

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON FINANCE
COMMITTEE ON OVERSIGHT AND INVESTIGATION
COMMITTEE ON STANDARDS AND ETHICS
COMMITTEE ON EDUCATION

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June 4, 2013
Start: 10:48 a.m.
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HELD AT: Council Chambers
City Hall

B E F O R E:
DOMENIC M. RECCHIA, JR.
JUMAANE D WILLIAMS
INEZ E. DICKENS
ROBERT JACKSON
Chairpersons

COUNCIL MEMBERS:

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Leroy G. Comrie, Jr.
Lewis A. Fidler
Helen D. Foster
Robert Jackson
G. Oliver Koppell
Darlene Mealy
Diana Reyna
Joel Rivera
Albert Vann
Fernando Cabrera
Julissa Ferreras
Karen Koslowitz

A P P E A R A N C E S

COUNCIL MEMBERS:

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Jessica S. Lappin
James Vacca
Margaret S. Chin
Daniel Dromm
Stephen T. Levin
Eric A. Ulrich
David G. Greenfield

A P P E A R A N C E S (CONTINUED)

Dennis Walcott
Chancellor
New York City Department of Education

Mike Tragale
Chief Financial Officer
New York City Department of Education

Shael Suransky
Chief Academic Officer
New York City Department of Education

Rose Gill Hearn
Commissioner
New York City Department of Investigations

Mark Davies
Executive Director
New York City Conflicts of Interest Board

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2 CHAIRPERSON RECCHIA: Good morning
3 and welcome to the 13th day of the City Council's
4 hearing on the mayor's executive budget FY 2014.
5 My name is Domenic M. Recchia, Jr. and I am the
6 chair of the Finance Committee. Today we are
7 joined by the Committee on Education chaired by my
8 colleague, Council Member Robert Jackson. At this
9 time, I am going to recognize all the members that
10 have joined us this morning. We have Council
11 Member Helen Diane Foster, Council Member Karen
12 Koslowitz, Council Member Margaret Chin, Council
13 Member Charles Barron, Council Member Danny Dromm,
14 Council Member Ydanis Rodriguez, Council Member Al
15 Vann, Council Member James Oddo, Council Member
16 Lewis Fidler, Council Member Vincent Ignizio,
17 Council Member Debbie Rose. Did I leave anybody
18 out? And the staff of the education and the
19 finance, we want to thank them all for their
20 spectacular work. Today we will hear from
21 Department of Education, the Department of
22 Investigation and the Conflicts of Interest Board.
23 Before we get started, I want to remind everyone
24 that the public will be allowed to testify
25 tomorrow June 5th, Wednesday at 4 p.m. after we

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2 have the budget director, then the comptroller,
3 then the Department of Finance. For members of
4 the public who wish to testify, but cannot make it
5 tomorrow, you can fax your testimony to my
6 attorney, Tanisha Edwards. She will make it part
7 of the official record. Her fax number is 212-
8 788-7061. We will begin today's budget hearing
9 with the Department of Education. I am sure you
10 have heard an agreement has been reached regarding
11 teachers' evaluations. As you know, in 2010 the
12 federal government awarded 700 million dollars for
13 education in New York State. That funding however
14 was conditioned upon the implementation of a new
15 teacher evaluation system to be negotiated between
16 the DOE and the UFT by January 13, 2013. An
17 agreement was not reached by the January deadline;
18 therefore, the state imposed a one-time fine of
19 217 million dollars to state education aid for the
20 current 2013 fiscal year. If the city and DOE did
21 not reach an agreement this year, the city could
22 have been subjected to a second penalty of 224
23 million dollars in aid for 2014. Needless to say,
24 I am glad an agreement was reached and implemented
25 and in place. I know my colleague and chair,

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2 Council Member Robert Jackson, has a lot to say so
3 I will provide a quick overview of the DOE's
4 executive budget and then turn the microphone over
5 to my co-chair. The FY 2014 executive budget for
6 the Department of Education totals 19.8 billion
7 dollars, which reflects an increase of 110 million
8 dollars when compared to the adopted budget. If
9 you had pensions and debt service the city's total
10 education spending will be 24.9 billion dollars.
11 In this executive budget, DOE has no headcount
12 reductions, no pegs, a 5.5 percent increase in
13 state foundation aid, which now totals 8.6 billion
14 dollars, a 25 percent increase in charter school
15 funding, which now totals a little over one
16 billion dollars and is reflected in a new unit of
17 appropriation and as previously mentioned, the
18 executive budget restores the 250 million dollars
19 FY 2014 teacher evaluation penalty that could have
20 been imposed if DOE and the UFT and the state did
21 not reach an agreement. This executive budget
22 also reduces pre-school special education spending
23 by eight percent to 1.1 billion dollars due to re-
24 estimates of transportation contracts and total
25 federal funding is cut by 139 million dollars or

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2 seven percent due to the sequestration and
3 reduction in Title 1 funding. I am eager to hear
4 from Department of Education Chancellor Dennis
5 Walcott and his staff about how these budget
6 actions will affect our students and to learn more
7 details about teacher evaluation and how we are
8 going to move forward. At this time, I recognize
9 my co-chair Robert Jackson. We have also been
10 joined by Council Member Steve Levin, and I would
11 ask the sergeant at arms to get him a chair and we
12 could have some more tables set up. Thank you
13 very much. Council Member Jackson?

14 COUNCIL MEMBER JACKSON: Thank you,
15 Chair Recchia and to all of my colleagues, the
16 Chancellor and his staff and members of the
17 public. First let me apologize for the delay in
18 starting this hearing. Initially, I was across
19 the street in Zoning and Franchise and could not
20 leave until a quorum was obtained so that the
21 hearing can begin. Secondly, there was an issue
22 of concern that was raised about swearing in
23 witnesses for this particular hearing, and in
24 fact, the administration through the Department of
25 Education indicated they were not notified by us

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2 that they would be sworn in, and that became an
3 issue and which has been resolved for this
4 particular moment, but let me just say to the
5 Chancellor and his staff that all witnesses no
6 matter who they are that is going to come in front
7 of this committee that I am chairing as long as I
8 am chair every witness will be sworn in
9 henceforth. I think for the interest of this
10 particular hearing, the City Council's Education
11 Finance Committee in joint with Education talking
12 about the largest part of the city's expense
13 budget, education, that we must go forward, but I
14 am not pleased overall even though you may not be
15 pleased, Chancellor, as far as not given notice,
16 and I just leave it like that, and we will move
17 forward this morning on this particular hearing.
18 So let me then read my opening statement, and then
19 we will begin. Good morning, everyone and welcome
20 to the fiscal 2014 executive expense budget
21 hearing for the Department of Education, which is
22 being held jointly with today by the Committees on
23 Education and Finance. This will be my 16th and
24 final preliminary and expense hearing on the
25 Department of Education's expense budget as chair

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2 of the Education Committee. Prior to becoming
3 chair, I participated in eight additional hearings
4 as a member of the Education Committee. I must
5 say first and foremost at my final DOE budget
6 hearing that I am extremely disappointed in the
7 state's failure to fulfill its obligation to
8 adequately fund the New York City education system
9 which I and many others fought tirelessly through
10 the campaign for fiscal equity and I hope that the
11 next City Council and the next administration
12 continue this fight for the children of New York
13 City. At the same time, I am proud of the many
14 accomplishments the City Council has achieved over
15 the years, and as we have worked both with and at
16 times against the Bloomberg Administration to
17 improve the quality of education for our city's
18 1.1 million school children and in the past ten
19 years, the Council has contributed more than 375
20 million dollars to support educational programs
21 including initiatives that have become an integral
22 part of the school system such as the dropout
23 prevention, the urban advantage, full day
24 universal pre-K, and a middle school quality
25 initiative. When presented with plans to lay off

1 teachers, school aides, and cleaners, the Council
2 stepped in and made the difficult choices needed
3 to keep our schools whole. The Department of
4 Education's fiscal 2014 executive budget
5 projection totals 19.8 billion dollars or 24.9
6 billion when pension and debt service costs are
7 added in. Personnel service spending is 12.8
8 billion dollars to cover the cost of nearly
9 109,000 pedagogical staff and 11,000 non-
10 pedagogical staff, who work in schools and central
11 offices. Other than personnel services spending
12 for supplies, materials and contracts is 7 billion
13 dollars. The total of 19.8 billion is an increase
14 of 110 million dollars as compared to the fiscal
15 2013 adopted budget of 19.72 billion, and a 304
16 million dollar increase compared to the fiscal
17 2014 preliminary budget. Significant adjustments
18 since the preliminary budget include a 639 million
19 dollar increase in state school aid stemming from
20 the elimination of the teacher evaluation penalty
21 next year and a 63 million dollar cut in federal
22 funds as a result of sequestration. Because of
23 the influx of state funds, the Department of
24 Education no longer anticipates the loss of
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2 teachers, school aides or other school staff next
3 year. In addition, schools should be able to fill
4 vacancies that resulted from the hiring freeze
5 that has been in place since the end of January.
6 Though it is a relief that school budgets are
7 expected to remain flat, there are still not
8 enough funds to cover growing costs. Schools are
9 still receiving less fair student funding than
10 their entitlement and class sizes are largest they
11 have been in years and expected to go up even
12 higher. We need to increase funding for schools
13 so that we can improve not just maintain the
14 quality of education for our students. What's
15 more those school budgets will remain relatively
16 flat overall. I am concerned that some individual
17 schools will face significant budget reductions
18 because of the loss of the Title 1 funds, and if
19 schools face reductions they may have to cut our
20 classes, teachers, school aides and other areas in
21 order to stay in line with their budget. Despite
22 the budget presenting the most positive fiscal
23 outlook we have seen in some years, I still have
24 many concerns and questions that I would like to
25 discuss today. The Department of Education

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2 reduced Medicaid revenue estimate by 130 million
3 dollars in fiscal 2013 and by 50 million in fiscal
4 2014 since the budget was adopted last June. The
5 Department of Education's inability to better
6 capitalize on this revenue source is inexcusable
7 and totally unacceptable by anyone's standard, and
8 while I appreciate the Department of Education's
9 effort to find contractual savings and control the
10 escalating cost of special education, I am
11 concerned about how will this impact these
12 critical services. The charter school budget will
13 surpass one billion dollars next year. This will
14 be approximately a 25 percent increase over last
15 year's budget, which was 828.4 million dollars.
16 This is clearly in the budget since charter school
17 funding has finally been moved to its own unit of
18 appropriation, and I would like to thank the
19 Department of Education for working with Council
20 staff and the Office of Management and Budget to
21 make that happen after years of requesting it.
22 Charter schools have become a centerpiece of the
23 Bloomberg Administration's education reforms and
24 many of my colleagues and I question the equity
25 among charter schools and district schools, the

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2 impact of charters on the education system as a
3 whole and the Department of Education's priority
4 of opening dozens of new charter schools every
5 year while district school budgets are
6 underfunded. Finally, I am pleased with the
7 Department of Education's revised timeline for the
8 removal of PCB lightings in schools. As I have
9 said from the beginning the ten year plan was
10 totally unacceptable and way too long. This is a
11 victory for our children, parents, advocates and
12 the City Council who have been fighting to get
13 these dangerous toxins out of our schools more
14 quickly. I also want to take this moment to thank
15 the New York Communities for Change, the
16 plaintiffs in the case and their counsel, the New
17 York Lawyers for Public Interest for leading this
18 charge on behalf of our children. Though funding
19 for PCB's remediation is in the capital budget,
20 which we will not discuss here today, I hope the
21 Department of Education can discuss any budgetary
22 impact on revising the plan that may impact the
23 Department of Education's expense budget, and I
24 look forward to hearing the details of the revised
25 PCB remediation plan in the future. I look

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2 forward to hearing your testimony, Chancellor
3 Walcott, and discussing these topics as well as
4 many other issues that my colleagues and I will
5 present today. Chair Recchia, thank you for the
6 opportunity to present my opening statement, and
7 we are ready to begin.

8 CHAIRPERSON RECCHIA: Before we do
9 that, Mr. Chancellor, I just want to recognize
10 those members that have joined us. We have
11 Council Member Dan Garodnick, Council Member James
12 Van Bramer, Council Member Jessica Lappin and
13 Council Member Joel Rivera. I think we have
14 everyone. Okay. Chancellor Walcott?

15 CHANCELLOR WALCOTT: Thank you,
16 Chair Recchia. Good morning, Chair Recchia, Chair
17 Jackson and the members of the City Council's
18 Education and Finance Committees here today. I am
19 school's chancellor, Dennis Walcott, and I am
20 joined by Shael Suransky [phonetic], our DOE's
21 chief academic officer and Mike Tragale
22 [phonetic], our chief financial officer. Thank
23 you for the opportunity to discuss Mayor
24 Bloomberg's proposed fiscal year 2014 executive
25 budget as it relates to the Department of

1 Education and our New York City public schools.
2 Next week will mark the 11th anniversary of the
3 state's historic decision to grant the mayor
4 control of the New York City school system. From
5 the moment that historic legislation became law,
6 it has been our mission to bring a massive 104
7 year old system into the 21st century. The school
8 system at the time was deeply troubled. At that
9 time, only 50 percent of our students were
10 graduating and some of the schools the rate
11 hovered around 20 percent or so. One in five
12 students each year dropped out before graduating
13 and college and career readiness was not even part
14 of the conversation. An age old school zoning
15 system trapped our poorest students in the lowest
16 performing schools in the city, contributing to
17 the cycle of poverty in marginalized
18 neighborhoods. The bureaucracy was so dysfunction
19 that no one knew how many people the schools
20 employed. Teacher pay was so low that we had
21 trouble finding certified professionals to work
22 for us and some teachers had to wait months before
23 their first paycheck. Meanwhile the Board of
24 Education members enjoyed plush amenities
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1 including huge offices at 110 Livingston Street,
2 cars and drivers and of course, I should know
3 that, I was one of those board members. I didn't
4 take a car though, and I didn't take a driver.
5 District officers and union regulations handcuffed
6 our principals from running their schools.
7 Principals had little input regarding their own
8 budgets. Today the ghost of 110 Livingston Street
9 would not recognize the school system of 2013.
10 Since mayoral control was granted, the drop our
11 rates have plunged by half and graduation rates
12 has risen to 66 percent. Those numbers have held
13 at that historic level even though state
14 graduation standards have risen each year four
15 years in a row. Last year for the first time ever
16 students had to pass five out of five region exams
17 with a score of 65 to graduate. Just five years
18 ago, students could graduate if they passed five
19 exams with a score of 55. High school students
20 once trapped in failing schools now benefit from
21 the best school choice system in the nation. In
22 fact by September we will have created 656 new
23 mission driven schools specializing in everything
24 from software engineering to emergency management
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1 from construction trades to new careers in energy.
2 Teacher salaries have risen by 43 percent since
3 2002 and the city's investments have allowed
4 principals to spend billions, yes, billions of
5 dollars on teacher professional development. We
6 now spread money equitably among our schools and
7 principals have the final say on budgeting and
8 staffing. This spring school budgets were
9 released on May 24th, the earliest since 2009, and
10 today, I am proud to say that we are training
11 staff on the new teacher evaluation system
12 released on Saturday by state education
13 commissioner King. The system for which we fought
14 long and hard gives our principals unprecedented
15 authority over their schools and employees. For
16 the first time, principals are able to work within
17 a comprehensive system that empowers them to
18 provide meaningful feedback and support to their
19 teachers in order to help them improve, and they
20 can now remove a teacher, even a tenured one if he
21 or she consistently fails. It is a major
22 breakthrough that will dramatically improve the
23 quality of education our children receive. This
24 builds on the paradigm shift that has taken place
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2 over the last 11 years of empowering our
3 principals. It is critical that this momentum
4 continues for there is nothing more important to
5 the future of our city than schools continuing to
6 prepare our students for future success in this
7 global economy. Our goal of bringing the school
8 system into the 21st century is reflected in every
9 decision we have made in preparing for fiscal year
10 2014. The news in this budget is encouraging.
11 The administration plans to spend nearly 25
12 billion dollars on education as you have already
13 articulated, the largest investment ever made in
14 New York City public schools. We have reduced our
15 administrative expenses, passed money to the
16 schools themselves and focused spending on the
17 schools, teachers and students who need the most
18 help. Back in 2002, the state and the city evenly
19 shared education costs. Since then the state aid
20 share has consistently decreased. Mayor Bloomberg
21 has insisted that our students not suffer as a
22 result, and so this year the administration will
23 invest 4.5 billion dollars more on education than
24 the state. That will bring the total in
25 investment in education over the course of the

1 administration to 125 billion dollars. This is 30
2 million dollars more than the state has invested
3 over the same period. As a result, the budget
4 before you makes good on our commitment to spend
5 20 million for 4,000 new full day pre-kindergarten
6 seats for 2013-'14 school year accommodating more
7 of the city's youngest learners in high need
8 areas. This year for the first time state tests
9 for students in grades through eight were aligned
10 to the new common core standards. We have known
11 for a while that test scores will drop as students
12 acclimate themselves to these new tougher, higher
13 standards, yet we have no plans to leave students
14 behind, so in our new budget we are going to
15 provide ten million dollars to schools for
16 additional academic support for students in grades
17 three through eight who struggle on the state
18 tests. We have collaborated with the City
19 Council's Speaker Quinn and other partners in the
20 City Council to invest millions of dollars to
21 expand our middle school quality initiative, a
22 program that focuses on strengthening literacy,
23 instruction and grades six through eight and this
24 fall 40 additional schools will take part in this
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1 initiative, bringing the total number to 89. The
2 new teacher evaluation system makes professional
3 development a greater priority, so starting this
4 month, we will more than double funding for
5 teacher training. We have set aside 100 million
6 dollars to train teachers in more rigorous common
7 core learning standards and to prepare our schools
8 to implement the new teacher evaluation system.
9 we will also spend 56 million dollars system wide
10 to support the implementation of the common core
11 aligned curriculum. The state's decision to
12 rescind the governor's penalty for not reaching
13 teacher evaluation deal beyond fiscal year 2013
14 enabled the DOE to restore 1,842 fulltime teaching
15 positions and the equivalent of 224 part time
16 teaching positions. We are also able to restore
17 an additional 101 non-teaching titles including
18 parent coordinators, community assistants and
19 school business managers. This is remarkable
20 given the challenges we face this fiscal year. As
21 you well know, we lost 250 million dollars in
22 state education aid because of the evaluation
23 dispute. In fiscal year 2014 we are faced with an
24 additional loss of 63 million dollars due to
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2 federal sequestering dollars. These cuts left us
3 with a deficit in fiscal year 2013 and a hole to
4 fill for our schools for fiscal year 2014. In the
5 old days, the system could not have withstood that
6 financial type of setback like this without making
7 across the board cuts to schools and laying off
8 teachers, but our system has matured into more
9 modern professionally managed operation geared
10 towards putting schools and students first. We
11 have not only avoided cuts to our schools. We
12 have protected our schools, all schools from
13 federal reductions and we are actually able to
14 increase the budgets of 316 of our schools, those
15 who are the most underfunded schools through our
16 fair student funding allocation. Those schools
17 receive 13 million dollars in additional funds as
18 part of our fair student funding formula. In
19 order to bring the system into the modern era we
20 needed to depoliticize the funding process. Now
21 dollars follow the students and not to those who
22 had influence. In order to help make the
23 investments I have described, the DOE once again
24 looked centrally for ways to reduce expenses and
25 direct as much money as possible to our schools.

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2 In 2008, we spent 399 million dollars on central
3 administration. By the end of last year, that
4 figure had fallen to 299 million dollars, a 25
5 percent reduction. Fiscal year 2013 is forecast
6 to close an addition 33 million dollar reduction,
7 bringing the central administration spending to
8 its lowest level since the mayor took office a
9 projected 266 million dollars. In fiscal year
10 2014 we are committed to further reducing central
11 administration spending. We are also committed to
12 generating savings from additional sources, most
13 notably contracts. In the face of strong
14 political and union pressure, this past December
15 the DOE bid out five year contracts for more than
16 1,100 school bus routes, about 1/6 of all DOE bus
17 routes. In our preliminary review of the BIDs we
18 project that this will save us an estimated 100
19 million dollars over a five year period of time.
20 This is on top of an estimated 95 million dollar
21 savings from the pre-kindergarten bus contracts
22 that we bid out in 2011. In addition as a result
23 of competitive bidding process for student
24 periodic assessments, the panel for education
25 policy recently approved a new contract that will

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2 save more than 33 million dollars for the first
3 three years of the contract. Finally, this March
4 the panel for education policy approved a contract
5 with the public consulting group to manage
6 Medicaid requirements with all school aged New
7 York State approved non-public schools with New
8 York City students. We are estimating a potential
9 annual claim of between 35 and 40 million dollars,
10 money that we will again reinvest into our
11 classrooms. While we have made progress, we still
12 have a long way to go. Right now, it is unclear
13 whether the DOE will be able to reap the full
14 potential of Medicaid claim in the next fiscal
15 year, a change in the state law may require us to
16 recollect 110,000 parental consent forms for
17 Medicaid reimbursements each year, costing us
18 untold millions of dollars in potential claims.
19 Meanwhile the UFT is trying to block our ability
20 to collect 50 million dollars in claims for speech
21 therapists. Despite these constraints, we have
22 made major strides towards freeing our schools
23 from the entrenched bureaucracy. We have created
24 a system where an additional 60,000 students
25 enrolled in CUNY over the past ten years who

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2 likely would not have made it there without our
3 reform, where children are able to attend high
4 schools outside of their districts, where students
5 analyze, discuss and write more instead of
6 memorizing wrote facts, where the graduation rates
7 of black and Hispanic students have increased by
8 50.6 percent and 57.8 percent respectively since
9 2005 bringing the graduation rates of these two
10 student populations to an all-time high of 60 and
11 59 percent respectively, still a long way to go.
12 Since 2008, advanced placement exam participation
13 increased 25.6 percent for black students and 41.8
14 percent for Hispanic students, while passing rates
15 jumped 49.1 percent for black students and 45.7
16 percent for Hispanic students. These are
17 encouraging trends. We are working hard to make
18 our budget process understandable to all of us,
19 especially our parents. This spring the document
20 I think you have at your desk we developed a guide
21 to New York City public schools' budget to help
22 the public make sense of where our funding comes
23 from and what it pays for and how to use it. This
24 is a user friendly tool to help translate the
25 complexity of the largest district education

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2 budget in the nation. The report before you is
3 for fiscal year 2013 provides a template for the
4 annual updates for every budget. Now the men and
5 women in this room have never been shy about
6 disagreeing with us. We have engaged in this
7 discussion with me as chancellor for the last
8 three years and pointing out the mistakes we have
9 made on the path to bringing schools into the new
10 century. Let me be the first to say that the
11 transformation of our school system is not
12 complete. We want the next leaders of our school
13 system to build upon our work, to improve upon our
14 innovations, to take our schools to the next
15 level. When future chancellors look back I hope
16 they can boast that graduation rate isn't 66
17 percent like it was when it was 50 percent back in
18 2001, but 85 percent or higher, that our schools
19 are even safer than they are now since we have
20 reduced crime by over 40 percent in our schools
21 and we reduced suspensions as well. The teaching
22 force is even better trained than it is now and is
23 as excellently trained as it is right now that the
24 systems leaders have not turned the clock back to
25 a darker day, but have rather continued to prepare

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2 our children for the new challenges that lie ahead
3 in the 21st century in this global economy. There
4 is much more work to do. Think about it. We are
5 in the first century of the third millennium. We
6 can't afford to turn back the clock on our
7 students. Don't you agree that they deserve the
8 best the city can provide? The answer is obvious.
9 That is why you sit as Council Members and are
10 part of this committee to make sure we take our
11 students to the next level. Thank you for the
12 opportunity to testify before you today, and I am
13 happy to answer your questions along with my
14 colleagues from the Department of Education.
15 Thank you very much.

