funded with City tax levy funds as well.

Next year, our operating expenses are projected to increase by \$1.5 billion. Special education costs will increase by over \$424 million, or nearly 10 percent, year-over-year. Pensions will increase by \$490 million, fringe benefits will increase by \$140 million. Contractually-driven salary increases for teachers – also known as “steps” – will cost \$80 million. And the list goes on.

The only way to reign in some of these non-discretionary costs is by identifying savings and efficiencies elsewhere in our budget, collectively bargaining with the United Federation of Teachers, or receiving mandate relief from the State and Federal government.

Many of our rising costs are tied to State and Federal mandates that require us to provide specific services, with little to no flexibility, or without a commensurate increase in funding. In special education alone, New York State has over 200 mandates above and beyond what Federal law requires. While some of these mandates are reasonable and important measures that should be protected, others are outdated and burdensome, which is why the City is aggressively pursuing several State legislative proposals to ease some of the antiquated requirements currently on the books.



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As for the funds we do have wider discretion over, we are committed first to looking to our central and field offices. We know that we must continue to do more with less.

Over the past several years, the Department has now experienced ten rounds of budget tightening. Each time, we have always looked first for ways to reduce our expenses centrally in order to minimize the impact on our classrooms. Between 2008 and this current year, we reduced our costs centrally by 30 percent, or \$190 million, including the elimination of over 550 positions.

In recent months, the Department undertook another top-to-bottom review across all divisions. Through this process we have identified \$63 million in additional cuts, savings and efficiencies in our central and field budgets. This includes \$19 million from the Mayor's Preliminary Budget and \$44 million from the Expense Budget.

This will be achieved through a 155 position administrative headcount reduction along with significant non-personnel cuts in areas such as software development, hardware purchases, and printing costs. We will also trim \$11.2 million in consultant and technology contracts. In the end, our central budget will be a mere 3 percent of our overall budget. In the coming weeks and months we will continue to look for additional savings and efficiencies to offset cuts to our schools, and we welcome your constructive suggestions.

We are also looking to use the dollars we have in a more targeted and effective way, which is why we have proposed to modify our Fair Student Funding (FSF) formula. Adjustments will be made to the academic weight in order to better support our students who are not meeting state standards, and we will align the special education weights with the instructional models in the State's guidelines for grades 1 to 8, as well as those currently being utilized in high schools.

That said, even after taking all these measures, as things stand today, we still don't have enough money to underwrite all our expenses. And with 70 percent of school budgets tied up in compensation costs, we have little choice but to reduce the size of our workforce. As a result, the Executive Budget calls for a workforce reduction of 6,100 teaching positions – an estimated 2,000 through attrition and an additional 4,100 through layoffs.

Let me be clear - no one wants to lay off teachers. Unfortunately, we face a challenging budget situation not only this year, but next year as well. To this end, we will continue to work with our colleagues in Albany to make the necessary changes to State law that allow us to manage any layoffs in a more responsible, intelligent and equitable manner.

However, as we continue to wait for action in Albany, we must begin making difficult decisions here at home. We also must ensure that principals are able to finalize their staffing plans before summer break, so schools budget will be sent in the coming weeks.

Now more than ever, it is critical that we work together to protect our students and schools against the worst effects of ongoing economic uncertainty. As a Department, we have made every effort to reduce administrative expenses before cutting funding at the school level. But, we find



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ourselves in a fiscally austere environment for the foreseeable future, which will continue to require hard choices and sacrifices.

That said, I am encouraged that our students' progress has continued unabated, even as belts have tightened in recent years. Our dedicated teachers, principals and staff have much to be proud of and our students are rising to the challenges set before them. As a Department, we're committed to ensuring this progress continues.

Thank you for your time and attention, and I'm happy to take your questions.

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Appearance Card

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

☐ in favor ☐ in opposition

Date: 6/1

(PLEASE PRINT)

Name: Dennis Walcott

Address: Chancellor

I represent: DOE

Address: _____

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Appearance Card

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Date: 6/1

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Name: Denika Conforte

Address: Chief Financial Officer

I represent: DOE

Address: _____

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Appearance Card

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

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Name: Sharell Suransky

Address: Chief Academic Officer

I represent: DOE

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