16 CHAIRPERSON RECCHIA: Thank you,
17 Mr. Chancellor, and I just have a few quick
18 questions, and then I will turn it over to my
19 colleague, my co-chair Robert Jackson, and then we
20 will take questions from other members. I wanted
21 to ask you about start off with the total cut for
22 2014 as was a result of the sequestration of 132
23 million dollars. Of this amount 63 million or
24 nearly half of the total cut is due to the
25 Department of Education. Why did you choose to

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2 backfill the sequestration cut with state funds in
3 the same way federal funds were taken out of the
4 budget as opposed to adding state funds to fair
5 student funding so they could be distributed
6 equally among all the schools?

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MIKE TRAGALE: At the end of the
8 day, Domenic, we use the sequestration funds, the
9 state aid to actually maintain Title 1 at the 13
10 levels, so I mean I did look at the Council
11 report. There are no cuts for Title 1 schools
12 right now, so that state aid went to very good use
13 because it is supporting our high need kids in
14 those skills, and not only did we use the
15 sequestration--

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CHAIRPERSON RECCHIA: Hold on for
17 one minute. Jackson wants to make a--

18

CHAIRPERSON JACKSON: If you don't
19 mind, we have students that are leaving, the Young
20 Women's Leadership School from - - Bronx, New
21 York. Young ladies, thank you for coming to
22 witness part of the hearings of the expense budget
23 of the city of New York Department of Education,
24 which is about 19.9 billion dollars, so thank you
25 for coming. Thank you. Sorry. Just you never

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identified yourself for the record first before you continue.

CHAIRPERSON RECCHIA: Hold on, Mr. Chancellor, do you want to say hello to the students?

CHANCELLOR WALCOTT: It's a pleasure always. I always say hello to the students. Hi guys. How are you? I was at your school two years ago, so last year, so it is a pleasure to see you all up here. What grades? Turning me loose with the students, and I love that. What grades are you?

MULTIPLE VOICES: Sixth.

CHANCELLOR WALCOTT: Sixth grade. It is a pleasure seeing all of you, and I hope you learned a lot here, and we make sure will get back to you as well. Thank you, guys.

CHAIRPERSON RECCHIA: Okay.

CHAIRPERSON JACKSON: Just identify yourself.

MIKE TRAGALE: Mike Tragale, chief financial officer.

CHANCELLOR WALCOTT: Yeah, I had introduced them in the beginning of my testimony.

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2 MIKE TRAGALE: So just to continue,
3 as we said, the state aid backfilled the
4 sequestration, and basically in terms of Title 1
5 approximately 36 million went towards the
6 sequester. We also backfilled with an additional
7 12 million of tax levy dollars because we felt it
8 very important to stabilize the Title 1 funding
9 for us.

10 CHAIRPERSON RECCHIA: so just so we
11 are clear, the Title 1 schools will not be seeing
12 a cut because of the federal sequestration - -

13 CHANCELLOR WALCOTT: And that is
14 why we wanted to respond to the Chair Jackson's
15 opening statement because he had mentioned in his
16 opening statement about cuts in Title 1, but what
17 we did is we were not going to cut Title 1 and as
18 Mr. Tragale is laying out we made sure we
19 prioritized that particular area, so we just
20 wanted to modified the statement that was made in
21 the opening statement.

22 CHAIRPERSON RECCHIA: So we can go
23 back and tell all of our schools that are Title 1
24 schools that they will not be seeing a cut from
25 the Title 1.

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2 MIKE TRAGALE: They have actually
3 received their allocations last Friday, so the - -
4 is posted. In terms of the Title 1, I think
5 another piece I want to just mention is that we
6 still haven't heard from the fed and the state as
7 to what the appropriation is for '14, so right
8 now, we are working on preliminary information. I
9 know the estimate that was in the plan seemed a
10 little bit higher, the cut. We believe it may be
11 a little lower which will be better for us, but we
12 still have to wait for final word from the fed and
13 the state on that.

14 CHAIRPERSON RECCHIA: Okay, and of
15 course I just want to ask you about our school
16 aides. Will any of them be seeing nay cuts, any
17 layoffs?

18 MIKE TRAGALE: At this time as
19 schools just receive their budgets they are all
20 working diligently finalizing those budgets. They
21 have a month to complete these budgets. At the
22 conclusion of that time we will have a better idea
23 as to what the excess in layout is. Since this is
24 a relatively robust budget and as the Chancellor
25 indicated 316 schools received additional funding

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2 of 13 million dollars, schools with registered
3 growth obviously are going to see more money. The
4 rising costs aren't as bad this year. We had a
5 very minor increase in the city wide averages to
6 salary, and I think all of those factors make this
7 a good budget for schools, and as a result we are
8 hoping that excessing remains very low.

9 CHAIRPERSON RECCHIA: Sappas
10 [phonetic] workers we will be able to save them?

11 CHANCELLOR WALCOTT: Well again as
12 you know the Sappas is from the state.

13 CHAIRPERSON RECCHIA: I know you
14 are going to say they are from the state.

15 CHANCELLOR WALCOTT: And so that is
16 a constant dance with the state. Our goal is not
17 to have any loss of Sappas workers either, and so
18 that is a constant conversation that needs to be
19 held I think from our side and also from the
20 legislative side with the state because Sappas
21 workers provide a valuable service to the school,
22 so it is a normal unfortunate dance that we have
23 to go through as we conclude the budget process
24 and taking a look at what is happening at the
25 state level.

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CHAIRPERSON RECCHIA: Okay.

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Council Member Jackson?

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CHAIRPERSON JACKSON: Thank you,

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CHAIRPERSON RECCHIA: Before you

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go, I just want to recognize we have been joined

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by Council Member Gale Brewer. Go ahead--and

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Jumaane Williams.

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CHAIRPERSON JACKSON: And Fernando

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Cabrera, our colleague from the Bronx. So

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Chancellor, the school budgets from my

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understanding was released I think around May 24th,

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which my staff is saying school budget's increase

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air about 33 million dollars compared to fiscal

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'13. Principals my understanding will submit

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school budget proposals for approval through the

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normal approval process approved by DOE. They may

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also submit an appeal, my understanding to receive

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more funds for necessary services during the

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appeal process. So given the salary growth, which

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is normal how will the increased school budgets

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enable principals to hold their headcount flat

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from fiscal 2013 at the adoption?

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CHANCELLOR WALCOTT: As Mr. Tragale

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just indicated based on the step increase

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2 [phonetic], this year the step increase would be
3 rather modest itself, and so a number of the
4 schools will be able to basically hold headcount
5 as a result of that modest increase in the step.
6 Two, as we indicated in the testimony as well, a
7 number of our schools received an increase with us
8 raising the floor on fair student funding as well,
9 so you will see a number of our schools have
10 increased dollars as a result of that, and then
11 also as I indicated and Mr. Tragale indicated with
12 us holding - - those schools who would have had a
13 loss in Title 1 dollars as well and their budgets
14 will stay flat, so again, I think schools are in a
15 better position than ever before to plan as far as
16 headcount, and they may have to make some
17 decisions based on - - loss of census count, the
18 number of students at a school, but I think
19 schools will be able to plan a very rigorous way
20 around trying to maintain reduction if at all in
21 any loss of heads.

22 CHAIRPERSON JACKSON: So in the
23 appeals process will the Department of Education
24 prioritize schools that without additional funding
25 will lose a teacher or several teachers or school

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2 aides or guidance counselors or other critical
3 positions? That is an issue overall because you
4 talked about the reduction in federal funds and
5 that in fact there is not going to be any cuts in
6 the federal funds of Title 1 as a result of the
7 sequestration, but how are schools--how are you
8 going to protect schools that have to reduce five,
9 six teachers and/or layoff school aides and in
10 order to live within their budget has to increase
11 class sizes and cut other programs? How are those
12 schools going to be protected?

13 MIKE TRAGALE: When you refer to
14 the appeal process that is different from a
15 typical register law [phonetic] scenario. If a
16 school's register is decreasing clearly through
17 fair student funding, their resources are going to
18 decrease as well, and they have to right size
19 their programs because we have many schools with
20 register increases and clearly they need the funds
21 to support the additional teachers to support
22 kids. so when we talk about an appeal, it is
23 really when schools have completed their budgets
24 and we take a look, and it could be because they
25 are underfunded relative to the FSF formula. For

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2 instance as we said, we have brought schools up to
3 81 percent FSF, so if they are on the lower end
4 and we find out that they are unable to meet
5 contractual class size requirements or special ed
6 mandates that is when the appeal process kicks in,
7 and it is a very scientific process for the most
8 part. We actually compare similar schools in
9 terms of size. We look at the resources that
10 those schools have invested in various areas of
11 their budget, procession [phonetic], OTPS, what
12 their class size looks like. So it is a very deep
13 review of each school because you know, there is
14 not--we are always short money and the appeal
15 process ran about 35 million last year, so we have
16 to operate within our budget, so that is pretty
17 much how the appeal process works.

18 CHANCELLOR WALCOTT: And just for
19 context for you and the other Council Members as
20 well in that having the budgets out earlier than
21 ever before I think allows enough time for the
22 schools to do a deep analysis with superintendents
23 and the network staff in reviewing the information
24 which then gives them the time for the appeal
25 because sometimes they feel they are not getting

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2 the appropriate amount of support in one area or
3 another, and that is the reconciliation process
4 that will take place over the next several weeks,
5 so I think the early budget and also with DOE
6 saying that we are not going to cut title 1 we are
7 backfilling basically the money for Title 1 and
8 other areas gives them a leveler playing field
9 than they have had in the last number of years and
10 especially combining with that the minimal
11 increase or de minimus [phonetic] increase in a
12 step percentage for staff salaries, so I think
13 schools are in a position, but some schools may
14 suffer a register loss and therefore, they are
15 going to have to make--principals will have to
16 make very tough decisions and those are the
17 decisions that they work on with their school
18 community on how they want to prioritize.

19 CHAIRPERSON JACKSON: Who
20 determines whether or not a school files an
21 appeal? Who determines that? For example, can a
22 parents' association, can a principal or does it
23 have to be done by the superintendent or who can
24 initiate an appeal process?

25 MIKE TRAGALE: I mean typically we

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2 work with the principal of the school, they work
3 with the network, the network reviews the
4 financial metrics that we have which govern the
5 process, so they have some idea as to when a
6 school would qualify for an appeal, so we do have
7 a pecking order in terms of how those escalate
8 through the ranks, and then it is reviewed finally
9 by central.

10 CHANCELLOR WALCOTT: Let me just
11 answer you a little bit more directly. The
12 principal is in charge of her or his building, so
13 the principal is the one who really should be
14 talking to us around the appeal and they work in
15 reconciling as Michael indicated with the
16 appropriate bodies including the school community
17 bodies, so that includes the school leadership
18 team and working with the parent association, but
19 the principal is the one who is the person in
20 charge of the building, and they are the ones who
21 should be in charge of any type of questions that
22 are raised around the budget.

23 CHAIRPERSON JACKSON: Okay because
24 you talked about where the budget could be
25 negatively impacted if in fact the school register

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2 reduced by 100 children then obviously the formula
3 is reduced by 100. What happens if a school loses
4 all of this Title 1 funding and faces a reduction
5 of not replacing six teachers and school aids and
6 increasing class size?

7 MIKE TRAGALE: In terms of Title 1
8 we have had a grandfathering provision on the
9 books for the last 25 years, so in the case of a
10 school falling below that free lunch cutoff we
11 actually will provide the allocation the following
12 year so that gives them a planning opportunity to
13 actually downsize through the next school year so
14 there is no direct impact that following year.

15 CHAIRPERSON JACKSON: And what
16 about the following year after?

17 MIKE TRAGALE: The year after that
18 clearly--I mean during the year that we are
19 actually providing this grandfathering allocation,
20 they have the ability to ensure that their parents
21 are submitting the free lunch forms and that is
22 really why we give that grandfathering, so if they
23 fall below let's say the 60 percent cutoff if
24 there are 58 percent clearly with more outreach
25 that next year, there is a good chance they are

1
2 going to make that Title 1 cutoff, and then their
3 allocation would be restored.

4 CHAIRPERSON JACKSON: Okay.

5 CHAIRPERSON RECCHIA: Council
6 Member, excuse me. I just want to--we have the
7 Young Women's Leadership School from the Bronx
8 sitting in the balcony joining us.

9 CHAIRPERSON JACKSON: What grade?
10 8th grade? 6th grade.

11 CHAIRPERSON RECCHIA: We have the
12 Chancellor with us this morning, Dennis Walcott.

13 CHAIRPERSON JACKSON: Hi, girls.
14 Welcome to the Education expense hearing. We are
15 talking about the money that we provide to schools
16 to try to make sure that you get a good quality
17 education, so welcome to our hearing.

18 MULTIPLE VOICES: Thank you.

19 MIKE TRAGALE: So Councilman
20 Jackson, if I could just make one other point. In
21 terms of the average teacher's salary that I
22 mentioned the growth this year was 0.07 percent.
23 The average went from 73751 to 73802. Last year
24 it was close to a percent increase where we went
25 from 72025 in 12 to 73751 in 13. The other thing

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2 that I want everyone to be clear on, in terms of
3 fair student funding there is a one year lag in
4 terms of the school level impact, so clearly if a
5 school saw senior teachers, higher salary teachers
6 retire last year, for the most part they would see
7 a significant purchasing power increase this year,
8 so that is part of the fair student funding
9 methodology that was put in place back in fiscal
10 year '08.

11 CHAIRPERSON JACKSON: You mean
12 because the retiring teachers are at the highest
13 level and basically a brand new teacher will more
14 than likely come in around a little bit more than
15 half?

16 MIKE TRAGALE: Correct.

17 CHAIRPERSON JACKSON: Is that
18 correct?

19 MIKE TRAGALE: Yes.

20 CHAIRPERSON JACKSON: Let me switch
21 to another question concerning the EPPs. At the
22 preliminary budget hearing you could not provide
23 any study or evidence that eliminating the EPP
24 from bus contracts would result in savings;
25 however, now you have some contracts that include

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2 the EPPs and some contracts that do not include
3 the EPPs. In both cases the Department of the
4 Education pays for busing by the route. By
5 comparing similar routes, distance, size of buses,
6 et cetera, one could estimate the cost difference
7 between a route that is run by a company with an
8 EPP contract with a route that is operated by a
9 company with a non-EPP contract. Has the DOE
10 compared routes to determine if the elimination of
11 the EPP in fact results in the contract savings?

12 CHANCELLOR WALCOTT: I am not sure
13 of the exact question 'cause it is a rather
14 complicated question. Do you want me to respond
15 to the EPP?

16 CHAIRPERSON JACKSON: Well, it is
17 in relationship to the overall budget for the
18 Department of Education. As far as you cannot
19 meaning you the Department of Education did not
20 provide us with any study of evidence to show that
21 eliminating EPPs would result in cost savings, and
22 so this is an expense hearing--

23 [crosstalk]

24 CHAIRPERSON JACKSON: Now that
25 there are some contracts without and some with, I

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2 want to know whether or not you have made a
3 determination based on factual data that there is
4 a cost savings or not a cost savings one way or
5 the other.

6 CHANCELLOR WALCOTT: Sure, so at
7 the February hearing, I said it was illegal to
8 include the EPP in the bus bid, and that is what
9 the court of appeals decided, and that is totally
10 different than keeping EPPs in existing contracts
11 or extending contracts with EPPs. The past
12 contracts that are being extended were already
13 awarded a long time ago with the EPPs and it would
14 be difficult to attempt to change the terms of
15 those contracts now, and so that is why we were
16 focusing on our energies on terms of new
17 contracts, and so those are the new contracts that
18 we let out for BID and as I have indicated both in
19 my testimony and in prior discussions we had the
20 preliminary information in going to the heart of
21 your question and with the contracts that we did
22 let out for new bids, they are showing projected
23 savings of 100 million dollars over a five year
24 period of time. We have analyzed the information.
25 It was the first time that bids were put out in

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2 over probably 33, 34 years, and now we are waiting
3 for those contracts to be registered, and then
4 once the contracts are registered then we will
5 have savings in place to show exactly what you
6 just asked me that as a result of the bidding
7 process we were able to achieve savings and as new
8 contracts are let out then we will be able to
9 determine whether savings are thee. Office of
10 Pupil Transportation does an expert job in
11 analyzing information and determining the
12 potential opportunities for savings and also
13 maintaining high standards for the companies that
14 employ the workers that drive the buses and who
15 are the matrons as well. And so the results quite
16 frankly is the result of the bids that have been
17 let and those bids that have come back that will
18 save the system 100 million dollars over a five
19 year period of time.

20 CHAIRPERSON JACKSON: Is all of
21 that in the capital budget or is that part of the
22 expense budget?

23 CHANCELLOR WALCOTT: Expense.

24 CHAIRPERSON JACKSON: Then let me,
25 Chancellor, you had in response to my question

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2 just now talked about the court of appeals, and
3 let me just read to you--I am quoting to you what
4 you stated at the hearing that we held in February
5 and you said "based on the New York State Court of
6 Appeals ruling last year, it would be illegal for
7 the DOE to include an EPP in this busing bid."
8 Chancellor, I am quoting from the testimony that
9 you gave.

10 CHANCELLOR WALCOTT: I just read it
11 to you. That is what I said.

12 CHAIRPERSON JACKSON: I am reading
13 to you what was quoted at the hearing. Even
14 though I didn't know that you were actually
15 reading from the testimony that you gave, but I am
16 just saying I am reading from the testimony that
17 you just gave in February. I am quoting exactly
18 what you said, and I say to you, Chancellor, that
19 you are incorrect. They never ruled that it would
20 be illegal for the DOE to include EPPs in the
21 busing bid, and in fact Chancellor, because we are
22 talking about the expense budget, you know that
23 the corp counsel because of a case that was filed
24 by busing companies to eliminate the EPPs the city
25 of New York said in their response to that lawsuit

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that nowhere did the court of appeals rule that the EPPs are illegal. Now if that is the case of what city of New York said to the courts and if in fact what you said back in February is true, somebody is lying.

CHANCELLOR WALCOTT: Nope, not at all. I resent the question in that regards. Let me again read to you what I just said.

[crosstalk]

CHANCELLOR WALCOTT: I don't like being called a liar.

CHAIRPERSON JACKSON: Okay. That is good and I can understand you not being-- I didn't say you. Someone is.

CHANCELLOR WALCOTT: Obviously I am standing before you.

[crosstalk]

CHAIRPERSON JACKSON: The city of New York is saying in the lawsuit that EPPs are not illegal. You said--

CHANCELLOR WALCOTT: [interposing]
For existing contracts.

[crosstalk]

CHAIRPERSON JACKSON: You said it

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would be illegal for the DOE to include an EPP in the busing bid.

CHANCELLOR WALCOTT: Nope. Let me read to you again. It was illegal to include the EPP in the bus bid. The bid itself, not the existing contract. The bus bid is what I said, and you read that. Bud bid.

CHAIRPERSON JACKSON: And you and I know that that is not true. It not illegal--

CHANCELLOR WALCOTT: [INTERPOSING]
Sir, we obviously have a disagreement along that line because the corp counsel was responding to existing contracts and that is why I was very specific in what I said just now. We have been through this debate back and forth.

CHAIRPERSON JACKSON: No, it's not a debate, Chancellor--

CHANCELLOR WALCOTT: [interposing]
You have your opinion. I have my opinion, sir.

CHAIRPERSON JACKSON: Let me say to you it is my opinion--

CHANCELLOR WALCOTT: We have saved the city 100 million dollars over five years.

CHAIRPERSON JACKSON: You have not

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proven that, Chancellor, that you have saved--

[crosstalk]

CHAIRPERSON JACKSON: Because it's registered you and I know it doesn't mean that you saved anything, Chancellor, that is why--

[crosstalk]

CHAIRPERSON JACKSON: The City Time contract the mayor would say that it would only X; it cost us over 800 million dollars that people stole.

[crosstalk]

CHANCELLOR WALCOTT: We are talking about bus contracts that have not been let in 34 years. that was irresponsible to the city. We let bus contracts out savings are projected 'cause I always say projected to be 100 million dollars over a five year period of time.

[crosstalk]

CHAIRPERSON JACKSON: You haven't saved anything. That is projections, Chancellor.

CHANCELLOR WALCOTT: Say that again?

CHAIRPERSON JACKSON: You have not saved anything. It is only projections over five

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years.

CHANCELLOR WALCOTT: The contracts haven't started yet, Councilman. Chair, the contracts have not started yet. Once the contracts start then we will see. We are projecting 100 million dollars over a five year period of time. With the bids that we let out before then, we projected a savings of 95 million dollars over a five year period of time, and we are seeing those savings. Why are you opposed to saving money?

CHAIRPERSON JACKSON: No one is opposed to saving money, Chancellor.

CHANCELLOR WALCOTT: Well, that is the way it seems.

CHAIRPERSON JACKSON: No. No what it is--

[crosstalk]

CHANCELLOR WALCOTT: We did something that was responsible. We let a contract out that had not been bid out in a 34 year period of time and based on projected savings, we will save the city 100 million dollars on those contracts over a five year period of time that

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2 will go back directly to our schools. Again,
3 listen this is not a PEP [phonetic] meeting, this
4 is a City Council, so where is your sergeant at
5 arms 'cause I am here testifying before you, not
6 hearing side comments.

7 CHAIRPERSON JACKSON: Ladies and
8 gents of the audience, please do not comment on
9 the discussion.

10 [crosstalk]

11 CHANCELLOR WALCOTT: But be that as
12 it may with it being an expense hearing, the goal
13 is and you have challenged me on this, all of the
14 members as far as taking a look at contracts and
15 where we save money. This is a contract that we
16 let out that had not been let out in the 34 year
17 period of time, and we are projecting to save 100
18 million dollars over a five year period of time
19 and this will go directly into the schools. What
20 is wrong with that? There is nothing wrong with
21 that. We are going to maintain the safety of the
22 buses. Our OPT, Office of Pupil Transportation
23 does an outstanding job. I am not clear on what
24 the issue is as far as saving money that will
25 benefit our schools over a long period of time in

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2 a contract that had been calcified over a 34 year
3 period of time having never been let before.

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CHAIRPERSON JACKSON: Let me be
5 very clear then. No one to my knowledge is
6 opposed to saving money. Let me be very clear
7 straight upfront, but clearly, Chancellor, from my
8 perspective and that is why the delay in my
9 opinion it goes to the honesty and integrity of
10 you testifying at the previous hearing--

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CHANCELLOR WALCOTT: [interposing]
12 What delay? When you say delay, delay connected
13 to what?

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CHAIRPERSON JACKSON: Relating to
15 this whole issue that we were just discussing for
16 the past five minutes.

17

[crosstalk]

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CHAIRPERSON JACKSON: I am talking
19 about the honesty and integrity of testimony at a
20 hearing, that is number one thing, because we
21 disagree.

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CHANCELLOR WALCOTT: But you said
23 delay. I am trying to figure out the context of
24 the use of your word delay.

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CHAIRPERSON JACKSON: Delayed this

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morning in the opening of the hearing.

CHANCELLOR WALCOTT: - -

CHAIRPERSON JACKSON: But also from my perspective, Chancellor, as the Chair of the Education Committee, put this aside for a second as far as what we are discussing. Even before when the Department of Education had a consultant to do the study in which we paid millions of dollars to reroute buses, which was a sham, and it was a total mistake, and I think that we all would agree with that. You have people out standing in the cold for hours, so please I understand what your projected savings are, but you and I know those are projections and those projections could be wrong, and they have been wrong before with studies that you have put out.

CHANCELLOR WALCOTT: - - We are going back and forth on this, but the goal was and still is to let out contracts to allow for a competitive process to start so that way we can see if there will be savings. Based on that goal being realized and letting a contract out that had not been let out for a long period of time, we are projecting savings of 100 million dollars over a

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2 five year period of time. Right now those
3 contracts at the comptroller's office hopefully it
4 will be registered and then those contracts will
5 take effect and then we will see the results of
6 that, but at the same time it would be
7 irresponsible on our part not to let out those
8 contracts to see if there is savings. You
9 bringing up something which I have been personally
10 saying we made a mistake in way back when--how
11 long ago was that, Councilman, Chair? That was
12 eight, nine years ago. We are in 2013 now. We
13 have learned from that. That also provided a
14 foundation for us to get to this particular point
15 in time, so we are going to have a separate
16 conversation around bus contracts, I would be glad
17 to do that, but the goal is to make sure we pump
18 as much money back into our schools and what I
19 indicated in my testimony both through contract
20 savings and also tightening up on central
21 administration we have been able to hold schools
22 harmless when there are mid-year cuts. We have
23 not, and you know this, we have not cut our
24 schools in the last couple of years mid-year, and
25 that is as a result of the historic reductions

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2 that we have made in central administration where
3 central administration now for a 25 billion dollar
4 budget is roughly 266 million dollars.

5 CHAIRPERSON JACKSON: Okay,
6 Chancellor, this is not a hearing about the EPP
7 and what have you. There is only one aspect of
8 the larger things regarding the expense budget. I
9 just say to you that one issue though is an issue
10 of contention, not as far as what your projected
11 cost savings are; it is an issue overall because
12 it impacts the expense budget.

13 CHANCELLOR WALCOTT: In a positive
14 way.

15 [crosstalk]

16 CHANCELLOR WALCOTT: --we let it
17 out and then it is going to cost us 200 million
18 dollars more in expenses. We are talking about
19 savings that we are plowing into our schools, and
20 that is directly correlated to this expense
21 hearing because we are talking about how we put
22 money into our schools and this is one example of
23 us putting money into our schools.

24 CHAIRPERSON JACKSON: Good. And
25 you know, I just wish that you - - the resources

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2 in and to go after and get all of the Medicaid
3 money that we are entitled to, and don't blame UFT
4 for the Department of Education to recoup the
5 money that you are entitled to. Here is the
6 bottom line is that the contract in order to
7 recoup the money does not depend on UFT. It
8 depends on you doing your work and doing your
9 homework to recoup hundreds of millions of dollars
10 that the city of New York is entitled to, so don't
11 blame UFT.

12 CHANCELLOR WALCOTT: Wow, I didn't
13 know you were protective of the UFT.

14 [crosstalk]

15 CHANCELLOR WALCOTT: --going after
16 the UFT. We as I indicated in my testimony are
17 taking a look at a variety of ways of going after
18 the Medicaid reimbursement, and we also will
19 identify those who obstruction us in trying to get
20 the Medicaid reimbursement. We have taken a look
21 internally as far as how we tighten ourselves up
22 to make sure we do the appropriate number of
23 claims and have those claims in place. We
24 indicated and I indicated in my testimony around
25 the state and their putting something on the table

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2 that will hurt us in the long run around parent
3 consent forms, and I specifically talked about the
4 UFT in the context of speech therapists, and that
5 is something that the UFT and DOE do not agree on.
6 So if the UFT and the DOE don't agree on a
7 particular issue, - - mention it in the context of
8 Medicaid reimbursement. When I have to take a
9 look internally of doing something, I will take a
10 look at that from a management perspective of how
11 we do it, and the same with the state, so again,
12 the UFT and I we agree on things, we don't
13 disagree on things.

14 CHAIRPERSON JACKSON: I agree with
15 you, but the--

16 CHANCELLOR WALCOTT: [interposing]
17 To single out my raising the UFT versus raising
18 the state or what we are doing internally as far
19 as how we claim Medicaid I just find unusual.

20 CHAIRPERSON JACKSON: But
21 Chancellor, the only point that I am making here
22 is that the Medicaid reimbursement depends on the
23 New York City Department of Education doing
24 everything that it is required to do in order to
25 recoup the reimbursement that the city of New York

1
2 is entitled to. That process does not include the
3 United Federation of Teachers. If UFT agreed in
4 order to do certain things to recoup the money
5 faster, that is a different story, but it does not
6 require UFT to be a partner in that, and what I am
7 saying - - point that I am making is the
8 Department of Education needs to do their homework
9 in order to recoup all of the money that we are
10 entitled to, which would be hundreds of millions
11 of dollars more that could go to our city's
12 schools.

13 CHANCELLOR WALCOTT: Mr. Chair,
14 with all due respect, I thought I was testifying
15 about our schools and not the unions itself,
16 whether it's the bus union or the UFT--

17 [crosstalk]

18 CHANCELLOR WALCOTT: --and that is
19 what I have been testifying about is money to our
20 schools directly, and I will be the first to say
21 when we need to do a better job and always we need
22 to do a better job around Medicaid reimbursement,
23 but I will also identify when there are hindrances
24 in us doing our job itself, and so that is what
25 this is about. It is directly about our schools

1
2 and not about unions whether it is the bus union
3 or the UFT - - or the state inhibiting us in doing
4 our job properly as far as Medicaid
5 reimbursements. Now if you would like us to talk
6 about some of the things that we are doing around
7 Medicaid reimbursement and how we are up in our
8 game then I will be glad to do that, but at the
9 same time, this is not a support system for the
10 UFT. It is not a support system for the buses
11 union. This is about our schools and how we are
12 looking at plowing money into our schools
13 directly, and I will be glad to talk about that.

14 CHAIRPERSON JACKSON: Let's talk
15 about it. All of the hundreds of millions of
16 dollars that DOE failed to recoup, talk about
17 that.

18 CHANCELLOR WALCOTT: Before Michael
19 responds, I really---

20 CHAIRPERSON JACKSON: [interposing]
21 You are saying, it is not about UFT. You are
22 right. It is not about UFT. It is not about ATU
23 Local 1181 [phonetic]. It is about DOE. It is
24 about the expense budget and recouping all of the
25 monies that we are entitled to that will go to our

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2 schools. I talked to people this morning where
3 they are going to lose teachers, lose school aides
4 and going to have a negative impact on our
5 children's education.

6 CHANCELLOR WALCOTT: Just to
7 respond to that specifically then Michael can
8 definitely respond to the issue of what we are
9 doing with Medicaid, if there is a school that
10 feels they are going to lose a sizeable number of
11 teachers and school aides, then they have
12 reconciliation process that they are going through
13 right now that should either minimize or eliminate
14 that concern. Again, as I indicated in my
15 testimony and also in the question and answer
16 period that Michael indicated that the step
17 increase this year is relatively flat, and we have
18 been pretty good--I thought we were bringing a
19 fairly decent budget to the Council Education
20 Committee as far as making sure that we dealt with
21 Title 1 issues as well and dealing with federal
22 sequestration dollar cuts as well and trying to
23 make sure we protect our schools, and I also
24 indicated in my testimony how we essentially have
25 cut within central to reduce our central

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2 administrative dollar figure to its lowest level
3 to my knowledge in history, definitely under this
4 administration. It is all about the schools, and
5 that is what we are about.

6 CHAIRPERSON JACKSON: I am going to
7 take a breather, and go on to my colleagues, so I
8 will come back to the specifics on Medicaid.
9 Okay? Thank you.

10 CHAIRPERSON RECCHIA: I just want
11 to say one thing, Mr. Chancellor, dealing with
12 those bus contracts and saving the money, we all
13 want to save money, but these are projections that
14 you are making that is going to save a 100 million
15 dollars, so if these are projections, they could
16 be wrong, they could be right, then we should wait
17 to see what the outcome is next year to see how
18 much we were able to save, and I know that you put
19 out another RFP for another one-third of buses
20 whose contracts are not up until the following
21 year. What is troubling to this body in saving
22 money is that we don't know if those projections
23 are going to be correct or not, so what we are
24 asking is that you pull back that RFP, let's wait
25 to see what the projections are and if you are

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2 correct, then we can move forward, but to do it
3 this way is that we could be stuck if things don't
4 work out the way you are saying, future mayors
5 could be stuck in, left with bad contracts.

6 CHANCELLOR WALCOTT: Let me just
7 respond directly. We are not going to pull back
8 the RFP that we put out on the street, and that
9 again, I am being very frank and honest in saying
10 these are projections, but the reality is we have
11 a responsibility to release contracts. We cannot-
12 -

13 CHAIRPERSON RECCHIA: [interposing]
14 I agree with you, but what we are saying is if
15 these projections are wrong, okay, and they are
16 not saving us a 100 million, but it could be a
17 little bit more expensive then we are putting out
18 another bunch of bids out there that could cost
19 the future budgets more money instead of just
20 waiting to see what the outcome is. Let's see
21 what happens next year. Let's see if these
22 projections are correct. That is what I don't
23 understand. Why are we so in a rush to put out an
24 RFP for one-third of contracts that are not up
25 until next year. Let's wait to see how good we

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2 did this year, and if you are correct, then we
3 move forward. Why are we going to do this and
4 like we said, we want to save money. We want to
5 save money, but we want to be right that we are
6 going to save this money.

7 CHANCELLOR WALCOTT: Sure. So
8 again, I am not going to withdraw those bids, and
9 again, it gives us proper planning time and again,
10 the future mayor and the future chancellor can do
11 whatever they are going to do, but we still have a
12 responsibility to run the system and we're going
13 to run the Department of Education.

14 CHAIRPERSON RECCHIA: Okay. We
15 have been joined by Council Member Greenfield, and
16 we recognize Council Member Barron. Five minutes,
17 Charles.

18 COUNCIL MEMBER BARRON: I just
19 resent that you emphasize five minutes when it is
20 my turn. It's a conspiracy amongst my colleagues.
21 Chancellor, I think that it would have been
22 helpful 'cause let's just be real, some people do
23 think you lie. Some people do think the
24 Department of Education lies. So it would have
25 been better to be sworn into the truth, and when

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you resist that, it only creates either a perception or a reality--

CHANCELLOR WALCOTT: [interposing]

It would be nice to communicate something beforehand.

COUNCIL MEMBER BARRON: It deepens people's belief in you delivering the trust if you can't swear, be sworn in, which is a simple process.

CHANCELLOR WALCOTT: I have testified before this body how many times? I have been the most upfront person--

[crosstalk]

CHANCELLOR WALCOTT: Now there seems to be a correlation to the bus bid and people saying I lie, but beyond that in my 12 years or 11 and a half years coming before this body, I have never ever heard that accusation.

COUNCIL MEMBER BARRON: Well, if you don't lie then just be sworn in.

CHAIRPERSON JACKSON: One second please. We are trying to listen to both of you, so if we don't mind, please one at a time, so that we can hear what is being said.

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2 COUNCIL MEMBER BARRON: Well, I was
3 making a statement. I didn't ask him a question.

4

CHANCELLOR WALCOTT: Well, I am not
5 going to have that word used and I am not going to
6 respond.

7

COUNCIL MEMBER BARRON: We can use
8 any words we want.

9

CHANCELLOR WALCOTT: You can, and I
10 can respond - - I want. We do all the time.

11

COUNCIL MEMBER BARRON: You lie
12 sometimes.

13

[crosstalk]

14

COUNCIL MEMBER BARRON: Your total
15 contracting budget actually increased. Correct?
16 The total contract budget there has actually been
17 a slight increase.

18

MIKE TRAGALE: Yes. It increased
19 slightly, very slightly. Most of that is related
20 to charter growth as well as public school
21 contract costs.

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COUNCIL MEMBER BARRON: Right, but
23 that contracting budget increased to over five
24 billion dollars, so it is not like you are saving
25 any great money for the city and I do believe, and

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2 I am going to say this that our major concern is
3 always the children first, and the people who
4 affect children's lives are teachers. That is why
5 we support when they are right, the UFT, and we
6 don't have to be defensive because you are saying
7 we are supporting the UFT. We do support our
8 teachers and we do support our transportation
9 workers, people who transport our children to
10 school. We support them because they are not just
11 transportation bus drivers. They sometimes settle
12 children down buses, they sometimes prepare these
13 children for learning once they get inside, so I
14 do support them. And we should support them. And
15 what you did and the system did by going to this
16 bidding process and forcing them I believe on
17 strike and forcing them to lose job security is
18 despicable and disgraceful, and you don't even
19 have to respond to that, but for the contracting
20 budget, when are we going to cut the contracting
21 budget? It keeps increasing and increasing, and I
22 don't mean picking on the most vulnerable workers
23 in the contract like school aide workers. One
24 year we had to fight to have them put, and I think
25 now they still may lose a half an hour of their

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time. Is that still in it?

MILE TRAGALE: No.

COUNCIL MEMBER BARRON: Right, well, we had to fight to put that back in, but that was part of a plan to lose--it seems like anytime we come to contracting we go to the most vulnerable workers within the system to try to save money. What can we do with this contracting budget--I mean five billion dollars, and I know some contracting services is needed like transportation and like food services and other kinds of contracting, but it seems to me when we are looking at what needs to go into classrooms and we are looking at sometimes whether school aide workers or teachers or attrition that it seems to me there has got to be something in this contracting budget that could be cut other than the most vulnerable.

CHANCELLOR WALCOTT: Michael will respond, but in fairness to you, Council Member, I know that has been an issue you have raised year after year before these hearings, so I respect your question as far as you have been consistent in raising that. Michael?

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MIKE TRAGALE: Sure. Thank you.

In terms of this five billion dollar budget, over a billion of it is related to our charter schools, which are public schools. An additional two billion is money that is spent by our public schools for professional services, teacher professional services as well as education consultants for dance, music and art. That money is well spent. That makes up 63.3 percent of that five billion dollar pie.

COUNCIL MEMBER BARRON: Let me just respond to that part first if I may. You say well spent--consultant services. I have been in some of the schools and I have met with some of the consultants, and to be honest with you most of them are young, white professionals that are coming to a lot of my East New York schools that are consultants, and they are not professional and they are clueless in my opinion on what needs to be done to educate and to help educators. They are totally clueless, but they are making millions and millions of dollars in contracts. I don't think it's well spent.

MIKE TRAGALE: Our principals are

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2 empowered to determine which consultants they
3 hire, and that was a big change. The Chancellor
4 mentioned that in his testimony, so you know, our
5 principals they run these schools, and they have
6 the authority to choose whether they bring in a
7 dance ensemble - - or if they are bringing a
8 professional service vendor.

9 COUNCIL MEMBER BARRON: They are
10 presented contractors 'cause certain people--

11 CHAIRPERSON RECCHIA: [interposing]
12 Council Member, you have to sum up.

13 COUNCIL MEMBER BARRON: --people
14 have to be clear. Let me sum up with this then.
15 They are presented the contractors, and they
16 choose from that. They can't choose any
17 contractor they want, but anyway, let me sum this
18 up. Chancellor, you always mention the success of
19 the school and what you leave out is probably the
20 most important thing to measure impact and
21 success, and that is the college preparedness.
22 You always leave that out of your testimony 'cause
23 it wasn't in here now at all. You can check. It
24 wasn't mentioned at all. And I think the reason
25 why you leave that out because that is where the

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2 greatest failure is. It doesn't matter if 66
3 percent of the graduates or the graduate rate is
4 66 percent if only 13 percent of the black and
5 Latino students in the system are prepared for
6 college or a career, and if 85 percent of them if
7 they go to CUNY need remediation. So even if you
8 increased it from ten percent preparedness to 13
9 percent when you have ten years and over 150
10 billion dollars and you go from 10 percent to 13
11 percent of black and Latino students, which means
12 those youngsters that were up here before 87
13 percent of them will not be prepared for college
14 under your system. That is a dismal failure of
15 mayoral control, and as far as the charter
16 schools--

17 CHAIRPERSON RECCHIA: [interposing]
18 Alright, Charles.

19 COUNCIL MEMBER BARRON: I am going
20 to wrap it up right now. A billion dollars for
21 charter schools they are not public entities; they
22 are private entities using public money.

23 CHAIRPERSON RECCHIA: Then we will
24 hear from Lew Fidler next.

25 CHANCELLOR WALCOTT: Let me have

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2 Shael respond directly, but one of the things that
3 I talked about, and you are correct. I didn't
4 have the specific numbers, but I have talked about
5 that and we talk about that on a regular basis and
6 we don't hide from that because we introduced the
7 college and career readiness metrics itself. We
8 are the ones who started to talk about what it
9 will take in the alignment with CUNY around
10 college and career readiness and the figures, both
11 the figures from the Department of Education as
12 well as the state figures, and so Shael can go
13 into more detail because it is a very, very
14 appropriate question to ask.

15 COUNCIL MEMBER BARRON: 13 percent
16 is 13 percent.

17 CHAIRPERSON RECCHIA: Alright,
18 Charles, let him answer your question and then we
19 will move on to Lew Fidler.

20 SHael SURANSKY: The number
21 actually that you are quoting, the 13 percent for
22 black and Latino youth, was a year old. It has
23 gone up since then to 15 percent, which is
24 unacceptably low as well. The total number has
25 more than doubled under this administration both

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2 for black and Latino youth as well as for kids
3 overall, and I think that it is an important
4 statistic that we created because we feel that in
5 order for kids to really succeed beyond high
6 school we need to track this data and hold people
7 accountable for it, and the fact that it has
8 doubled under our watch is a beginning, and I
9 think the challenge is how is it going to double
10 again. What is going to have to change in how we
11 teach and what we teach in order to see that
12 number double again? I'd also note that
13 nationally in the college readiness data black and
14 Latino kids are at five or six percent, and
15 nationally the overall rate is around 25 percent.
16 So New York City is actually closing that gap, and
17 it has a long way to go, but I have yet to hear
18 many proposals about what we are going to do to
19 double it again.

20 CHAIRPERSON RECCHIA: Okay. Lew
21 Fidler.

22 COUNCIL MEMBER FIDLER: Thank you.
23 Since we are all being so honest, I can't sit here
24 and not say that I find my colleague's reference
25 to the race of the consultants as to being

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2 offensive as using the word as a pejorative and
3 quite frankly, I am not going to sit here and
4 stand for that without calling it what it is,
5 which I believe is racist. I have the floor now.
6 You had yours. Second, I do want to say,
7 Chancellor, Deputy Chancellor, with all due
8 respect to our chairs, I don't need you to put
9 your hand to God for me to believe you. I take
10 you at your word. The problem I have of course is
11 that I am not drinking the Kool Aid and I don't
12 agree with your policies. So I trust that what
13 you are saying you believe, and I have never been
14 lied to by other of you, and I don't expect that
15 it will start, but I do in fact know we draw a
16 line at your opinions. That is where we disagree.
17 Now unfortunately my colleague, Mr. Barron, raises
18 an important budget issue, and I just want to ask
19 you whether it is possible or whether you have
20 given the Council a list, an ad seriatim list of
21 the contracts that make up the contract budget?

22 MIKE TRAGALE: I know that the
23 Council actually shared that in the preliminary
24 hearing, all of the contract budgets.

25 COUNCIL MEMBER FIDLER: So we have

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that?

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MIKE TRAGALE: Yeah, I believe you have that, and if it is needed certainly counsel of Finance could reach out, and I just wanted to - - I mentioned 63.3 percent of the pie is for public schools and charter schools. The balance of 35.2 percent of that contract budget is for our non-public schools, our pre-K special ed schools, schools serving our most severely handicapped youngsters. In terms of the central piece of this pie it is only one and a half percent, 75 million dollars.

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COUNCIL MEMBER FIDLER: I have a limited amount of time, Mr. Tragale. I apologize.

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CHANCELLOR WALCOTT: So Council Member, just one context question in response to your question in that we--

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COUNCIL MEMBER FIDLER: The response to your question is we have it.

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CHANCELLOR WALCOTT: That is what Michael said, but also we have a process in place where we sit down with Council staff on a regular basis and aside from last month, the Chair, his staff and my staff try to meet once every quarter

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2 or so to go over--once every two months to go over
3 any outstanding questions. So any issues,
4 questions, material, we go back and forth and
5 share that, so there is an ongoing regular
6 dialogue and I don't want the impression to be--

7 COUNCIL MEMBER FIDLER:

8 [interposing] I am going to have to cut you off
9 because I have two and a half minutes. Is there a
10 material change in the contract budget between the
11 preliminary and the exact?

12 MIKE TRAGALE: Very small as I
13 indicated before.

14 COUNCIL MEMBER FIDLER: Could you
15 give us in the next few days whatever the changes
16 are? I guess it's my responsibility as a member
17 of this committee to get from the staff a list of
18 the contract budget and to see whether or not the
19 reality and the rhetoric match each other, whether
20 or not in fact we see places where your contract
21 budget could come down rather than sit here and
22 argue about it in the stratosphere someplace, and
23 just say it should come down without telling you
24 where, so we have the information. I would like
25 to do that.

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2 MIKE TRAGALE: Absolutely, and just
3 remember, a big portion of this is school food
4 services, transportation costs.

5 COUNCIL MEMBER FIDLER: I
6 understand. Now let's talk for a second about
7 transportation the obligation of DOE to provide
8 transportation in non-public schools. When we
9 were last here, Council Member Greenfield and I
10 had been discussing with Deputy Chancellor Grimm a
11 different way of providing that service. In the
12 interim the state legislature has imposed a new
13 obligation I believe on you, and you promised me
14 an answer as to the conversation we had been
15 having with Deputy Chancellor Grimm, and the
16 answer came back as we don't know yet because the
17 state legislature--

18 CHANCELLOR WALCOTT: [interposing]
19 Now I can give you an answer.

20 COUNCIL MEMBER FIDLER: I guess I
21 am asking now is when am I going to get an answer
22 and since we have this obligation now we have to
23 come to a conclusion, right?

24 CHANCELLOR WALCOTT: So, I am going
25 to give you an answer. So on or about June 7th of

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2 this year, the Office of Pupil Transportation will
3 publicize the after 4 p.m. busing program on its
4 website, and then schools must inform OPT by June
5 28th that they want after four busing. They must
6 also inform OPT whether they want after four
7 busing to be provided by the current DOE vendors
8 or whether they will want to receive reimbursement
9 for their own vendors. So we have now taken that
10 on and again, June 7th, it will be on the website,
11 and they have until June 28th to respond, and then
12 the after four busing will be in place.

13 COUNCIL MEMBER FIDLER: It sort of
14 sounds to me that you are doing exactly what
15 Council Member Greenfield and I were asking for.
16 I am just kind of wondering why we never got that
17 answer because we would consider that good news.
18 I know people like to usually give good news.

19 CHANCELLOR WALCOTT: Again, I do
20 not know about any direct conversations to you
21 aside from the testimony in the hearing, but we
22 prepared to give you the answer and we just
23 finished negotiating it and we had to get advice
24 of counsel and all of that, and as you know, the
25 state legislature did the appropriation and how we

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2 are going to finance it because some of that we
3 are bearing the cost for as well, so it is an
4 unfunded mandate coming from the state that we are
5 picking up, but we are going to put it in place,
6 and again, starting June 7th information will be on
7 the website.

8 COUNCIL MEMBER FIDLER: Councilman
9 Greenfield and I will follow up with Deputy
10 Chancellor to get the specifics of that, and my
11 final question is a very brief one, and I think
12 you can answer it pretty quickly. It is not your
13 budget, but it is a matter of the budget. Right
14 now the executive budget decimates after school
15 programs in the city. Two-thirds of our kids are
16 going to be thrown out of their after school
17 program. Could you detail for me what your
18 opinion that will do to the educational outcomes
19 in our school?

20 CHANCELLOR WALCOTT: I know that
21 the--I would assume the Council and the executive
22 side of City Hall are working on the budget and
23 what the final budget presentation will be. I
24 know Mark Page is testifying tomorrow, and
25 hopefully there will be some reconciliation as far

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2 as those outstanding items, and what we have tried
3 to do is have a very close partnership with my
4 colleague, Jeanne Mullgrav, the commissioner of
5 DYCD as far as the alignment of after school
6 services with the Department of Education and so
7 we look forward to hearing the results of the
8 discussion through the budget process and will be
9 prepared both through summer school, through OST,
10 which you were part of and I was part of when I
11 was deputy mayor to have our alignment continue as
12 we move forward.

13 COUNCIL MEMBER FIDLER: But if it
14 is not restored, what will the impact--

15 CHANCELLOR WALCOTT: [interposing]
16 I can't give you a reaction based on something
17 that may or may not be. That is something--

18 COUNCIL MEMBER FIDLER: But your
19 projected--

20 CHANCELLOR WALCOTT: I think your
21 discussion needs to take place with the Department
22 of Youth and Community Development. I know Jeanne
23 testified before the committee, and so I would
24 leave that up to our very talented commissioner
25 and the City Council staff to resolve.

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CHAIRPERSON JACKSON: Thank you, Council Member. Before we turn to our colleague, Letitia James, Chancellor, with respects to this after school 4 p.m. busing rules and regulations that are going to come out, is that for all students city wide that attend after school programs after four o'clock or is it only for a specific grouping of students depending on where they live or what schools they attend?

CHANCELLOR WALCOTT: Just so I can give you the detailed information let me read to you what it actually means. According to the newly enacted Section 3,627 of the Education Law DOE must provide new busing options for pupils in grades K through 2 at least one and a half miles from home to school and in grades 3 through 6 at least one mile from home to school who attend school from 9:30 a.m. or earlier for regularly scheduled academic classes through 4 p.m. or later after 4 busing. As described below, schools that are eligible for after 4 busing may receive it in one of two ways, either by using a DOE current vendor or if schools can provide this service more cost effectively then DOE vendors

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2 schools can be reimbursed for the use of their own
3 vendors. Funding for these programs is limited,
4 so the event that the demand exceeds the cost
5 limits of this legislation the only partial
6 service will be provided; therefore, limited
7 number of days or reimbursement at a fraction of
8 eligible costs to all schools eligible for this
9 service. So that is the way the law reads.

10 CHAIRPERSON JACKSON: That is the
11 way the law reads because what you just read it
12 says children that receive academic instruction up
13 until four o'clock. I guess my question is that
14 many of the children in the New York City public
15 schools that attend after school programs at their
16 school--

17 CHANCELLOR WALCOTT: [interposing]
18 This is not for those. I can be corrected, but
19 these are not for after school. These are who are
20 getting education itself after four, academic
21 education, not after school programs.

22 CHAIRPERSON JACKSON: So you mean
23 continuous like if our kids went to school from
24 instead of 2:45 or 3 o'clock if they were going to
25 school to 4, 4:30, they would be entitled to the

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busing.

CHANCELLOR WALCOTT: If they were getting academic services through a regular school, then yes.

CHAIRPERSON JACKSON: Okay, so even in an after school program where they are doing homework and other stuff, that is not eligible?

CHANCELLOR WALCOTT: It does not qualify based on the law.

CHAIRPERSON JACKSON: Let us turn to our colleague, Letitia James, but we have been joined by our colleague, Oliver Koppell, of the Bronx. Letitia James?

COUNCIL MEMBER JAMES: Thank you. Good afternoon, Chancellor.

CHANCELLOR WALCOTT: Good afternoon. Is it afternoon? It sure is. Time flies when you are having fun. Yes, ma'am. Good afternoon.

COUNCIL MEMBER JAMES: Good afternoon. Let me first congratulate you on your proposal to change how the administration and schools deal with bullying. I support the proposal and would hope that the PEP moves forward

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on those proposals.

CHANCELLOR WALCOTT: Thank you very much.

COUNCIL MEMBER JAMES: You're welcome. The last time you and I met we had a heated discussion over EPPs and I understand that there was an earlier discussion with the chair regarding EPPs, but I am very much perturbed by the fact that I have read legal papers, and it indicates clearly the administration has indicated that EPPs are not illegal, not per se illegal and in fact, I have read also a report from KPMG in 1995 which indicates that there is no evidence that EPP costs any additional funds to this administration. So my question is, do you still take the position that EPPs are illegal?

CHANCELLOR WALCOTT: I will repeat what I said before because we just litigated that in our discussion earlier, and I will repeat what I said back in February. At the February hearing, I said it was illegal to include the EPP in the bus bid. That is what the court of appeals decided. That is different than keeping EPPs and existing contracts or extending contracts with

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EPPs and so that is the difference of the two.

COUNCIL MEMBER JAMES: So Mr. Chancellor with all due respect that is a distinction with really not much of a difference.

CHANCELLOR WALCOTT: A bid versus an existing contract is a difference, and let me again, we just have an interpretation difference.

COUNCIL MEMBER JAMES: No, I understand, but I disagree with you. I would refer to your legal documents which have been submitted and hopefully will be part of the record here today that in fact EPPs are not per se illegal, and in fact that is no evidence that EPP costs the administration any additional funds and so I want to know how many bus drivers and/or matrons have been laid off as a result of the position of this administration? Do you know?

CHANCELLOR WALCOTT: Well, again, the contracts haven't even been registered yet, so the bids that we put out aren't registered contracts, so - - .

COUNCIL MEMBER JAMES: So as of today is it your position that no matrons and/or drivers have lost their jobs?

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CHANCELLOR WALCOTT: Again, the existing contracts that were in place before are still in existence, and you would need to talk to the bus companies about that.

COUNCIL MEMBER JAMES: So the answer is as far as you know no matrons and/or bus drivers have lost their jobs?

CHANCELLOR WALCOTT: Again, you should talk to the bus companies about that. I have not had any information one way or the other. The existing contracts that were in place are still in place.

COUNCIL MEMBER JAMES: So you do not have any information?

CHANCELLOR WALCOTT: I didn't know this was going to be an EPP type of session, so again, about the workers I really believe in the workers and what they do, but they work for bus companies as I have indicated before.

COUNCIL MEMBER JAMES: It has been reported that some matrons and bus drivers have lost their jobs.

CHANCELLOR WALCOTT: So then you need to talk to either the bus companies or we

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2 would be glad to get back to you with any
3 information once we reach out to the bus companies
4 through our Office of Pupil Transportation.

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COUNCIL MEMBER JAMES: Is the
6 administration concerned about the fact that
7 matrons and bus drivers have lost their jobs?

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CHANCELLOR WALCOTT: The
9 administration is always, and I am always
10 concerned about staff at any agency whether they
11 are bus drivers, matrons, teachers or parent
12 coordinators. I am always concerned, but at the
13 same time, these individuals work for a bus
14 company, and so specific to these individuals you
15 would need to talk to the bus company, but if you
16 would like for us to reach out to the bus
17 companies to get information, we would be glad to
18 follow up with Council staff around that.

19

COUNCIL MEMBER JAMES: Has your
20 office done anything to try to address the fact
21 that matrons and bus drivers according to media
22 reports have lost their jobs? Have they been
23 retrained? Has the administration sought to seek
24 additional alternative employment for these
25 individuals who barely make 30,000 dollars a year?

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2 CHANCELLOR WALCOTT: These are not
3 our employees, so one, we maintain standards that
4 the bus companies have to follow as far as the
5 workers who work for them, and so again, the
6 discussion is really with the bus companies, but
7 we monitor the companies to make sure the
8 standards that we have in place are being met.

9 COUNCIL MEMBER JAMES: There has
10 been reports in the past that indicate that in
11 fact EPP does not cost the administration any
12 additional dollars. In fact by removing them
13 there is no cost savings. It was embodied in a
14 report from KPMG dated in 1995. Are you familiar
15 with the report?

16 CHANCELLOR WALCOTT: 1995? I was
17 at the Urban League at that point. I wasn't the -
18 - or chancellor.

19 COUNCIL MEMBER JAMES: Are you
20 familiar with any reports?

21 CHANCELLOR WALCOTT: All I know is
22 what I reported out to the chair earlier is that
23 based on the release of the bids we are projecting
24 savings of 100 million dollars over a five year
25 period of time. As far as that specific report, I

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am not familiar with it.

COUNCIL MEMBER JAMES: So since you are not familiar with the report, are you familiar with the comptroller?

CHANCELLOR WALCOTT: I am sorry. What did you say?

COUNCIL MEMBER JAMES: The comptroller basically stated--

CHANCELLOR WALCOTT: The comptroller? Who?

COUNCIL MEMBER JAMES: The comptroller of the city of New York.

CHANCELLOR WALCOTT: As in John Liu?

COUNCIL MEMBER JAMES: Yes, sir.

CHANCELLOR WALCOTT: I am definitely familiar. I saw Mr. Liu a couple of days ago as a matter of fact.

COUNCIL MEMBER JAMES: And what did Mr. Liu say to you?

CHANCELLOR WALCOTT: Hello, Dennis, and I said, hello, Comptroller.

[laughter]

COUNCIL MEMBER JAMES: Chancellor,

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this is a very serious issue.

CHANCELLOR WALCOTT: I am, but you asked me what he said to me when I saw him a couple of days ago. That is what he said to me. You are the one who asked the question.

COUNCIL MEMBER JAMES: Chancellor, I am trying to be very respectful, and I am trying to control my voice and my temperament.

CHANCELLOR WALCOTT: And I am as well.

COUNCIL MEMBER JAMES: And this is not something that is comical at a time when we are--

CHANCELLOR WALCOTT: [interposing]
You are trying to get an answer out of me--

[crosstalk]

COUNCIL MEMBER JAMES: People are losing their job and you are making fun of it.

[crosstalk]

COUNCIL MEMBER JAMES: --matrons and bus drivers now are unemployed, applying for food stamps. You think you can make fun of that, and most of those matrons, Mr. Chancellor, in all due respect look like you.

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CHANCELLOR WALCOTT: And your point being?

COUNCIL MEMBER JAMES: My point is that most of those matrons are people of color, and you think that is something that is comical.

CHANCELLOR WALCOTT: Give me a break. That is not comical.

[crosstalk]

CHAIRPERSON RECCHIA: Okay.

[crosstalk]

COUNCIL MEMBER JAMES: And I don't play any games when it comes to people losing their jobs.

[crosstalk]

CHAIRPERSON RECCHIA: Turn off the mics please.

CHAIRPERSON JACKSON: We ask to have some decorum as far as appropriate question answer, and so let's just everyone take a ten second--

CHAIRPERSON RECCHIA: Wait, Council Member. Just take a break. Okay.

CHAIRPERSON JACKSON: Council Member, do you have a question? Your time is up,

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2 but do you have a final question for the
3 Chancellor or his staff?

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CHANCELLOR WALCOTT: With all due
5 respect to the Council Member, you asked me a
6 question. I took a deep breath like you said.
7 You asked me a question about the comptroller, and
8 I am assuming you meant what he said to me a
9 couple of days ago, but if you are asking me a
10 different question about the comptroller, then
11 would you ask me that question? Then I can give
12 you an answer to that?

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COUNCIL MEMBER JAMES: I believe
14 the question--you indicated that you were not
15 familiar with KPMG.

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CHANCELLOR WALCOTT: From 1995.

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COUNCIL MEMBER JAMES: And then I
18 asked you whether or not you were familiar with
19 the comptroller and you said yes, and then I asked
20 you whether or not the comptroller had an
21 opportunity to discuss EPPs with you.

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CHANCELLOR WALCOTT: You didn't ask
23 me that, but go ahead. I am listening now.

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COUNCIL MEMBER JAMES: Sir, let's
25 begin again. Okay. The question is are you

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familiar with the report by the comptroller--

CHAIRPERSON RECCHIA: Tish, your time is up. You have one question. We have to move on.

COUNCIL MEMBER JAMES: I am concluding the question. Are you familiar with a report that was completed by the comptroller of the city of New York, which indicated that EPP, the inclusion of EPP in these bids and/or contracts has not resulted in any savings to the city of New York?

CHANCELLOR WALCOTT: I am honestly asking this question. Is that the 1995 report or is this a new report?

COUNCIL MEMBER JAMES: It is a most recent report, sir.

CHANCELLOR WALCOTT: I have not seen that at all.

COUNCIL MEMBER JAMES: You are not familiar with any report?

CHANCELLOR WALCOTT: I'm not.

COUNCIL MEMBER JAMES: Are you familiar with the report that was--so if I provide you with any information from the KPMG report from

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2 1995 as well as the report from the comptroller of
3 the city of New York, would you respond to such a
4 document or a review or an analysis regards to
5 cost savings?

6 CHANCELLOR WALCOTT: Would I
7 respond in what way? Would I give you an answer
8 whether I read them? I am not trying to be funny-
9 -whether I read the report or whether I agree with
10 the report or what?

11 COUNCIL MEMBER JAMES: Correct.

12 CHANCELLOR WALCOTT: What's the
13 question?

14 COUNCIL MEMBER JAMES: Would you
15 agree with the report and do you agree with the
16 analysis of the report?

17 CHANCELLOR WALCOTT: I agree with
18 reading the report. I may not agree with the
19 analysis of the report, but I will be glad to read
20 a report. All I know is I agreed to what we did,
21 and we released a bid, and I totally agree and
22 support that.

23 CHAIRPERSON RECCHIA: Okay. Move
24 on. Council Member Chin, Margaret Chin.

25 COUNCIL MEMBER CHIN: Thank you,

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2 Chair. Good afternoon, Chancellor. I am glad to
3 hear that there will be no cuts in Title 1 funding
4 to our schools, right, from your testimony, and
5 the other point I wanted to stress is that you
6 were talking about earlier. I think it is so
7 important for the chancellor to really work with
8 ACS because I truly believe that we invest more in
9 early childhood education. It is going to go a
10 long way in terms of educating our young people.
11 I met with children and parents and it just makes
12 so much difference when they start young. What I
13 want to ask you about is the OTPS budget for the
14 general education budget is about 482 million and
15 it is going to be reduced by over ten million in
16 this fiscal year. At the same time the charter
17 school budget OTPS is over a billion dollars, so
18 can you explain to us why there is such a big
19 difference it is almost double, the general
20 education OTPS? At the same time the number of
21 charter schools is much, much smaller.

22 MIKE TRAGALE: In terms of the
23 charter school budget all of the costs associated
24 with education of a charter school child are
25 included in the OTPS. If you are just looking at

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2 the school unit of appropriation, which I believe
3 -- unit of appropriation 402 [phonetic] that
4 reflects 402 million dollars. That is just the
5 OTPS for our public schools. Obviously the public
6 schools also have funds in other units of
7 appropriations to support their personnel
8 services, 401 for their teachers and general
9 education and all of the school overhead and 403,
10 they have the special education, so that is not a
11 good comparison. In terms of our OTPS budget, the
12 public school OTPS budget we did experience some
13 pain in fiscal year '13 as a result of the fact
14 that we did not peg our schools in fiscal year '13
15 as a result of the evaluation loss of 250 million
16 dollars, but yet there were some reductions to
17 that fund source based on how we managed the peg
18 and so that did cause a little bit of a decrease
19 in that OTPS, but that in itself is not affecting
20 public schools. Public schools will be able to
21 schedule their budgets as appropriate in terms of
22 OTPS and in the November plan, OMB would have to
23 update that unit of appropriation if for some
24 reason the school budgets increase above and
25 beyond.

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COUNCIL MEMBER CHIN: Can we get a real breakdown in terms of the OTPS for charter schools in terms of I want to see how many of them are--how much of it is for leasing space or renting space and how much is for co-location because when they co-locate they don't pay rent, but if they don't co-locate they have to pay rent, and leasing is very expensive, so I think it is good to see how much money we are spending on leasing space for charter schools.

MIKE TRAGALE: I understand your question. In terms of how we provide resources to our charter schools, they receive resources based on the New York State frozen rate of 13,527 dollars, and then the charter school must manage all of the costs associated with educating those children, so you don't have the level of detail that you have for public schools. It would be separate. We would have to get additional information from the charter schools directly to respond to your question.

COUNCIL MEMBER CHIN: Okay. Can we get that? Thank you. The other is also one thing that I saw was there was going to be a decrease in

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2 energy and lease costs, about seven million
3 dollars, so how is that coming - - ? Are we doing
4 like energy conservations that we are able to save
5 energy costs, and then on the lease, are they
6 renegotiating some lease that we are able to cut
7 down the budget by over seven million dollars?

8 MIKE TRAGALE: In terms of the
9 energy budget, that is really based on information
10 that is supplied from DCAS to the Office of
11 Management and Budget, so that is an adjustment
12 pretty much outside of our control. I believe for
13 the most part, it is related to the fact that you
14 know it was a relatively warmer winter and so
15 there were certain energy savings.

16 COUNCIL MEMBER CHIN: What about
17 the lease? Are there savings from the rentals
18 because it's energy and lease combined together?

19 MIKE TRAGALE: Not that I know of
20 in terms of leasing. Leasing has to do with we
21 are situating our new schools, whether or not we
22 are able to find space in an existing school
23 building that could be carved out or obviously in
24 a district where there are utilization problems,
25 let's say at District 24, there may be a need

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2 obviously to place them in a lease environment.
3 Leasing is just based on where there is a need to
4 lease.

5 COUNCIL MEMBER CHIN: One of my
6 last questions is P.S. 150 in my district is being
7 proposed to move to Chelsea to incubate for that
8 new school and meanwhile we have overcrowding in
9 our district in Lower Manhattan, so I am really
10 asking the Chancellor to really reconsider that
11 because even though it is a small school and they
12 say that small schools cost more money, but the
13 parents there are raising money every year, and
14 they are meeting their budget needs, so I think we
15 really should reconsider that proposal. It
16 doesn't really make sense to us to move the school
17 out of our district when we need the school seats.
18 Thank you.

19 CHAIRPERSON RECCHIA: Okay. Thank
20 you. I want to recognize Oliver Koppell has
21 joined us. Ydanis Rodriguez will ask questions
22 next, then it will be Al Vann and then Steve
23 Levin. Council Member?

24 COUNCIL MEMBER RODRIGUEZ: First of
25 all, I would like to say my condolences to a

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2 teacher who lost her child today in our city. - -
3 , a minor. - - . Second, in my district,
4 District 6, there is a whole push, a whole
5 conversation on rezoning, and we feel that - -
6 District 5 similar concern is taking place and
7 people have brought the attention - - interest of
8 pushing on the rezoning. I just want to send a
9 message that the whole community in northern
10 Manhattan is unified more than ever, and we
11 believe that we have to continue working as a
12 team, supporting every single school, and we don't
13 believe that this zoning will save any money,
14 neither will help us to continue improving all the
15 different schools in District 6. So I just want
16 you to have that in mind that that is a concern
17 that most of the parents and elected officials we
18 share that concern that we don't believe that this
19 is the time to push on rezoning our schools in
20 school district 6.

21 CHANCELLOR WALCOTT: We are not
22 pushing down on that, so that is an organic
23 process.

24 COUNCIL MEMBER RODRIGUEZ:
25 [interposing] - - because I want to use my five

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minutes.

CHANCELLOR WALCOTT: I just want to let you know, it is not coming from us. It is an organic process. - - answering questions, but I hear you loud and clear.

COUNCIL MEMBER RODRIGUEZ: Okay. So that is a concern that I wanted to bring to you. The second thing is that in previous hearing at 250 Broadway DOE said that after not for profits that are being charged for using the space if the space is requested by a parents' association even though they do an event and they also invite not for profits, the parents' association is supposed to have a waiver, so that they don't have to pay if they use the facility. So let's see PT parent association at - - they are putting together a training, any event at any school. If that is initiated by the parent association, if they bring children - - or any not for profit to support what they are doing, as far as I recall didn't you guys say that there is a waiver for those parent associations. Is that accurate or is there still a charge for parent associations to use the space to do programs even

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though they bring not for profits?

MIKE TRAGALE: I believe you are referring to Chancellor's reg 8665 in terms of space that is provided to parent associations. There is a standard allocation that is provided to those organizations. We could look into the specific case. If you could share details, we would look into that.

COUNCIL MEMBER RODRIGUEZ: Okay because it has changed. It was--and I don't know when Veronica was - - hearing that we had at 250 the question came about when the DOE made a change of charging CBOs for using space so the question was will the PTA have a waiver, and the answer was yes, so I would like that you can look up--

CHANCELLOR WALCOTT: [interposing]
Let us follow up with you. - - .

COUNCIL MEMBER RODRIGUEZ: My third question is about--as you know, I used to be a teacher for 13 years and I have a lot of concerns about everything from contracts everything that we really had different opinions, and we hope that we can sit at the table and come up with an agreement with the bus driver companies, UFT and everyone,

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2 but putting that aside, my concern as a former
3 teacher is also how can we prepare our students
4 better to go to college, and I hope that we
5 continue doing better in that direction. One
6 specific question that I have is that can the DOE
7 has the resources to keep the schools open at the
8 school ended at 3 p.m. for two or three hours in
9 those communities where students are failing. For
10 the students they are sending home and most of
11 them they will be going to be in the street or
12 they are go into their apartment where there is no
13 one helping them to improve. I know that the city
14 has with the DYCD - - after school programs, but
15 can we put the resources to open the schools after
16 the end of school?

17 MIKE TRAGALE: Are you saying for
18 school activities? For school activities, the
19 schools are open until six o'clock.

20 COUNCIL MEMBER RODRIGUEZ: For
21 academics to support the students who are behind
22 who are failing, the level two, the level one.

23 CHANCELLOR WALCOTT: So I mean it
24 would be difficult to make a system wide policy on
25 that because again, especially in this hearing

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2 with Finance there is still a limited amount of
3 money, and it costs money to keep a school open,
4 but we have done in conjunction with the City
5 Council our expansion of hours around middle
6 school, and so that is one of the initiatives that
7 we took on and then there is an alignment of
8 programs that take place in schools itself as you
9 indicated by CBOs, so there are a variety of
10 different types of mixes of uses of buildings
11 after normal school hours, but to have if I heard
12 you correctly a total extended day school that is
13 extremely difficult.

14 COUNCIL MEMBER RODRIGUEZ: In those
15 schools where the students are failing, those that
16 we know are getting a lot of - - .

17 CHANCELLOR WALCOTT: As you know
18 also, I mean, based on the contract that we had in
19 place as a result I think of 2005 we had the
20 additional 37 and a half minutes and a number of
21 schools use it differently whether it's after or
22 beforehand to extend support for those students
23 who need additional support, so we have been doing
24 it in that regard as well, but a broad based
25 policy that would be very difficult both from a

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2 funding perspective, but also schools themselves
3 and the principals work to see how they maximize
4 their budgets to have their students stay a longer
5 period of time.

6 MIKE TRAGALE: I just wanted to
7 bring up a change we made for this current fiscal
8 year '13. Priority and focus schools, those
9 schools most in need were provided an additional
10 40 million dollars in fiscal year '13, and you
11 know, that is one of the types of activities that
12 could be provided with that funding in terms of
13 after school programs. Additionally all Title 1
14 schools actually were freed up in fiscal year '13
15 from having based on the NCLB waiver that was
16 attained where they wouldn't have to set aside
17 five percent for highly qualified teachers or ten
18 percent for professional development, so
19 technically speaking, those schools could look to
20 see how those dollars could be freed up to support
21 some of the initiatives you have mentioned. This
22 year in the chancellor's testimony he mentioned an
23 additional ten million academic intervention
24 services for children that don't do well on the
25 test. That is an additional funding source as

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2 well as the schools that we brought up in the
3 formula to 81 percent. Clearly those schools
4 should have the resources to be able to do some of
5 that.

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COUNCIL MEMBER RODRIGUEZ: My last
7 question is does this budget that you are
8 presenting provide any opportunity to create
9 another high school such as the one the - - that
10 has a partnership with IBM and CUNY where the
11 students are able to do the two year college? I
12 know that this was one of the schools that
13 President Obama mentioned like that model of
14 creating those types of schools where students are
15 able to take some college credits, and I know that
16 in this major plan there is two other schools - -
17 to be built. Is there more--is there some form of
18 funding in this budget to create other schools
19 where they can go to 13 and 14 grades providing
20 two years of college education?

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CHANCELLOR WALCOTT: Yes, there are
22 new schools that we had announced I guess around a
23 month, a month ago maybe two months ago as far as
24 that will be a different type of models including
25 9 to 14 schools that will be opening in the city

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2 as well as new career technical education schools
3 as well located in different parts of the city,
4 and so the money for funding those schools is in
5 this budget that will be in place if passed July
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7 COUNCIL MEMBER RODRIGUEZ: Is there
8 any opportunity for other schools or...?

9 CHANCELLOR WALCOTT: There is
10 always opportunity. The question then becomes
11 though as far as making sure we have the space
12 availability to site those schools and where those
13 schools will be located and also having a partner
14 as well because it is not just us, but it is in
15 partnership with, and so always looking for other-
16 -whether it's corporate partners or university
17 partners to make sure we can put those schools in
18 place, but we are always interested in different
19 types of models.

20 CHAIRPERSON JACKSON: Thank you.
21 Council Member Al Vann followed by Council Member
22 Levin.

23 COUNCIL MEMBER VANN: Thank you,
24 Chairman. Good afternoon, Chancellor. I think I
25 would have to first of all raise the name of a

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2 gentleman we both know who transitioned yesterday,
3 transitioned services - - Baptist Church in
4 Brooklyn. He started out in 1962 as a teacher in
5 junior high school 35 where I also was teaching at
6 that time, and he was involved in 1964 in
7 organizing the first "negro teachers' association"
8 later evolved to the African American Teachers'
9 Association, and he has been involved in some
10 aspect of trying to make education work for our
11 kids through all of these decades and he became
12 known as - - . He passed. He was a good friend.
13 He was a comrade in this struggle and I wanted to
14 at least lift his name. I know that you know him
15 as well as we continue to do what we need to do
16 for our children in the city. I am struck by the
17 fact that a little while ago we had children
18 visiting from our public schools in this - - body
19 and I was wondering--well, they had left before
20 the heated discussion pursued, but I was wondering
21 if they had been here and witnessed and
22 experienced the discussion, the debate that was
23 going on in this body between their Chancellor and
24 the Chairman of the Education Committee, what - -
25 feeling, what would they have learned from that?

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2 On the one hand I guess they would have found out
3 that those in high places are just people who have
4 emotions and they express their emotions in
5 different ways, sometimes even uncontrollable.
6 That they are human beings, and maybe that is a
7 good thing. On the other hand, I was wondering
8 when they got back to their classroom, what would
9 their teacher have expressed and interpreted to
10 them as to what they learned after having come
11 here and experienced that? And that have would
12 have been a hell of a challenge for the teacher to
13 let them know that all of this really was about
14 them, it was really about creating an environment
15 and having the resources and having all of that
16 together so they can really fulfill whatever
17 skills and talent that God has given them. This
18 is what this was all about. That would have been
19 a challenge for that teacher, but it is not a
20 challenge because they left before a lot of that
21 occurred, which leads me to this. There really is
22 no excuse for the fact that we have not been able
23 to successfully prepare our children in terms of
24 knowledge and skills to really be successful in
25 life and to be competitive with children from

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2 around the world. Whether it has been centralized
3 school system, the decentralized school system or
4 now mayoral control, the statistics, graduation
5 rates, whatever it is, it is clear that we have
6 failed to prepare the majority of our children in
7 this city to be competitive, to be in a position
8 to know that they will have a successful career
9 and take care of their families. We have failed.
10 The last thing I heard was the graduation rate of
11 50 something percent, and then someone says well,
12 13 percent of them can actually do college work.
13 I don't know what it is. I don't know exactly
14 what it is, but whatever it is, it is
15 unacceptable, it is dismal, and none of us can
16 feel good about what is happening in the public
17 school system in our city. On that, I am clear.
18 I am not blaming anyone on particular. I am
19 stating what I believe to be a fact. So I guess
20 my question is we have had centralization of the
21 school system and it has had some success, but has
22 not prepared the majority of kids. we have had
23 decentralization and we have demonized that. We
24 have demonized decentralization, and I question
25 that, but obviously that for the period of time

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2 that we had it did not prepare the majority of the
3 kids in the public school system. As we demonize
4 decentralization it provided for mayoral control,
5 and everybody said hey, even UFT said yeah,
6 alright. We will give our power to the mayor. So
7 we have got mayoral control for the last 12, 11
8 years, whatever it is and obviously that is not
9 preparing the majority of the kids. So my
10 question is this, Chancellor, forget that you are
11 Chancellor. You are a father. You live in New
12 York City. You have children. Let's say they are
13 in public school system. If you had a choice of
14 picking the system that you want to work for your
15 children, would it be mayoral control, would it be
16 decentralization, would be it be centralized
17 school system or would you even consider community
18 control, which we have never had in the city?
19 That is my question.

20 CHANCELLOR WALCOTT: I am sorry.
21 Sure. While I don't have children any longer who
22 are eligible for New York City public school
23 system, I have grandchildren that are and so I
24 believe in the system that we have in place, and
25 that system is school governance vested with the

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2 mayor of the city of New York, and no matter who
3 that mayor may be it is not based on an
4 individual, it is based on the structural set up
5 and the governance set up that I believe in and
6 the policies that obviously I believe in as well,
7 and I think my grandsons have a better choice in
8 options now than my children had, and that even
9 that I had. They have more choices of quality
10 schools to choose from than before. When they get
11 older, they will have a high school system where
12 they are not locked into a zone or a neighborhood
13 school that historically whether it was
14 decentralized or not, that was failing them. They
15 have the ability to choose whether it's a
16 specialized, whether it's a screen [phonetic]
17 school, whether it's a career technical education
18 school, whether it's a 9 through 14 school. They
19 have a myriad of choices that did not exist during
20 my children's time in school. They have an
21 ability from a middle school perspective to go to
22 different types of middle schools whether it is a
23 middle school choice zone or not having more
24 middle schools. I pledged when I started as
25 chancellor to create 50 new middle schools. We

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2 will now by the time I leave as chancellor have
3 created 61 new middle school choice options for
4 our students. My grandsons will have an option
5 that didn't exist before 1997. If they want to go
6 to a single sex school, so whether it is the Eagle
7 Academy if I had granddaughters going to the Young
8 Women's Leadership, that did not exist. With
9 career technical education, I talk about this on a
10 regular basis, from 1898 to 2002 there were only
11 18. It was then called vocational high schools
12 that were created. Since 2002 to now this coming
13 September we will have created roughly 27 or 28
14 new career technical education schools, so the
15 myriad of choices that have taken place under this
16 administration with school governance being vested
17 in the mayor, I think is to me better,
18 significantly better, and I think what we have
19 done and a lot of times I understand why we don't
20 necessarily get the credit for it, but we have
21 also been able to really empower our principals to
22 make decisions locally; whereas before as you
23 know, whether it was negatively viewed or not,
24 principals had budgets given to them basically,
25 and then they had to operate within that very

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2 tight construct. Now they have budgets that they
3 can plan for and utilize in the way that had not
4 existed when my children were in school, much less
5 when I was in school. So it is an empowered
6 principal that I want in charge, and I think with
7 the new evaluation system, especially moving
8 forward, and this will cut through the governance
9 structure itself, it will have a major impact as
10 far as improving our workforce and I know that we
11 get into rhetorical battles back and forth with
12 our union partners around the system itself, our
13 goal is not to fire teachers; our goal is to make
14 sure we make sure our teachers are stronger than
15 ever before and they have the support systems to
16 become stronger. That is what this evaluation
17 system will do in having a four tier structure
18 reviewing them versus the old satisfactory,
19 unsatisfactory. With that type of rigor, my
20 grandchildren and other people's children and
21 grandchildren will benefit. The final thing and I
22 think this is a direct correlation to governance
23 as well in that there is an application,
24 especially with the new evaluation system for
25 those who unfortunately cannot do the job whereas

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2 before it may have just been passed on and passed
3 on and go from school to school to school. Now
4 they have a two year timeline as far as being
5 rated ineffective as a result of this new
6 evaluation system. that will like in any
7 workforce will have ineffective people that can't
8 do the job no longer in front of the classroom.
9 So sir, I think with my reaction to your question
10 is that it is not just about the individual who is
11 the mayor but it is about the governance
12 structure, and I believe the governance structure
13 that we have in place benefits the system overall,
14 and otherwise I couldn't come here as Chancellor
15 reporting directly to the mayor and have these
16 spirited debates with the Chair of the Council
17 Education Committee or other members of the
18 Council because I would have been Chancellor, but
19 then I would have had to report back to the Board
20 of Ed and I would have been under the edict of the
21 old Board of Ed and the seven members, and I was
22 one of those members as you know, and I was also a
23 trustee in District 5 when the District 5 school
24 board was suspended and I was a trustee there for
25 a year and a half, so I have experiences at all

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2 levels of this system as far as Board of Ed,
3 trustee of a district, and formerly as Deputy
4 Mayor and now as chancellor, so that is how I view
5 it.

6 COUNCIL MEMBER VANN: Thank you,
7 Chancellor. Let me respond to your response, and
8 my response would be should there be a parent, a
9 concerned person who may be watching this on
10 Channel 25 or have an opportunity to hear this,
11 for one who have been involved since 1959 when I
12 started as a teacher in elementary and then went
13 to junior high, I have served on community school
14 board 13, I have been on the Education Committee -
15 - been involved in trying to make the public
16 school system work for our kids for most of my
17 adult life, my advice to them is to not be
18 concerned so much with governance on whatever
19 level, but to demand that the school that their
20 children work for them. The type--they must
21 organize the way they did back in the '60s to
22 force the system to change because if we rely on
23 people who have interests other than the interest
24 of the children to change the system, it will
25 never happen. The concern has to be closest to

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2 where the children go to school. That is where
3 the decisions have to be made if we are going to
4 see a fundamental change that will affect the
5 majority of the kids in the system. You have to
6 understand your decision making is yours in your
7 school in your community. If you rely on the
8 state, if you rely on the commission, on the
9 chancellor, it is not going to happen. You have
10 to force the changes from the community up. It is
11 not going to come from the top down. So in all
12 due respect to all that is happening here and
13 everybody is doing what they think is in their
14 best interest. Parent, it is in your hands. You
15 must do what you do on your community level to
16 make your school work for your children as well as
17 any school anywhere in the world. The possibility
18 is there if you make it happen. Do not rely on
19 Council Members, on Chancellors, on Commissioners.
20 Rely upon yourself, and do what you have to do to
21 make your school work. Thank you, Chairman.

22 CHAIRPERSON JACKSON: Thank you,
23 Council Member. Council Member Levin followed by
24 Council Member Brewer.

25 COUNCIL MEMBER LEVIN: Thank you

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2 very much, Mr. Chairman. Thank you, Chancellor.
3 Gentlemen, I wanted to ask about the charter
4 school budget and the increase that we have seen
5 since the preliminary budget hearing. Now if you
6 recall a little over two months ago I asked about
7 this issue, and I asked about what we have seen
8 over the last couple of years where there is an
9 increase from prelim to exec and Mr. Tragale, I
10 asked you specifically. I went back. I looked at
11 the transcript. In the prelim we were talking
12 about a 70 million dollar increase from the last
13 fiscal year to FY '14 in terms of the charter
14 budget, and in our conversation 'cause last year
15 it ended up going up from prelim to exec 112
16 million dollars, and that was an increase from the
17 prelim to the exec. In our conversation at the
18 last budget hearing at the prelim budget hearing
19 you said that it would most likely be around 100
20 million dollars increased form FY '13 to FY '14.
21 So now I get our budget briefing and the increase
22 in the charter budget from FY '13 to FY '14 is 210
23 million dollars, so just two months ago you said
24 it would be around 100 million dollars and now it
25 is 210 million dollars. It is a difference of 110

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million dollars. How do you account for that?
That is extraordinary to me. It is an
extraordinary difference. It is 50 percent
difference.

MIKE TRAGALE: At that time I
really didn't know how many new charter schools we
were going--

[crosstalk]

MIKE TRAGALE: And so we currently
have 24 new charter schools. At that time--

COUNCIL MEMBER LEVIN: Mr. Tragale,
you said 26. I went back and looked at the
transcript. You said 26.

MIKE TRAGALE: Remember, we have to
look at it is not just the new schools, it is also
the phasing in of grades, and it is not a standard
phase in of grades as we would see in our
traditional public new schools where they will
start off with 100 kids in the eighth grade and
then end up with 400 kids in the 12th grade, so
the phase in and the phase up sometimes could be a
couple of grades, so it is hard to be precise.

COUNCIL MEMBER LEVIN: You were 100
percent off. You said 100 million dollars, and it

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2 is 210 million dollars.

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MIKE TRAGALE: I actually believe I
4 mentioned that the IBO number seemed to be close
5 at that time, but be that as it may--

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COUNCIL MEMBER LEVIN:

7 [interposing] You said--I just watched it. You
8 said that it is hard to tell, and that we are not
9 sure, but then at the end you said most likely to
10 be around 100 million. So that's 100 percent off.
11 This is not chump change. This is 110 million
12 dollars, 110 million dollar difference. If we are
13 getting an additional 300 million dollars from the
14 state in terms of aid, that means that 140 million
15 dollars of that is going to charter schools. That
16 means half of it, half of what we got in state aid
17 this year from prelim to exec is going to charter
18 schools, half of it, half of what we got from the
19 state, so I find it totally outrageous and
20 unacceptable that you could be so far off, so far
21 off.

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MIKE TRAGALE: [interposing] I was
23 giving an estimate at that time. Remember, at the
24 time that we met, the operating budget was 19 and
25 a half billion dollars, not 19.8 billion dollars.

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2 COUNCIL MEMBER LEVIN: Right, it
3 goes up 300 million dollars and 140 of it is going
4 to charter schools. 140 out of the 300 million is
5 going to charter schools.

6 MIKE TRAGALE: I was basically
7 admitting that the 70 million at that time was
8 going to be insufficient. That is all my comment
9 represented at that time. Thank you.

10 COUNCIL MEMBER LEVIN: Well, you
11 did say around 100 million dollars, and I can show
12 you the transcript, so what I am saying is--

13 CHAIRPERSON RECCHIA: [interposing]
14 Steve, Council Member, I just want to recognize
15 that we have been joined by Mark Weprin. Go
16 ahead.

17 COUNCIL MEMBER LEVIN: It is an
18 unacceptable system that we have here where it is
19 presented in the--it goes around this Council and
20 this Committee's ability to do accurate and full
21 oversight over the Department of Education when in
22 the executive budget when we are less than a month
23 away from our mandate to pass a budget in the city
24 of New York, there is all of a sudden a 140
25 million dollar increase from prelim to exec in

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2 charter schools. That is outrageous. When we
3 know that the new charter schools, it was 26 then,
4 it is 24 now, we knew that. We knew all of those
5 things. we knew that there was going to be ramp
6 up. We knew that there is phase ins. We knew all
7 of that. How we could be 110 million dollars off
8 it boggles my mind. I think that the public needs
9 to know that. I think that we need to call
10 attention to that. This is real oversight, and I
11 feel like by not presenting that accurate number
12 at the preliminary budget time, it is the
13 Department of Education getting around this
14 Committee and this Council's role in having
15 oversight over the budget of the city of New York.

16 MIKE TRAGALE: And just to make
17 another comment, I mean that is why we pushed to
18 put the charter dollars in a separate unit of
19 appropriation. As you know before those dollars
20 were merged in 472 with foster care and some other
21 payments, so we are happy that these dollars are
22 shifted now. It will be much more transparent.
23 Thank you.

24 COUNCIL MEMBER LEVIN: Thank you
25 very much. Thank you, Chancellor. Thank you, Mr.

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Chairman.

CHAIRPERSON RECCHIA: Okay.

COUNCIL MEMBER BREWER: Thank you very much. I want to ask the same--

CHAIRPERSON RECCHIA: [interposing]
Council Member Gale Brewer?

COUNCIL MEMBER BREWER: You called me earlier. First of all thank you for honoring Joe Lazarus [phonetic]. I was glad to nominate him, Chancellor, but he is certainly a great director of facilities in District 3. I wish everybody was like him.

CHANCELLOR WALCOTT: Thank you very much.

COUNCIL MEMBER BREWER: My question is on the networks. I have the same concern. Can you give me the budget that the networks currently have and if there is any increase or decrease from last year?

CHANCELLOR WALCOTT: As Michael is looking at that, I just want to make sure are you aware about the I think it is in your district the accident that took place?

COUNCIL MEMBER BREWER: I am. 97th

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Street, a four year old died going to P.S. 163.

CHANCELLOR WALCOTT: I just wanted to make sure you are aware.

COUNCIL MEMBER BREWER: Thank you. It's horrible. I just talked the family a few minutes ago.

CHANCELLOR WALCOTT: The mother is a teacher I think up in GW campus.

COUNCIL MEMBER BREWER: And a friend of Council Member Ydanis too.

MIKE TRAGALE: The total network budget is 90.4 million dollars at this time, and that is actually lower than it was. I believe in the past we reported that was approximately 100 million.

COUNCIL MEMBER BREWER: - - this is for 2013 is the 90.4 or 2014 projected? I am sorry.

MIKE TRAGALE: Correct. This is based on 2013. Spring 2013.

COUNCIL MEMBER BREWER: Alright, and then what was it maybe in--do you know what it was in the past? In other words, this is what it is in 2013, you are saying it is going to be the

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same in 2014? Is that what you are saying?

MIKE TRAGALE: Most likely it will be relatively stable.

COUNCIL MEMBER BREWER: Okay, and do you know what it was previously? Has it always been 90.4 million dollars?

MIKE TRAGALE: I believe it was close to 100 last time, but we can verify that.

COUNCIL MEMBER BREWER: Can you let us know please?

MIKE TRAGALE: Sure.

COUNCIL MEMBER BREWER: Okay. So it is going down is what you are saying?

MIKE TRAGALE: Yes.

COUNCIL MEMBER BREWER: Alright. I would argue it is still too high. Next question is the issue of health centers. As you know I am a big proponent, but I have gotten nowhere on the issue of culturally appropriate mental health. I think that would help you have the graduation rate to be higher than 15 percent for high school students, but my question is you have projected to cut certain health centers. I want to know why and then secondly, do you not feel even though you

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2 put in capital money that every single high school
3 and middle school should have an appropriate
4 health and mental health support services, so that
5 they will be able to graduate? That would up your
6 graduation rate to 90 percent.

7 CHANCELLOR WALCOTT: One, we have
8 not put anything up around the cutting of the
9 health service programs you are referring to. I
10 think that was something that the Council may have
11 addressed with the Department of Health itself.

12 COUNCIL MEMBER BREWER: I know, but
13 you are the education chancellor, so they are your
14 students who will be impacted.

15 CHANCELLOR WALCOTT: I know, but
16 you said we put it up. I am just saying that we
17 did not put that up for a cut, and--

18 COUNCIL MEMBER BREWER: DOH did.

19 CHANCELLOR WALCOTT: Right. All I
20 am saying that it was not the Department of Ed
21 that put that up, and as I indicated before, we
22 have committed on a capital side and we will see I
23 think three centers open up this year on top of
24 the existing centers. We put up capital money to
25 construct new health, mental health centers in

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2 schools in high need areas and that money will be
3 in the capital budget and then as you know I think
4 in November of this year, we will be starting the
5 process of the next five year capital budget and
6 we will be rolling some of that money for the
7 construction of new mental health centers in there
8 as well, so we do have a commitment.

9 COUNCIL MEMBER BREWER: I

10 understand. I am just telling you and it is like
11 talking to a broken record. I understand that,
12 but I believe that if you were to advocate with
13 DOH and really make an all-out effort to have
14 culturally appropriate health and mental health
15 centers in every single high school and middle
16 school then you wouldn't have a dropout rate, but
17 I haven't been able to get that point across, and
18 I guess it is just not a priority of the
19 Department of Education. Can you just answer
20 that? Why can't we have--

21 CHANCELLOR WALCOTT: Mental health
22 centers are always a priority. That is why I set
23 aside--I don't think it has ever been done to my
24 knowledge before--setting aside a specific amount
25 of money for the construction of mental health

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2 centers, and I have met with personally with a
3 number of CEOs of hospitals including Montefiore
4 and LIJ around the expansion of those centers as
5 well as with community based organizations to
6 provide the services directly, so we definitely
7 have an ongoing commitment as far as both health
8 and mental health programs within the schools and
9 with them then agencies will work with us around
10 hat type of services will be provided.

11 COUNCIL MEMBER BREWER: But there
12 is no DOE money allocated to quality mental health
13 and health. Is that correct?

14 CHANCELLOR WALCOTT: On the expense
15 side, not to my knowledge, but on the construction
16 side--

17 COUNCIL MEMBER BREWER:
18 [interposing] That is where we differ, that issue.
19 Number three is I know--

20 CHAIRPERSON RECCHIA: Council
21 Member, can you sum up?

22 COUNCIL MEMBER BREWER: The issue
23 of bullying. Do you have money allocated to the
24 effort that you and the Speaker discussed in terms
25 of the ongoing issue of trying to address--

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2 CHANCELLOR WALCOTT: We have
3 allotted both money, resources, staff. We work in
4 conjunction with the City Council along that line.
5 I am always taking a look at how we increase our
6 response to the issue of bullying both the person
7 to person bullying as well as cyber bullying that
8 takes place in schools, so we provide a variety of
9 resources to make sure--

10 COUNCIL MEMBER BREWER:

11 [interposing] One more question quickly, the lunch
12 fee, why do you think it is going to be of
13 assistance to the students to increase that fee?
14 In other words, do you think that people will in
15 fact not have lunch as a result?

16 CHANCELLOR WALCOTT: I didn't hear
17 the last part of the question. I am sorry.

18 COUNCIL MEMBER BREWER: The fee for
19 lunch--

20 CHANCELLOR WALCOTT: I didn't hear
21 the last part of what you said.

22 COUNCIL MEMBER BREWER: Do you
23 think that students will not have lunch as a
24 result of increasing the fee?

25 CHANCELLOR WALCOTT: Our goal is to

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2 make sure our students are fed, but also we have
3 to make sure we have the resources to keep the
4 food there meeting the federal guidelines, so we
5 are trying to find that balance, and I know that
6 we have had ongoing discussions between both DOE,
7 the executive side of City Hall and the
8 legislative side as far as how we balance that,
9 and so we will continue to have a discussion, but
10 we do plan to increase the fee.

11 CHAIRPERSON RECCHIA: Alright.
12 Council Member Williams will be followed by
13 Council Member Cabrera will be followed by Council
14 Member Koppell. We have been joined by Council
15 Member Diana Reyna.

16 COUNCIL MEMBER WILLIAMS: Thank
17 you, Mr. Chair. Thank you, Chancellor.
18 Hopefully, I know we have been a little liberal
19 with the time, so hopefully, I can get the same
20 respect. It's three basic questions I want to
21 ask. First, I did want to correct my colleague
22 Lew Fidler brought up. I have a good relationship
23 with him, but I do think it is okay to point out
24 that if in communities of more color the
25 consultants are primarily white and may not have

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2 the cultural sensitivity that is needed, so I do
3 think that is something that is worthy of pointing
4 out, so perhaps we can get people who may not have
5 access to those jobs access to them. I did want
6 to first ask has the Department of Ed spent any
7 money on violence prevention in and around the
8 schools.

9 CHANCELLOR WALCOTT: Again both
10 through our partnerships with community based
11 organizations as well as our own staff we work in
12 conjunction with school safety as well as PD
13 around violence prevention both inside schools as
14 well as outside schools, and as I indicated
15 earlier, I don't think in my testimony, but
16 probably in a passing remark that in schools
17 directly, we have been able to reduce the number
18 of incidents by over 40 percent, and we can give
19 you the specific breakout as far as violence
20 versus non-violent crime, and that includes in the
21 surrounding perimeter of the school community
22 itself and then we also have been able to reduce
23 the number of suspensions this year as well as the
24 number of arrests that have taken place inside of
25 school--all of that within this year. That is

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2 directly in the schools, and then the principals
3 and others have partnerships with PD around that
4 and then--hold on, I am being handed something--we
5 have our camera program that we have in place that
6 we have approximately 24,000 cameras in 500 school
7 buildings, and they are being fitted with internet
8 protocol digital video surveillance, and a total
9 of 200 million dollars in capital improvement
10 funding has been invested since the program began
11 since 2005.

12 COUNCIL MEMBER WILLIAMS: Thank
13 you. Let me ask one specific question. Have you
14 ever had a conversation with the police
15 commissioner on how cuts to DOE or additional
16 programs may assist in public safety in and around
17 the schools?

18 CHANCELLOR WALCOTT: You said cuts
19 to--

20 COUNCIL MEMBER WILLIAMS: Any cuts
21 to any DOE programs or any programs that may be
22 additional assistance.

23 CHANCELLOR WALCOTT: Again, we work
24 in conjunction, and I talked to the police
25 commissioner - - directly around a variety of

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2 issues around school safety and then we work with
3 our division of school safety and my staff and
4 then we meet on a regular basis with both
5 Department of--

6 COUNCIL MEMBER WILLIAMS:

7 [interposing] Specific about how any cuts to DOE
8 or any additional programs may assist in public
9 safety.

10 CHANCELLOR WALCOTT: I'll be honest
11 with you. I am not sure what you mean by cuts to
12 DOE.

13 COUNCIL MEMBER WILLIAMS: Any
14 programs, any pegs like that would affect public
15 safety in or around--

16 CHANCELLOR WALCOTT: I haven't had
17 a direct conversation along that line.

18 COUNCIL MEMBER WILLIAMS: The
19 reason I ask that is because most commissioners
20 haven't and I believe that all the agencies need
21 to be a part of the public safety debate,
22 discussion. NYPD is obviously responsible for law
23 enforcement, but I think every agency should
24 recognize the public health crisis that is going
25 on, and I am encouraging all heads of agencies to

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have a discussion.

CHANCELLOR WALCOTT: But you asked specifically around cuts. The police commissioner and I talk on a regular basis around school safety, so that is a - - .

COUNCIL MEMBER WILLIAMS: I think there should be specific conversations on cuts that are happening. Let me move on 'cause I need to continue. I do think--I am frustrated because I don't think black and brown kids are born uneducable and I don't think they are born prone to be criminals, so either one person believes they are or there is a systematic systemic problem that has been around that has not been fixed. So that frustrates me because everybody says they don't believe the first, but we are not doing a good job to fix the second. Now when it comes to charter schools, and I don't believe--this is probably the last hearing, so I want to make sure I say I think there are some good things that this administration has done with education. I don't want to throw the baby out with the bathwater. I do think that the fact that everything tried to shove everything down everybody's throat became a

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2 huge issue. When it comes to charter schools, I
3 think they spent one billion dollars on charter
4 schools. My question is what have we learned--and
5 I asked this before and didn't get an answer--what
6 have we learned from the charter school
7 experience, which I understand was supposed to be
8 experimental to figure out new education program,
9 what have we learned that we are now bringing back
10 to the non-charter school systems?

11 SHAEEL SURANSKY: You did ask this
12 question. I did answer it last time you asked it.
13 I can answer it again. First of all, I wouldn't
14 say that charters are purely experimental. I
15 think that they are one of many options that we
16 are trying to provide. The advantages that they
17 have is they have much more flexibility with their
18 time and their resources, so they are not bound by
19 the same contracts, the same regulations and that
20 gives them the ability to do creative things, and
21 so I will give you some examples that I have seen
22 in charter schools that we have now taken into the
23 public school system. One is having regular ways
24 to check in on how students are doing and then
25 integrate that into the planning that teachers are

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2 doing to make good instructional decisions,
3 particularly with high need kids. So for example,
4 in our middle school quality initiative that we
5 are partnering with the Council on, we have an
6 assessment tool that really helps us target when
7 kids aren't reading, it is not just one reason.
8 Some kids have trouble with decoding. Some kids
9 have trouble with academic vocabulary. Some kids
10 are struggling because they actually haven't ever
11 had a good experience with reading, and creating a
12 regular assessment process and then doing small
13 group instruction with those students on literacy
14 actually leads to real gains. We have seen that
15 in the charter schools and we are starting to see
16 it in the middle school quality initiative. I
17 know your time is running low, so I won't answer
18 more, but there are a lot of other examples.

19 COUNCIL MEMBER WILLIAMS: I do
20 hope, and I don't want to - - . I have one more
21 question, and I appreciate the Chair indulging. I
22 hope that whatever we are learning we are figuring
23 out a way to bring it back to the rest of the
24 school system that is not charter school related.
25 My last one does have to do with the money,

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2 supposed money we are planning to save with the
3 new bus contracts. I will say that I believe
4 there was intentional deception on what the
5 choices were, and I am frustrated that we are
6 acting like that is not what happened. My
7 understanding was I understood that the
8 administration's point of view was that we could
9 not put the EPP in. That was blankly not correct.
10 We had other choices. We did not have to do a
11 request for bid. We could have done a request for
12 proposal, which it could have gone in. And in
13 addition there is a disagreement you haven't shown
14 anywhere where a judge said that you could not put
15 it in the bid process. So there was a full
16 deception not only to this City Council, to the
17 New York City population as a whole, and I am
18 frustrated that you would sit here and believe and
19 say that that is not what happened. It either
20 happened on purpose or it happened by omission.
21 And there is a problem with that. And now all of
22 this money we are going to save this
23 administration does not have a good track record
24 on projecting money that is going to be saved
25 whether it is with 911, whether it is with taxi

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2 medallions. They just have a terrible track
3 record in projecting money saved and money spent,
4 so to come here and pretend like there was not
5 deception when it comes to this, and to come here
6 and say you don't know if people lost their jobs,
7 I believe is disrespectful to this institution and
8 to New York City and you say you are saving money.
9 Primarily it is going to come at the cost of
10 people who can least afford it, and if saving
11 money is so important, if we can find someone who
12 can do your job at a cheaper price, would that be
13 a good thing for the mayor to do, to replace your
14 position?

15 CHANCELLOR WALCOTT: Quite frankly,
16 I don't want to be flippant with your question
17 because we have had this debate before, so when
18 you ask about me and saving money, I mean people
19 can do whatever they want as far as the salary
20 structure of people who are like me. I am not the
21 debate. The debate is around the students.

22 COUNCIL MEMBER WILLIAMS:
23 [interposing] That was a direct question. If they
24 can save money--

25 CHANCELLOR WALCOTT: You want me to

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answer that direct question?

COUNCIL MEMBER WILLIAMS: Yes, that direct question.

CHANCELLOR WALCOTT: If they can save money--I am making less money than my predecessors have made. Hopefully, I am doing a job equal to them if not better than them, but I am--

COUNCIL MEMBER WILLIAMS:

[interposing] If the mayor can save money--

CHANCELLOR WALCOTT: He has saved money on me. To answer your question directly, you want an answer to that, I am a real live example. I am blessed to earn the salary that I earn and I thank God every day I have this job, but I am paid less than my predecessors. Hopefully, the value that the public is getting even if we have philosophical or policy disagreements is equal to if not exceeds the people who were before me and that will happen after me, but you also raised a question I don't want to pass over lightly with the Chair's permission around safety because I think safety is an issue I know, Councilman, that you have been

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2 very focused on, and I don't want to just blow
3 right by it. We work very, very closely with PD
4 around issues. So for example, we get real time
5 information on what is happening both in our
6 schools as well as around our schools involving
7 the safety of our students, so as I indicated with
8 Council Member Brewer around the incident that
9 took place, I just got another update of an
10 incident that is happening in schools throughout
11 the city as far as real time issues whether they
12 are potential hostage situations or people
13 threatening and so we have a very close working
14 relationship around both the safety plans and we
15 have put in place protocols around lockdowns and
16 soft lockdowns based on what is happening in
17 society, so we do have an ongoing relationship
18 about inside and outside the school.

19 COUNCIL MEMBER WILLIAMS: That
20 wasn't a question about the safety, but I
21 appreciate that, but you did gloss over the fact
22 that I said there were other ways that we could
23 have had EPP--

24 [crosstalk]

25 COUNCIL MEMBER WILLIAMS: There was

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2 other options that could have been chosen. I just
3 want to know why they chose the one option that
4 they believe.

5 CHAIRPERSON RECCHIA: You answered
6 the question, Mr. Chancellor?

7 CHANCELLOR WALCOTT: Say it again?

8 CHAIRPERSON RECCHIA: Did you
9 answer his question?

10 CHANCELLOR WALCOTT: I didn't
11 answer his question, but if you want again as I
12 indicated what I talked about in February, and I
13 will be glad to repeat it again, I thought you
14 were in the room when I said it to Council Member
15 James and also to Chair Jackson is that what I
16 talked about were bids going out around EPP and we
17 decided on the policy of issuing a bid without the
18 EPP. I was very clear when I said in existing
19 contracts in the distinction. I can say it again,
20 but I mean it has been said before.

21 COUNCIL MEMBER WILLIAMS: I will
22 stop, but I just want it to be noted that what I
23 asked was not answered. - - why those options
24 weren't chosen.

25 CHAIRPERSON RECCHIA: Council

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Member Cabrera?

COUNCIL MEMBER CABRERA: Thank you so much to both chairs. Welcome, Chancellor and to your staff. I want to make a comment first regarding--it hasn't been said--regarding the Pearson tests for the gifted and talented. It is just a comment. You can choose to make a comment as well. I really don't believe in light of the track record that we have seen this year and previous years and in Florida that the contract-- actually the contract should be cancelled. It created so much distress and confusion in someone who is supposed to be testing and have accurate an assessment tool that is supposed to be accurate it shocks me how many times they keep getting it wrong, but let me address the question that you did ask, and then I have another question. It is regarding effective ways of college prep, and since you asked, I will give you some suggestion. The school of one, I think the school of one, I have to say I visited the school of one. I was very impressed with the school of one. I think the school of one will be a good model to use with those who are lagging behind, which has been

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2 mentioned, those in minority community. Smaller
3 classes. You talk about universal pre-K. We know
4 that most students that don't do well--we know who
5 they are by fourth grade and we know that they
6 don't improve much more after that, so it's all
7 about getting the students to get it right right
8 from the beginning. It baffles me that it has
9 been 12 years. when I think about it it means
10 when the mayor started those children were in
11 kindergarten, so now they are graduating now, and
12 so he had a whole generation of kids, so it is not
13 like--and if the plan was effective and it was to
14 be effective above, and I would imagine above the
15 15 percent, it is really a no brainer to me what
16 it requires--somebody have worked in the public
17 school and seen the internal problems and having a
18 son that went to an Ivy League who happens to be
19 Latino, it doesn't require a brainiac to realize
20 that the situation, the problem is fundamentally
21 at the lower grades. Getting the kids to read
22 early, to be able to decode, to be able to do all
23 of the things they are supposed to do with the
24 math and so forth, but let me get to the EPP
25 issue, and let me ask in two questions.

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[crosstalk]

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CHANCELLOR WALCOTT: That is mind
boggling to me that - - .

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[crosstalk]

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COUNCIL MEMBER CABRERA: I'm just
asking is it my time or not my time?

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CHANCELLOR WALCOTT: It is your
time, I duly respect that, but you raised some
important academic questions, and then we somehow
get back to EPPs.

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CHAIRPERSON RECCHIA: Hold on,
Council Member. Mr. Chancellor, we will give you
a chance to respond. Mr. Cabrera, what is your
question?

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COUNCIL MEMBER CABRERA: Thank you
so much, Mr. Chair. I appreciate it. There is
different ways of asking different things, and
perhaps, is it possible, chancellor, that the
question I am about to ask has not been asked the
way I am asking, so I think I have been very
respectful. I have sat here now for almost two
hours waiting for my turn for this five minutes.

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CHAIRPERSON RECCHIA: Okay. Ask
the question.

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2 COUNCIL MEMBER CABRERA: Here is
3 the question. Was there a way for the Department
4 of Education to let out a contract with the EPPs
5 and still achieve savings? That question has not
6 been asked.

7 CHANCELLOR WALCOTT: Well, we made
8 the decision that we made, and we are sticking by
9 that decision, and that is the process, so I guess
10 my reaction is while you raised some really
11 important questions and issues around the academic
12 future of our children and what has been done,
13 what has not been done and somehow we morph back
14 to EPP. Is this about EPP or is this about our
15 students? I have our chief academic officer here
16 sitting right next to me, who would love to engage
17 discussion around the academic rigor and what we
18 have done. We have expanded a number of early
19 childhood seats from 40,000 to 56,000. As I
20 indicated, we put new money in place for universal
21 pre-K and expanding that by what? 20,000 or so in
22 underserved areas, and somehow we morph back to
23 EPP. Is this an EPP hearing or is this a hearing
24 about our students?

25 COUNCIL MEMBER CABRERA:

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2 Chancellor, I have not sat here in all of the
3 hearings and being part of this committee, I have
4 never minimized the results that you have received
5 in those particular issues that you have brought
6 forth, but I asked a specific question, and if you
7 choose not to answer, it is your choice.

8 [crosstalk]

9 COUNCIL MEMBER CABRERA: I did
10 address the question. He asked for suggestions.
11 I did give suggestions, and as someone who worked
12 in higher education as a professor for 12 years
13 and as someone who worked in the public school as
14 well like you did and have and continue to do so I
15 think I am qualified to make the statements that I
16 did and to make the comments that I did. I
17 commend what the efforts and the progress that you
18 have made in those specific areas. I just ask one
19 specific question regarding that has not been
20 asked. If you choose not to answer it is your
21 choice. I just wanted it on the record. Thank
22 you so much, Chairs, with respect to the time.
23 Thank you so much.

24 CHAIRPERSON RECCHIA: Thank you,
25 Council Member. Council Member Oliver Koppell

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2 then Council Member Reyna for a quick question and
3 then Jackson. The 1:30 we have Rose Gill Hearn.

4 COUNCIL MEMBER KOPPELL: First of
5 all on the school health centers, I want to second
6 what Council Member Brewer said, and I want to ask
7 you specifically whether you would work in the
8 next weeks 'cause the budget is about done with
9 the Department of Health and with our Council
10 staff to number one, four health centers are
11 supposed to close. It is my understanding that
12 most of the health centers that are opening are
13 now essentially self-supporting because the
14 hospitals that actually staff the health centers
15 get reimbursement from various programs including
16 particularly Medicaid, and I am asking that we do
17 everything possible to stop four centers that the
18 Health Department said they are closing in four
19 high schools--I don't remember their names
20 offhand--that we work together to make sure that
21 those health centers don't close, and I ask that
22 of you. I also ask it of our staff. They don't
23 need obviously to answer, and the Chairman. But
24 at least those four centers shouldn't close and we
25 are looking to put some more money into the system

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2 I would look to open more because I agree with
3 Council Member Brewer. Would you agree to work
4 with us to see that those four centers don't
5 close?

6 CHANCELLOR WALCOTT: I am always
7 willing to work you, and I know probably there are
8 conversations taking place between staff, so it
9 would be my pleasure to work with our health
10 commissioner and City Hall staff in addressing
11 that particular question, but just in context as
12 you know, we have currently 120 existing school
13 based health centers serving roughly 280 schools
14 throughout the system, and we will always look to
15 see how we can work together.

16 COUNCIL MEMBER KOPPELL: I think as
17 I said in my remarks just now, more and more of
18 those centers are actually not costing the
19 Department anything and even the city anything
20 'cause the hospitals that run them are able to get
21 reimbursements that cover if not all of the costs,
22 most of the costs, so it shouldn't be that
23 expensive.

24 CHANCELLOR WALCOTT: That is why we
25 put aside 30 million dollars in capital funds to

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try to--

COUNCIL MEMBER KOPPELL:

[interposing] Yes, and I have praised you for that, and let me just make the following observation since I am ending my tenure and I have observed the system now for over 40 years. First of all, I am not going to discuss EPP, but let me say that I have observed over those 40 years tremendous frustration in trying to renegotiate bus contracts and put them out to bid in a proper way so we can save money, and there are many times in Albany when I voted no on extensions of those contracts because I saw them as sweetheart deals that ended up costing the taxpayer money and not doing the best we can, and so maybe we could have included something for the employees and maybe not, but it was absolutely essential to rebid those contracts and I congratulate for doing that. Secondly, I want to say just that I haven't agreed with the Department of Education has done, but I will say this, Mr. Chairman, both Mr. Chairmen. I have observed this for over 40 years. this administration with the schools has done more experimentation and more attempt to do new things

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2 because of a recognition that the old way was not
3 working as well, and some of the new things
4 haven't worked, but I want to congratulate you for
5 trying because they have been more trying than I
6 have ever seen before, and in many cases success,
7 and in my district most of the public schools
8 actually work, pretty much all of them actually
9 work, and in many cases, they have materially
10 improved, and I think by and large even though I
11 oppose more schools at Clinton, I think by and
12 large the small schools and the high schools at
13 Kennedy, at Walton at Evander [phonetic] have made
14 enormous success, have been an enormous success in
15 allowing kids to learn. So again, I think
16 overall, our schools have improved and the schools
17 in my district I can endorse and also I think we
18 cannot ignore the many schools in this city that
19 are providing education not only to an elite, but
20 to all the kids and if you look admissions to CUNY
21 and to all kinds of colleges across the country
22 you will see we haven't gotten to everybody and we
23 regret that we haven't, but we are getting to more
24 than we did before, and I feel good about that as
25 having been in this government for the years that

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2 I have been in the government, and I want to
3 specifically thank you, Mr. Chancellor, but I also
4 want to particularly point out that Kathleen
5 Grimm, your deputy chancellor, has been
6 particularly responsive to me, and I have
7 appreciated the interaction we have had over these
8 years. Thank you.

9 CHAIRPERSON JACKSON: Thank you.

10 Council Member Reyna?

11 COUNCIL MEMBER REYNA: Thank you,
12 Mr. Chairs. I just wanted to take an opportunity
13 to ask regarding the pre-K slots, I understand I
14 read in your testimony, Mr. Chancellor, the
15 spending increase of an additional 20 million
16 dollars for 4,000 new full day pre-K seats for
17 school year 2013-2014. The list of public schools
18 have already been determined and you have been
19 forthcoming with the information to the Committee,
20 which the staff will make available for me, but
21 the list for CBOs, the community based
22 organizations who have been awarded for pre-K
23 slots, I would like to understand who those
24 organizations are and were they prioritized in the
25 same manner in which the pre-K slots have been

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2 directed to, which was high poverty I believe,
3 concentration of low performing school districts?

4 CHANCELLOR WALCOTT: We will be
5 glad to get you the list, so we have staff here
6 who will be able to get the members of the Council
7 the list of those CBOs that were selected, and to
8 answer the other part of your question, yes, the
9 same type of priority was given as far as those
10 needs based on areas that are just not high
11 poverty, but also that have additional needs as
12 far as academic rigor and having early childhood
13 programs there, so underutilized areas, high
14 poverty, and so that correlation was drawn.

15 COUNCIL MEMBER REYNA: And that is
16 only going to be with contracted CBOs under ACS'
17 new early learning model?

18 CHANCELLOR WALCOTT: No, this is
19 separate in part from early learning. This is
20 through the DOE and we are obviously working in
21 conjunction with ACS, but this is an initiative
22 that we have been talking about on a regular basis
23 with the Council's Education Committee and also I
24 think in our prelim as well discussions and so a
25 mix of the funding is for existing public schools,

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2 and then the balance for CBOs and targeting
3 specific neighborhoods, and I think I added on to
4 that also when we talked last about the program
5 from birth through four and that will be located I
6 think at P.S. 41 in Brownsville, and so that will
7 be a very unique program that we are going to try
8 as well.

9 COUNCIL MEMBER REYNA: And as far
10 as the full day list, the CBOs will receive half
11 day or full day accommodations for seats?

12 CHANCELLOR WALCOTT: They are going
13 to provide full day services, but your question
14 may have a little bit of connection to the
15 partnership again with ACS, so let me get back to
16 you on how that will be carried out, but it will
17 be and our money is for full day seats.

18 COUNCIL MEMBER REYNA: Okay, I just
19 want to make sure that if there is any necessary
20 dialogue that we have to advocate on behalf of
21 what would be the pre-K seats being issued in
22 areas of which you have just determined of high
23 need that we are able to work with you in
24 determining where there is holes if any at all,
25 and we won't know that until we see that

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breakdown.

CHANCELLOR WALCOTT: I will give you not the organizational breakdown, but I can give you for public schools-I am not sure if you have this information in front of you--the number of full day seats is 1,404.

COUNCIL MEMBER REYNA: 1,404.

CHANCELLOR WALCOTT: Full day seats. For our community based organizations the allocation will be 2,548, so for totals just short of 4,000, 3,952. The 54 public schools who are awarded full day classes, 8 of them are located in the Bronx, 32 in Brooklyn, 7 in Manhattan. Queens has 4. Staten Island will have 3, and with the CBOs we can get you a specific list, but the prioritized neighborhoods were and are Central Harlem, Morningside Heights, East Harlem, Washington Heights and Inwood, Hunts Point, Mott Haven, Highbridge, - - , Tremont, Fordham, Bronx Park, Northeast Bronx, Bushwick, East Williamsburg, Sunset Park, Stuyvesant Heights, Crown Heights, Brownsville, Ocean Hill, East New York, Long Island City, Queensbridge, Rockaway and then Port Richmond, so those are the neighborhoods

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that we prioritize based on a variety of demographic data and analysis.

COUNCIL MEMBER REYNA: Okay, and we will see that breakdown once that list is made available.

CHANCELLOR WALCOTT: For the CBOs? Yeah, I think we have awarded--am I correct? We have awarded the CBO contracts and Council staff has it, but we can get it to you again.

COUNCIL MEMBER REYNA: Okay. That would be helpful, and Chancellor, I just wanted to understand, as far as the budget in the last fiscal year regarding schools that have been expanded, so existing public schools that were pre-K or K to five that have been expanded to eighth grade, so that we have a pre-K to eighth grade model, what was the total number?

CHANCELLOR WALCOTT: I would have to get you that, but that is something that would go before the panel whether we are expanding the number of grades or contracting the number of grades, and we can get you the specific information as far as the--

COUNCIL MEMBER REYNA:

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2 [interposing] More specifically, Chancellor, I
3 just want to understand what is budgeted for the
4 school year for the upcoming fiscal year regarding
5 what would be the expansion of that type of model
6 because we have been in communication with the
7 Department of Education on several schools from
8 school districts 14, 32 and 24 to be able to
9 request what would be the exploration of a K to
10 eight model or pre-K to eight model.

11 CHANCELLOR WALCOTT: Well, there
12 are two separate questions. One with the
13 potential expansion you would work with the Office
14 of Portfolio Development as far as taking a look
15 at the school's capacity, the utilization level
16 within the school, whether the capacity is there,
17 and as I indicated earlier, with far student
18 funding then the funding follows the student
19 itself, and so based on the projected grade
20 expansion and the articulation of the number of
21 students by grade then that would determine the
22 exact funding and then the ability to expend the
23 money out for the type of staff that the--

24 COUNCIL MEMBER REYNA:

25 [interposing] Mr. Chair, I just want to--I need

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2 both the Chair of Finance and the Chair of
3 Education to understand that if we are not
4 budgeting for those expansion models, it is very
5 difficult for these schools to focus on applying
6 for that type of model if the money is not
7 dedicated to expand what would be primary seats to
8 continue to have an intermediary seat to continue
9 that child to perform within a successful school.

10 CHANCELLOR WALCOTT: But the money
11 does get budgeted because--

12 [crosstalk]

13 CHAIRPERSON RECCHIA: The money
14 follows the student.

15 COUNCIL MEMBER REYNA: Yes,
16 correct, but they could stay if that funding is
17 dedicated for a projected intermediary seat within
18 the same school building.

19 CHAIRPERSON RECCHIA: Alright. We
20 have to move on. We have been joined by Council
21 Member Leroy Comrie, Council Member Nelson. Leroy
22 Comrie has one quick question, and then we will
23 give it back to Chair Jackson. I have the
24 Commissioner Rose Gill Hearn outside waiting for
25 the next hearing to start.

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2 CHANCELLOR WALCOTT: So I have to
3 answer definitely the correct way with the DOI
4 Commissioner behind me.

5 COUNCIL MEMBER COMRIE: Good to see
6 you are in a good mood, Chancellor. Good
7 afternoon. I just had one quick question about
8 how much money and the time that you give the new
9 schools to get resources and supplies. Is it for
10 the entire three year period before they have to
11 take a test that they get extra dollars for
12 equipment and resources or it is just for the
13 initial year because most new schools have to take
14 the test within three years or do they get an
15 exemption? I was unclear on that.

16 SHAEL SURANSKY: On a test there is
17 no difference, you know, once you are in a
18 testing grade, you start taking the state exams by
19 state law. Budget wise there is a new school
20 allocation as they phase in. Mike can give you
21 more detail on that.

22 COUNCIL MEMBER COMRIE: Will they
23 get a budget to--when is it then--maybe I am
24 asking the question wrong. When is it as a new
25 school start up before their first year of

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evaluation?

SHAEL SURANSKY: On our city progress reports we only give a grade once they actually have like a graduation rate for a high school. They would get a progress report with the data we have got, but it doesn't have a grade until they actually have a graduating class with a graduation rate.

COUNCIL MEMBER COMRIE: Okay, and will they be able to get extra dollars until they get to that--

SHAEL SURANSKY: [interposing] There is no link between the progress report and the funding.

COUNCIL MEMBER COMRIE: So the funding for a new school that they get at start up, they only get it for that initial year? They don't get it for a multi-year period?

SHAEL SURANSKY: They get a regular allocation for the kids that they have, and then there is also because they are new, so they are buying new chairs and tables and books that didn't exist, they have no existing supplies, there is an extra OTPS allocation that they get and it is

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2 larger in the first year and then there is still
3 some in the second and third year I think.

4 Correct?

5 MIKE TRAGALE: Yes, that is
6 correct.

7 COUNCIL MEMBER COMRIE: But beyond
8 OTPS what if they need to do extra school
9 programming that they have identified--

10 SHAEL SURANSKY: That would be
11 covered by their regular budget.

12 MIKE TRAGALE: I could just give
13 some update on the new schools. In terms of the
14 new school costs that is embedded in our fair
15 student funding model, there was actually an
16 increase of 51 million dollars, and that breaks
17 down in terms of 34 million for register,
18 11,475,000 for foundation, which supports the
19 principal and some overhead, that is a total of 45
20 million. There is a separate SAM, that is a
21 school allocation memo, for 5.7 million dollars,
22 which is a phase in over three years and that has
23 a fixed amount as well as a variable amount based
24 on the size of the school, so that really helps
25 them buy all the startup materials.

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COUNCIL MEMBER COMRIE: I

understand that. I am just driving to a final point that if either a new school or an old school has identified a certain set of needs that they feel to raise their curriculum, their averages, to be able to have the components that they feel they need to succeed and it exceeds their per student budget, what is the opportunities for that school to be able to get those dollars, and is DOE working on a model to help them if they have given you an established plan that is over their amount because it is over the dollars assigned to them because of the amount of children in the school? My overall point is that I think we need to start planning for that and creating opportunities for that so that if a school can show an adequate plan that shows their need for whatever their extras area that we find a way to make sure that those needs are met. I know that is a larger question than a minute, but I just wanted to put that statement out there, Mr. Chair.

CHAIRPERSON JACKSON: Has the budget changed in this fiscal year as far as parent coordinators? I know last year they said

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high schools--

COUNCIL MEMBER COMRIE:

[interposing] Mr. Chair, with all due respect. I just wanted to get some kind of comment to that before you switched to parent coordinators.

SHAEL SURANSKY: I will quickly comment. I think there are a number of funds that we do allocate that are specific to sort of improvement plans. You are correct that most of those funds are allocated to schools that have had a history of struggling with performance on the state's metrics because most of those funds actually are federal and state funds that flow through the state. The places where the city has its own extra funding for those purposes one track ones through the appeals process that we talked about earlier before you came where a school may be losing staff and not be able to meet its basic academic program and they can make an appeal and last year we gave about 35 million for that type of purpose. We also have a number of pilots that we run like the middle school quality initiative that includes new schools and existing schools, and along with those pilots come some additional

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2 resources to actually execute the plans as part of
3 those pilots, but there is not the kind of
4 overarching extra funds laying around that can
5 just go to meet a plan or a proposal from a
6 school. That isn't how the budget has been set
7 up. we have tried to put all of the money
8 straight out into the field unless it is connected
9 to a specific program.

10 CHAIRPERSON RECCHIA: Thank you.

11 Council Member Jackson?

12 CHAIRPERSON JACKSON: So the parent
13 coordinators has the budgetary for this fiscal
14 year change as far as whether or not it is high
15 schools or all of them or none of them, what is
16 the situation overall with that regarding this
17 budget?

18 CHANCELLOR WALCOTT: Sure. As I
19 indicated earlier in the testimony that based on
20 as you also indicated in your opening remarks as
21 well the restoration of dollars or not having
22 dollars taken out those lines that were either
23 attrited [phonetic] before the schools have the
24 ability to have parent coordinators, the community
25 aides that we talked about and so--

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CHAIRPERSON JACKSON: [interposing]

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So that is up to the principals? Is that correct?

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CHANCELLOR WALCOTT: That is

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correct.

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CHAIRPERSON JACKSON: Is that only

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at the high school level as far as--

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CHANCELLOR WALCOTT: [interposing]

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You are asking about the change in policy that we

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put in place I guess around a year and a half ago

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giving high schools flexibility in making the

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decision.

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CHAIRPERSON JACKSON: The other

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schools--

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CHANCELLOR WALCOTT: [interposing]

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Principals have the ability to hire back the

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parent coordinators. They have that ability.

17

CHAIRPERSON JACKSON: But there is

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no change as far as DOE overall that elementary

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schools and intermediate schools you have to have

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a parent coordinator.

21

CHANCELLOR WALCOTT: That is

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correct, sir.

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CHAIRPERSON JACKSON: Okay. Hiring

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freeze. You sent out--somebody sent out a

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1
2 principal's memo. There should be no external
3 hiring of teachers. Is that meaning that you
4 can't hire someone new coming in or what?

5 CHANCELLOR WALCOTT: Shael and
6 Michael can respond in more detail, but even
7 though the budget we think is a better budget than
8 prior years, it is still a very tight budget, and
9 we have to manage it well, and so we go through a
10 process and taking a look at where the needs are,
11 especially in those hard to staff subject areas,
12 and we take a look district by district and
13 deciding if there is flexibility to hire, so we
14 still keep a tight rein on that. Shael? - -

15 CHAIRPERSON JACKSON: The staff
16 will follow up more specifically in detail.

17 CHANCELLOR WALCOTT: Yeah, we will
18 be glad to give you that.

19 CHAIRPERSON JACKSON: In your
20 opinion based on all things considered are class
21 sizes overall in the city of New York going to go
22 up or going to go down?

23 CHANCELLOR WALCOTT: Tough to say
24 and because again I think and trying to give you
25 an honest, direct answer that it depends on how

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2 the schools utilize their budget and as we
3 indicated and Michael Tragale indicated that the
4 expense side is not going to go up as high as in
5 prior years, and so then principals have the
6 ability probably to maintain their existing staff,
7 and so class size hopefully will stay relatively
8 the same. Now whether it goes up a smidge or not
9 that may happen, but it should stay somewhat the
10 same, and even in the context of the cuts that we
11 have had before, we have had increases in some
12 grades and some grades believe it or not has gone
13 down, and so based on what happens in other
14 districts throughout the country, we have seen
15 increases, but not sizeable increases, and again,
16 we want our principals to manage their budget and
17 making sure they work with the parent community,
18 work with the SLT in developing their
19 comprehensive education plan as far as the
20 allocation to their budget and that will determine
21 what happens within that particular school.

22 CHAIRPERSON JACKSON: Well, let me
23 thank you and your staff for responding to our
24 questions and concerns, and obviously, this is a
25 continuing situation overall--

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[crosstalk]

CHAIRPERSON JACKSON: --with Diana Reyna with respects to protocol as far as reporting before you leave if you don't mind.

CHANCELLOR WALCOTT: Sure. Someone will follow up.

CHAIRPERSON RECCHIA: We will take a two minute recess. The education part of today's hearing is adjourned. We will take a two minuet recess and have the Department of Investigation.

[recess]

CHAIRPERSON RECCHIA: Okay. We will now resume the City Council hearing on the mayor's executive budget. The Finance Committee has now been joined by the Committee on Oversight and Investigation chaired by my colleague, Council Member Jumaane Williams to hear from the Department of Investigation. The department's budget totals 21.9 million dollars, which reflects a less than one percent increase from last year's adopted budget. Notable budget actions for the Department of Investigation include the base lining of 630,000 for a new inspector general unit

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2 for the Board of Elections. This is from the
3 result of the department's recent report that
4 found the Board of Elections could have saved 2.4
5 million dollars by consolidating certain election
6 districts for the November 2011 election and by
7 reducing the number of co-workers at the remaining
8 poll sites. Before we hear from the Commissioner,
9 I recognize my co-chair. Let me recognize those
10 members that have joined us. We have been joined
11 by Council Member Diana Reyna, Council Member
12 Michael Nelson, Council Member Deborah Rose, and
13 my co-chair, Jumaane Williams. Mr. Williams?

14 CHAIRPERSON WILLIAMS: Thank you.
15 Good afternoon and welcome to the Oversight and
16 Investigations Committee hearing on fiscal 2014
17 executive budget for the New York City Department
18 of Investigation. Welcome, Commissioner and
19 staff. The Department of Investigation, DOI,
20 promotes and maintains integrity and efficiency in
21 government operations. Through its inspector
22 general, IG, and other investigative staff the
23 department investigates and refers for prosecution
24 city employees and contractors engaged in corrupt
25 or fraudulent activities or unethical conduct.

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2 Investigations may involve any agency, office or
3 employee of the city as well as those who do
4 business with or receive benefits from the city.
5 The department provides the mayor with
6 recommendations for corrective actions to assist
7 city agencies in the design and interpretation of
8 strategies to limit opportunities for criminal
9 misconduct and waste. The fiscal 2014 executive
10 budget increases the DOI's budget by 765,000 above
11 its fiscal 2014 preliminary budget. This is
12 because administration added 630 million to the
13 department's budget beginning in fiscal 2014 to
14 create a new inspector general unit to oversee
15 activities at the Board of Elections. I was a
16 little more surprised when I saw it, and then I
17 saw what it was for. The unit will include six
18 new positions including one inspector general
19 position and five additional support staff. On
20 April 1st, 2013, DOI released a report summarizing
21 an investigation conducted of the Board of
22 Elections administration of the November 2011
23 elections. It concluded that the Board could have
24 saved New York City taxpayers approximately 2.5
25 million dollars by consolidating election

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2 districts and significantly reducing the number of
3 poll workers needed to staff the remaining poll
4 sites. DOI's report also made among others the
5 following observations: approximately 90 percent
6 of the 1357 polling sites in the five boroughs had
7 ten or few votes for every poll worker assigned,
8 there was an average turnout of six voters for
9 every poll worker, at least 12 polling sites had
10 more poll workers present than voters. We will
11 try to examine some of the other observations
12 continued in the report and consider some of the
13 implications and will ask Commissioner Gill Hearn
14 to give us an update on a couple of the
15 department's other activities as well. - -
16 welcome. Thank you for coming. You may begin
17 whenever you are ready, and I also want to say I
18 am very happy to hear about the new IG as having
19 had tremendous issues on election day in my
20 district of people waiting in line for hours and
21 hours, and we had obviously a hearing here. I'm
22 glad to see I will have somebody independently
23 looking at what is happening.

24 COMMISSIONER GILL HEARN: Thank you
25 and good afternoon, Chairperson Williams,

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2 Chairperson Recchia and members of the City
3 Council and your staff members. At your request,
4 I am again happy to address the Committee
5 concerning the mayor's executive budget proposal
6 for the Department of Investigation for fiscal
7 year 2014. DOI's executive expense budget for
8 fiscal year 2014 is 21.9 million dollars
9 consisting of 16.3 million for personnel services
10 and 5.6 million for other than personnel services.
11 Included in the 16.3 million for personnel
12 services is new PS funding of 460,000 dollars and
13 OTPS funding of 170,000 dollars to provide
14 additional investigative resources as you have
15 said, Chairperson Williams, for the New York City
16 Board of Elections. Approximately 4.4 million
17 represents 77 lines resulting from memoranda of
18 understanding, MOUs, that DOI has with agencies.
19 The lines afforded to DOI by virtue of those MOUs
20 are essential to the department's ability to
21 fulfill our mandate to combat corruption and
22 recover money for the city. Those MOUs are
23 arrangements for more investigative resources each
24 created because of an identified need for more
25 investigations in a particular agency or area.

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2 Some are with non-mayoral agencies. Some of these
3 arrangements are entered into in the wake of
4 corruption problems exposed by DOI investigations
5 of those agencies, for example, reports by DOI,
6 arrests, et cetera exposing fraud, waste or
7 corruption. While the fiscal year is not yet
8 complete DOI arrests, closed investigations and
9 corruption prevention lectures are on track with
10 fiscal year 2012 numbers. In some cases we have
11 already exceeded the number reached last year, for
12 example, by issuing over 500 recommendations to
13 cure corruption, vulnerabilities this fiscal year,
14 an increase over the FY 2012 figures and
15 decreasing the average amount of time it takes to
16 complete an investigation to 170 days, about a 20
17 percent decrease over 2012. In April DOI's work
18 and accomplishments were featured at a two-day
19 summit at Yale University, which focused on how
20 academics and policymakers can best work together
21 to improve anti-corruption efforts. I joined
22 integrity proponents and government officials from
23 various venues at the summit and can share that
24 attendees were impressed with DOI's strategy and
25 impact. In addition, since March representatives

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2 from integrity agencies in China, Hong Kong and
3 Canada have visited DOI's headquarters to learn
4 more about our investigative techniques and how we
5 successfully uncover and stop corruption. In May
6 DOI also had a first ever city workshop to share
7 important information for prevention and detection
8 purposes in the problematic area of cyber-crime
9 and cyber security. The cyber-crime forum
10 featured a presentation by the chief of the
11 complex crime unit of the United States Attorney's
12 Office of the southern district of New York.
13 Representatives from DOI and an array of city
14 agencies attended including more than 20 IT
15 professionals and managers from DoITT as well as
16 IT officials and the attorneys from the Department
17 of Finance, Education, HRA and DCAS. This year as
18 DOI commences its 140th year protecting New York
19 City and its taxpayers from fraud and waste, we
20 are mindful of our legacy and focused on pressing
21 forward with innovative ideas. In July, our 140th
22 anniversary month, we will launch a city wide
23 media campaign with unprecedented reach letting
24 New Yorkers know that they can and should call DOI
25 when they know of corruption and we will be

1
2 hosting a public integrity conference that will
3 bring together integrity professionals, including
4 scholars and law enforcement personnel who will
5 share best practices and discuss common challenges
6 and solutions. DOI has found such gatherings to
7 be significant opportunities where anti-corruption
8 strategies can be thoughtfully discussed and ideas
9 and connections can be nurtured. Leading this
10 department over the past 11 years and working with
11 this dedicated staff remains inspiring. DOI's
12 work, its accomplishments and efforts set it apart
13 as a result oriented corruption fighter. Since
14 speaking before this committee in March, DOI
15 investigations have continued to effect change
16 within city government, expose corruption and
17 ensure that individuals who seek to squander or
18 steal taxpayer funds are brought to justice, here
19 are some of our investigations efforts since March
20 2013. One investigation underscored why prompt
21 corruption reporting can lead to success in
22 stopping potential wrongdoing. In April DOI began
23 investigating a matter spurred by a City Council
24 Member who reported a Queens businessman's offer
25 of campaign support while at the same time asking

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2 for the Councilman's intervention with the DOB.
3 The Councilman's prompt reporting of the matter
4 led to a swift DOI undercover investigation and
5 ultimately a bribery charge filed against the
6 businessman. In fact, the businessman had
7 received a stop work order at the property because
8 he had not obtained the proper permits to conduct
9 the renovations at a warehouse being converted
10 into a rock climbing gym. this investigation had
11 good results all around. It stopped the improper
12 building going on at the site, allowed the DOB to
13 address the errant construction issues and showed
14 that city officials and the city agency employees
15 are not for sale. The arrest of a non-profit
16 executive at a childcare training organization on
17 charges of selling fake health and safety training
18 certificates to daycare providers, DOI found and
19 confiscated more than three dozen of these fake
20 certificates, ensuring they were taken out of
21 circulation. Guilty pleas by seven individuals
22 who profited from the unlawful installation of
23 approximately 60 commercial billboards in the five
24 boroughs by unlicensed workers, the type that hang
25 on buildings, storefronts, and over roadways, the

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2 investigation involved numerous field operations
3 including five search warrants and the analysis of
4 thousands of documents and led to the city
5 Buildings Department inspecting the effected
6 signed and checking for potential safety issues.
7 This investigation demonstrates the meticulous
8 type of examinations that DOI investigators are
9 particularly equipped to conduct since they have
10 an expertise in city operations and licensing
11 regulations. Uncovering a 116,000 dollar
12 childcare and benefit fraud scheme that lead to
13 the arrest of three people was another case that
14 we did since March. The individuals were charged
15 with collecting the cash and other benefits
16 intended for a group of eight children. DOI
17 issued a report on the city Board of Elections
18 finding the board could have saved taxpayers
19 approximately 2.4 million by consolidating
20 staffing for the November 2011 off year general
21 election, which had no major races on the ballot
22 and where low voter turnout was expected. The DOI
23 report details the methodical and exhaustive
24 investigation that found among other issues there
25 was an average turnout of six voters for every

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2 poll worker and about a dozen polling sites had
3 more poll workers than voters. Over the years,
4 DOI has investigated various complaints regarding
5 BOE issues, which have taken up DOI resources
6 often assigned to IGs and investigators on top of
7 their numerous matters. Among the cases we
8 investigated were several referred to us by the
9 BOE or its staff without any detail. Other
10 referrals as a matter of process have been made to
11 us by the CFB, the COIB, OPA, city officials,
12 prosecutors' offices, and members of the public.
13 Some of these investigations are complex and labor
14 intensive. The investigation and findings we did
15 regarding the 2011 off year election was a
16 particular resource drain given so many of their
17 records were provided on paper. It therefore led
18 DOI to request additional resources for the
19 investigations that come from or are about the
20 BOE. Specifically we will conduct cases that
21 examine potential conflicts, fraud, waste, or
22 corruption at the BOE as we have been doing and as
23 is our charter mandate. And we would also like to
24 present corruption prevention lectures to BOE
25 staff as we do throughout the city agencies.

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2 Since the announcement of the new resources, DOI
3 has already received allegations relevant to our
4 mandate. We are moving forward with the hiring
5 process for attorneys and investigators for the
6 new unit. DOI's diverse knowledge base from
7 investigations to city government operations has
8 made it an essential participant in a number of
9 law enforcement taskforces that focus on efforts
10 such as apprehending fugitives and investigating
11 terrorism. DOI is a member of the FBI's New York
12 Joint Terrorism Taskforce, which is on the front
13 line in the city's fight against terrorism and
14 includes members of the NYPD and other city, state
15 and federal law enforcement agencies. DOI has one
16 investigator assigned fulltime to the JTTF. This
17 investigator chases down leads, gathers evidence
18 and makes arrests on JTTF cases; however, DOI also
19 has a larger role with the JTTF obtaining and
20 analyzing intelligence and leads developed from
21 information contained in the city's electronic
22 databases and records. DOI's inspectors general
23 provide one stop shopping for JTTF regarding city
24 vendors, employees, buildings and regarding
25 individuals who receive benefits or are licensed

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2 or regulated by the city of New York. In fact on
3 nearly a daily basis, DOI receives requests for
4 information from the JTTF. DOI's unique statutory
5 authority which allows its investigators to
6 quickly and discreetly obtain records from
7 agencies and its in depth knowledge of the
8 agencies they oversee and the city's records and
9 databases makes DOI a robust source for the
10 taskforce and its ongoing investigation. The
11 diverse spectrum of city information available to
12 DOI and our expertise in obtaining and
13 interpreting the information makes DOI a vital
14 member of the JTTF. DOI is also a member of the
15 U.S. Marshalls' Regional Fugitive Taskforce
16 working with other federal, state and local law
17 enforcement agencies from the New York and New
18 Jersey area. DOI's investigators assist in
19 uncovering the possible whereabouts of the
20 region's most significant fugitives by uncovering
21 leads obtained from city records and other
22 sources. In a recent case working closely with
23 the taskforce DOI traced down a number of cold
24 leads and tracked down a defendant who had jumped
25 bail and had been in hiding for several years.

1
2 the defendant was part of a pending racketeering
3 case investigated by DOI and the Manhattan
4 District Attorney's Office that resulted in the
5 arrest of more than two dozen individuals
6 including several city inspectors. In addition,
7 the squad of NYPD detectives assigned to DOI
8 enabled us to tap into the comprehensive law
9 enforcement resources at the NYPD giving DOI
10 direct assistance on our investigations and access
11 to specialized units at the PD such as the police
12 lab, the organized crime investigation division,
13 the crime scene unit and the real time crime
14 center. DOI also recently donated an extensive
15 collection of legal books we no longer needed from
16 our law library to a Brooklyn based non-profit
17 which assists previously incarcerated individuals
18 in their transition back to the community. DOI
19 rightly recognized that one of the venues for
20 reducing and preventing crime and corruption is
21 providing opportunities for individuals trying to
22 change their lives, and it was a pleasure to
23 collaborate with a non-profit organization in
24 Brooklyn. Moreover, we also contributed a set of
25 family law treatises to the Department of

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2 Corrections for their women's jail. I have been
3 told by Commissioner Schriro about a need for
4 family law treatises, so we made that
5 contribution. Those books are especially useful
6 to the women inmates because they contain cases
7 pertaining to custody, child support, domestic
8 violence, et cetera. We believe that the
9 strategies DOI employees and its accomplishments
10 are a testament to the importance of our anti-
11 corruption work and empower the city to protect
12 and save taxpayer funds. I am honored to serve as
13 this agency's commissioner and alongside DOI's
14 investigators. I would be happy to take your
15 questions.

16 CHAIRPERSON RECCHIA: Thank you. I
17 am going to just ask one or two questions and then
18 my colleagues have questions, but before I do that
19 we have been joined by Council Member Mark Weprin.
20 Commissioner, you started--you released a report
21 about the Board of Elections and now you have an
22 ongoing investigation and when did this begin
23 and...?

24 COMMISSIONER GILL HEARN: I
25 released the report in April, and it was the

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2 culmination of an investigation that we had done
3 coming out of the November 2011 election. We have
4 a number of investigations open, which I cannot
5 discuss, that are unrelated to that report and we
6 are currently using both IGs and investigators
7 already on staff and on a parallel track. We are
8 hiring some additional investigators and attorneys
9 with the new funding that we received from OMB
10 last month to increase our investigator resources
11 for matters that pertain to the BOE. So before we
12 had that extra money from OMB when a matter
13 pertaining to the BOE came in it would be assigned
14 to an inspector general squad who had
15 responsibility for a group of other city agencies
16 and they would be tasked with taking on the
17 additional BOE matter. Now we will be able to
18 have a dedicated group of investigators and an
19 inspector general to handle the BOE cases. The
20 last one that we did, which culminated in the
21 report that you referenced was a lot of work. It
22 was a lot of legwork.

23 CHAIRPERSON RECCHIA: That was
24 pertaining to the last elections.

25 COMMISSIONER GILL HEARN: November

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2011's election.

CHAIRPERSON RECCHIA: And at that time you feel that the Board of Elections could have saved 2.4 million dollars?

COMMISSIONER GILL HEARN: That is our estimate. Yes.

CHAIRPERSON RECCHIA: Okay. Will this ongoing investigation be able to give us an idea of what you think that the Board of Elections could save or is not spending properly?

COMMISSIONER GILL HEARN: I can't comment on the particulars of any open investigation, but suffice it to say that yes, investigations that we do are generally going to be in the vein of that category and of those sorts of outcomes.

CHAIRPERSON RECCHIA: Okay, and is the Board of Elections cooperating? How has their response been working with you?

COMMISSIONER GILL HEARN: Well, they have with respect to the last investigation that we did that resulted in the report, they did provide us with materials that we requested and several members of the Board of Election provided

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2 us with testimony and information verbally, and so
3 there was input from the Board of Election in the
4 last investigation and there were document
5 productions, and with respect to what we may need
6 now or going forward those are areas that relate
7 to ongoing investigations, and I am limited in
8 what I can say. Suffice it to say, we have done
9 outreach to the Board of Elections, and we also of
10 course as you know have subpoena power, and we
11 will move forward with those investigations, and I
12 believe succeed in getting the information and the
13 documents that we need from them, although as I
14 commented, there are a lot of databases that we
15 have access to that could have relevant materials
16 that we do not have to go to the Board of
17 Elections to get.

18 CHAIRPERSON RECCHIA: Do you
19 receive back or get back monies that were lost
20 from the city? Where do those monies go? Do they
21 go to your separate account? Do they go to the
22 OMB general fund?

23 COMMISSIONER GILL HEARN: In
24 general, we seek restitution in cases where the
25 city is out money by virtue of for example

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2 criminal activity. We will ask a prosecutor's
3 office to have the court order restitution back to
4 the city and so that money then goes into the
5 general fund.

6 CHAIRPERSON RECCHIA: Do you have a
7 number like how much you have recovered last year?

8 COMMISSIONER GILL HEARN: How much
9 money was ordered back to the general fund last
10 year? I do happen to have that off the top of my
11 head. It is over a half a billion dollars because
12 it included the City Time money.

13 CHAIRPERSON RECCHIA: Okay. How
14 much if you could do you think you might get back
15 next year in '14? Do you have a possible...?

16 COMMISSIONER GILL HEARN: I can
17 follow up with you and get you the tally of what
18 we have to date. We keep a very close count on
19 that, so I can certainly get you what we have to
20 date and can update you throughout the year as
21 well.

22 CHAIRPERSON RECCHIA: Okay. Thank
23 you very much. I will now recognize my co-chair,
24 Council Member Jumaane Williams. If any Council
25 Member would like to ask a question, please give

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your name to Lionel [phonetic].

CHAIRPERSON WILLIAMS: Thank you.

Thanks again, Commissioner. Just to follow up on that, is there on average--I know this was an out - - year because of City Time. Is there on average what do you normally get back from investigations?

COMMISSIONER GILL HEARN: From

investigations collectively? It varies in each case, but collectively, it is seven figures every year, Councilman, and we have all of these numbers. I can supply them to you.

CHAIRPERSON WILLIAMS: Thank you.

All the examples that you gave are all since March?

COMMISSIONER GILL HEARN: Yes, sir.

CHAIRPERSON WILLIAMS: That's a lot

of work. I also want to know did the BOE give any explanation as to why they did not consolidate those districts and save the money?

COMMISSIONER GILL HEARN: There are

responses that they provided to us that are in the report, so the answer is yes. I can't say that we had a lengthy dialogue about it with them, but

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2 their responses are duly noted in the reported,
3 which I will provide you with a copy of.

4 CHAIRPERSON WILLIAMS: Yes please.

5 COMMISSIONER GILL HEARN:

6 Absolutely. Yeah, I mean among the reasons that
7 they provided, Councilman, included insufficient
8 time to consolidate the election districts. I
9 think they felt that the concept of consolidating
10 wasn't brought to their attention until October of
11 2011. Another reason they gave not to consolidate
12 was to provide poll workers an additional
13 opportunity for training as if it was a not off
14 year election, and DOI also addresses those two
15 reasons and we provide our response to those two
16 reasons--insufficient time to consolidate and we
17 wanted to use this election as a training
18 opportunity. We also provide our responses to
19 those two reasons that they gave for not
20 consolidating.

21 CHAIRPERSON WILLIAMS: Thank you.

22 I understand that we did receive a copy, but if I
23 can get another copy that would be great.

24 COMMISSIONER GILL HEARN: Of my
25 report? Absolutely.

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2 CHAIRPERSON WILLIAMS: Is it also
3 online?

4 COMMISSIONER GILL HEARN: It is.
5 It is on our website.

6 CHAIRPERSON WILLIAMS: Thank you.
7 The new computer specialist position will be
8 responsible for the maintenance of DOI's case
9 manager system. Could you briefly discuss the
10 case manager system for the Committee and what
11 purpose it will serve? Thank you.

12 COMMISSIONER GILL HEARN: Yeah, the
13 case management system, which we affectionately
14 refer to as CMS is a replacement of DOI's cactus
15 case management systems. CMS is the central
16 repository for all of our investigative
17 information, and it is continually accumulating
18 that information. It is used by each investigator
19 every day in every case. It has grown to be a
20 significant law enforcement database. The system
21 is used to track complaints for the duration of
22 their life cycle. It is used to track in a single
23 system to develop and track complaints against
24 individuals or groups. It allows us to track
25 intakes from the time an allegation is made until

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2 it is concluded through to disposition and
3 referral. With the system, we can track how long
4 a case takes to resolve and we can determine
5 average times. We can also correlate multiple
6 complaints against an individual and view patterns
7 or potentials of misconduct. The cactus system
8 that it replaced was a DOS based system created in
9 the 1980s on a database platform that had become
10 obsolete. Conversion was an absolute necessity.
11 CMS is our main central electronic case database,
12 and CMS removed the limitations of the cactus
13 system by allowing an infinite amount of
14 information to be captured regarding individual
15 cases, also providing more flexibility for
16 categorizing data and it allows the downloading of
17 photos, audio and video files into a case file.
18 It supports the business policies of DOI by
19 enforcing business timelines, allowing the
20 collection and storage of all electronic documents
21 relating to the case, the CMS repository can also
22 be used to generate useful management reports to
23 monitor the performance and activities of any
24 given IG office.

25 CHAIRPERSON WILLIAMS: Thank you.

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2 Who was the developer for this system and how much
3 did it cost for design and development?

4 COMMISSIONER GILL HEARN: A number
5 of vendors were used in the design phase,
6 Councilman. NTT Data is the developer. The
7 project manager, the business analyst and the QA
8 came through a DoITT, an ITCS DoITT contract. The
9 total cost for the design and development was
10 approximately four million. The total authorized
11 for the project was nine million, including for
12 the hardware, software and training, some of which
13 is still in process. During the design phase, the
14 vendors were to your question Keane and June
15 [phonetic] who were with us through the system
16 going live and enhancements and fixes have been
17 ongoing since then, and we are weaning ourselves
18 off of the consultants who have been with us
19 through the enhancement fixes and phase where the
20 kinks have been worked out, and we are replacing
21 consultants with a new computer specialist that we
22 received funding for. This person will be a civil
23 service city employee and a member of DC 37 and he
24 or she yet to be hired, we are doing the posting,
25 we just got this funding from OMB, it's 115,000

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2 dollars--if you know anybody who is qualified,
3 please let us know--will take the place of the
4 consultants that we have been using for the last
5 two years. We are ready to cut the umbilical cord
6 and do that in house going forward.

7 CHAIRPERSON WILLIAMS: Thank you.

8 Was the cost covered with capital funding?

9 COMMISSIONER GILL HEARN: Yes, it
10 was.

11 CHAIRPERSON WILLIAMS: Do you think
12 its current size will be more or less permanent or
13 do you foresee a possible necessity for it to grow
14 in scope in size? I think the Board of Elections
15 IG unit--do you think its current size will be
16 more or less permanent or do you foresee a
17 possible necessity to grow?

18 COMMISSIONER GILL HEARN: I think
19 it is a possibility that it might have to grow in
20 size. We began with what I thought was a
21 reasonable request, and the results will speak to
22 the answer to that question.

23 CHAIRPERSON WILLIAMS: I have a
24 couple more questions, but do my colleagues have
25 any?

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CHAIRPERSON RECCHIA: Council

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Member Oliver Koppell has a question.

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COUNCIL MEMBER KOPPELL: Good

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afternoon. I am sorry I was late. I had a public

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committee meeting across the way. Did you express

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an opinion on the Council's proposal to create an

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inspector general for the police department?

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COMMISSIONER GILL HEARN: I did. I

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was asked by the Speaker's Office and I did so in

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the form of a letter to Speaker Quinn dated March

12

21st, 2013, and I have a copy.

13

COUNCIL MEMBER KOPPELL: Can you

14

just summarize briefly what your opinion was?

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COMMISSIONER GILL HEARN: Well, I

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will try and be brief. It is a complex issue.

17

What I said in the letter--and I will leave a copy

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for you, Councilman--is that DOI would never be

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opposed to external oversight because DOI is

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external oversight for city government. DOI is in

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essence the inspector general for the mayoral

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agencies and under the charter that includes the

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police department, but for all practical purposes

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DOI has not had an inspector general's office for

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the police department and that is because the

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2 police department has IAB [phonetic] which has 700
3 people. DOI is less than 300 people. The PD has
4 its own IAB that conducts investigations and there
5 are external oversight bodies that monitor and
6 conduct investigations namely the CCPC and the
7 CCRB combination of those two external oversight
8 entities and IAB are such that the NYPD has a
9 robust system of oversight was one point that I
10 made. The second point that I made was that we
11 are in the middle of a litigation that is taking
12 place in federal court, and some of the requests
13 that the plaintiffs have made may address some of
14 the same issues in the bill, and it was my
15 position that with that case practically completed
16 that it might be prudent to wait for the outcome
17 in that case to see what happens so that there
18 isn't a redundancy of outcomes between the bill
19 and the case. And I indicated that DOI has never
20 hesitated when we think there is a gap in external
21 oversight to fill the gap. For example, I just
22 asked for the additional resources for the Board
23 of Elections and I have also since 2002 created
24 inspector general offices for the HDC where there
25 was no oversight, and it was on my watch that I

1
2 had to investigate the corruption scandal
3 involving the former president of HDC and one co-
4 conspirator, Russell Harding. There was an
5 absence of anybody to really have oversight over
6 HDC and so we created an IG office there. I went
7 on to create an IG office for EDC not because
8 there was a scandal, but because it was an agency
9 that was quasi city, another public benefit
10 corporation, close ties to the city, but not a
11 mayoral agency where there was no IG and so I
12 created an IG office for the EDC. I then created
13 an IG office to oversee non-profits that received
14 city funding because there was insufficient
15 oversight in that arena in my opinion, and I went
16 on to create a lobby law inspector general's
17 office when we were written into the lobby law in
18 2006 and we had new responsibilities pursuant to
19 that statute, so I am not one to hesitate to
20 create an IG office where I think there is a void.
21 I don't think that there is a void as it relates
22 to the police department, and I think that the we
23 are at a moment in time when it might be prudent
24 to see what happens with this particular issue in
25 the federal court, so I hope that was a brief

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summary.

COUNCIL MEMBER KOPPELL: Well, it is very revealing in fact. Is it your understanding that the Council legislation would create the inspector general within the DOI?

CHAIRPERSON RECCHIA: This is not a hearing on the attorney general on a bill that is pending. This is about a budget. It's a budget hearing.

COUNCIL MEMBER KOPPELL: I appreciate that, but we rarely have this opportunity. Let me just say, Mr. Chairman, that in my opinion the testimony is most revealing, and I just would ask one other question. Are you aware of the fact that Police Commissioner Kelly before he was the police commissioner under Mayor Bloomberg testified in favor of independent--

CHAIRPERSON RECCHIA: [interposing] Council Member, I am not going to let you ask this question. It has nothing to do with the budget that we are here for. Council Member Jumaane Williams? I turn it back to my co-chair.

CHAIRPERSON WILLIAMS: Thank you. Are you currently looking into any other aspects

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of the Board of Elections management functions?

COMMISSIONER GILL HEARN: Say it again, Councilman?

CHAIRPERSON WILLIAMS: Are you looking to other aspects of the Board of Elections management functions within the IG?

COMMISSIONER GILL HEARN: Well, our mandate in general under the charter will be fraud, waste, corruption, conflict of interest investigations. That is our jurisdictional purview, and so you can assume--

CHAIRPERSON WILLIAMS:
[interposing] Fraud, waste and...?

COMMISSIONER GILL HEARN: Fraud, waste, corruption, conflicts of interest, so you can assume anything that we are investigating with our existing resources and as they come online with the new resources will fall into those categories.

CHAIRPERSON WILLIAMS: Thank you.
How many people are going to be in the IG for BOE?

COMMISSIONER GILL HEARN: We received funding for six lines.

CHAIRPERSON WILLIAMS: Six lines

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equals 630,000 dollars basically?

COMMISSIONER GILL HEARN: Yes.

CHAIRPERSON WILLIAMS: Are all the IGs that exist under DOI?

COMMISSIONER GILL HEARN: Yes.

CHAIRPERSON WILLIAMS: And how many are there?

COMMISSIONER GILL HEARN: I have four squads. Essentially there is an inspector general for every single mayoral agency as well as the units that I just named a moment ago, and so there is an IG for every agency, but that have multiple assignments. There are 45 mayoral agencies. I don't have 45 IGs. The IGs have six or seven or eight agencies a piece in their squads that they oversee collectively.

CHAIRPERSON WILLIAMS: I didn't want to--I was trying not to do the back and forth about the IG I am hoping will be there, but since it came up, I think I need to respond. Obviously, I think all of the agencies have IGs except the police department, which is one of the reasons why are trying to do it there. I did receive your letter. I definitely appreciate what was put out

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2 by the letter and the concerns. Some of the ones
3 I think weren't--might not have been the best
4 response to the IG for instance that already has
5 oversight. I think the oversight that exists is
6 not what we are looking for. A lot of them have
7 to do with individual instances of corruption and
8 are responsive. We are trying to find something
9 that is proactive. You are looking at policy and
10 practice. In addition we think this IG would be
11 better because it is not necessarily going to be
12 able to inflict punishment on officers and can
13 just generally give recommendations not looking
14 for punishment. And in terms of the Floyd
15 [phonetic] case, I don't think that it is good
16 reason not to act because of the Floyd case there.
17 I think the judge when she presents whatever she
18 is going to present will take into consideration
19 whatever is happening at that moment in time. I
20 still firmly believe--even based on after the
21 letter understand why you said it--I still firmly
22 believe that it is necessary even if... Also, I
23 think there was some sense of it is different
24 slightly than what is already done, which I also
25 don't think is a necessary good reason not to do

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2 it. So I am hoping that it will join the ranks of
3 IGs that already exist. I assume you are going to
4 want to respond, but I do want to first say, thank
5 you very much. It has been a pleasure working
6 with you and your staff, some of whom I have known
7 before, and some I just got to meet, and I also
8 thank - - Lionel Francoise, who always make me
9 sound a lot smarter than I actually am. So I want
10 to say thank you. I don't know what is going to
11 happen in the next term, but I just want to say
12 thank you again.

13 COMMISSIONER GILL HEARN: Likewise.
14 Thank you so much, Councilman. Just a couple of
15 points. With respect to the policies that relate
16 to anti-corruption oversight at the police
17 department Michael Armstrong is the chairman of
18 the CCPC, and if you haven't spoken with him, I
19 would urge you to do that. The CCPC does not
20 investigate individual instances of corruption;
21 however, they investigate whether or not there are
22 sufficient macro level anti-corruption policies
23 and investigative tools within the police
24 department, and then you have the CCRB which does
25 investigate specific cases and of course you have

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2 IAB, which investigates specific cases and this
3 was a footnote in the letter--I don't know if it
4 was lost, but the CCPC then audits IAB every year
5 and I think it is seven to ten percent of their
6 cases that they take at random to make sure that
7 IAB as an external review that IAB is conducting
8 appropriate investigations within their
9 department.

10 [crosstalk]

11 CHAIRPERSON WILLIAMS: But also
12 again the IG would not just be looking at
13 corruption. There are some policies that are not
14 corruption related, but I believe still need to
15 have some oversight, and I still believe that many
16 of the things you mentioned are there, but again,
17 things like downgrading, things like stop,
18 question, frisk are not necessarily corruption and
19 we may need someone who can look over that, and I
20 think DOI is best suited particularly for the
21 sensitive nature of what we are asking for.

22 COMMISSIONER GILL HEARN: That
23 would be a change for DOI. Historically DOI has
24 not had jurisdictional purview to examine policy
25 and operational procedure. We essentially are an

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2 investigative arm for corruption, fraud and waste,
3 not policy and procedure.

4 CHAIRPERSON WILLIAMS: Understood.
5 Definitely understood. My last remarks. I think
6 we often find needs to do things that may not have
7 been done before. I think this is one of those
8 times, and I think that DOI is uniquely positioned
9 to fill that function. Thank you.

10 CHAIRPERSON RECCHIA: Thank you,
11 Commissioner. This concludes the hearing on the
12 DOI. Thank you very much. Thank your staff, and
13 we will take a two minute recess. We will start
14 with Conflicts of Interest.

15 [recess]

16 CHAIRPERSON RECCHIA: Okay. Good
17 afternoon. This is our last hearing of the day.
18 It has been a long day. We will now resume the
19 City Council's hearing on the mayor's executive
20 budget FY 2014. The Finance Committee has now
21 been joined by the Committee on Standards and
22 Ethics chaired by my colleague, Council Member
23 Inez Dickens, to hear from the Conflict of
24 Interest Board. This is the last agency to
25 testify so in the interest of time, I will

1
2 recognize my co-chair Inez Dickens and we have
3 been joined by Council Member Julissa Ferreras,
4 Karen Koslowitz, Jimmy Oddo and Vinny Ignizio. I
5 want to thank the Finance staff and the sergeant
6 at arms for doing a good job and we have to thank
7 Nadir. This is the first ever - - . Okay, Inez?

8 CHAIRPERSON DICKENS: Thank you,
9 Mr. Chairman. The Conflicts of Interest Board is
10 made up of five mayoral appointees with the advice
11 and consent of the Council. This board is charged
12 by the charter with interpreting, implementing and
13 enforcing the city's conflicts of interest laws
14 contained in Chapter 68 of the City Charter,
15 educating and training city employees and public
16 officials on the charter's conflicts laws and
17 issuing advisory opinions to prospective, current
18 and former city employees. The board's training
19 mandate has been expanded to include training all
20 city employees on the city's conflicts of interest
21 laws and rules every two years. The board also is
22 responsible for overseeing the city's financial
23 disclosure program for elected officials and other
24 high level city employees. The fiscal 2014
25 executive budget for the board includes a 54,000

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2 dollar reduction from its fiscal 2013 adopted
3 budget. This change is due to an OTPS reduction
4 totaling 15,000 that was part of a planned
5 reduction from the 2012 November plan.

6 Additionally, there will be a reduction of 38,000
7 to the board's energy budget as part of the 2014
8 executive budget. Congratulations. Today we will
9 be hearing from Mark Davies, executive director of
10 the board and he has been joined by other members
11 of the board's staff. Thank you.

12 CHAIRPERSON RECCHIA: Do you have
13 your testimony copies?

14 MARK DAVIES: I don't have any
15 written testimony. My oral testimony will be very
16 short. You like short. My name is Mark Davies,
17 executive director of the New York City Conflicts
18 of Interest Board. I have with me members of our
19 staff including here at the table Wayne Hawley
20 [phonetic], our deputy executive director and
21 general counsel, Alex Kipp [phonetic], our
22 director of ethics training and education and
23 Brunie Bogwant [phonetic], our director of
24 administration as well other members to help
25 answer any questions. As requested, my testimony

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2 will be limited to the executive budget. The
3 executive budget is noted. It really contains two
4 basic changes in the board's budget from fiscal
5 year 2013, the adopted budget. First of all as
6 noted it reduces the board's OTPS from 175,000 to
7 122,000, a cut of 53,000. Secondly, it increases
8 the board's revenue target from 99,000 to 125,000.
9 I will address each of these changes very briefly
10 in turn. First of all, the cut in the board's
11 OTPS, the 53,000 dollar cut while of course is
12 very substantial will not significantly interfere
13 with the work of the board primarily because as
14 Council Member Dickens noted, the majority of that
15 money 38,000 dollars is really funds that were
16 allocated to heat, light and power, but a review
17 that was conducted by DCAS and OMB determined that
18 those funds were underutilized, and they were
19 accordingly simply removed from the OTPS budget,
20 so that money is not coming out of our budget
21 anymore--those expenses. And so effectively the
22 cut in our budget is just 15,000 dollars from
23 OTPS, which we are able to absorb this year.
24 Second, as for the increase in revenue, while it
25 is also substantial, 26 percent, it will likewise

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2 not interfere with the work of the Board primarily
3 because our actual revenue has always
4 substantially been much greater than our revenue
5 target, so as of June 1, this June 1, we have
6 actual revenue of over 194,000 dollars, which is
7 well in excess of our fiscal year 2013 target of
8 99,000, our peg FY '13 of 149,000 and the FY '14
9 executive budget target of 125,000. Our concern
10 with revenue is that the board must never, never
11 be placed in the position that it has to impose
12 fines in order to meet a revenue target. That
13 must never ever happen. in order to ensure that
14 that never happens, we maintain a significant gap
15 between our revenue target and our anticipated
16 revenue and which the executive budget continues
17 to do, so we are okay there. If I could turn for
18 a moment to the capital budget, as you may recall
19 in November 2010 the voters approved an amendment
20 to Chapter 68 that mandated every public servant
21 receive Chapter 68 training, and as a result we
22 received last year PS funds to increase our
23 training staff from two to four, but even with
24 that increase in staff, training 300,000 public
25 servants in Chapter 68 every two years is an

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2 impossible task without a web based interactive
3 training application, which our training unit is
4 now in the process of creating with the assistance
5 of DoITT. This application will require not only
6 capital dollars, but also a modest increase in our
7 future OTPS, not this year, but in future OTPS for
8 maintenance and equipment, but we have been in
9 contact with OMB and we do not anticipate any
10 problem in that regard in either the capital or
11 the expense dollars, and Alex Kipp our director of
12 ethics training education is here to provide you
13 with additional information if you wish in regard
14 to that project. In addition the amendments to
15 the city's annual disclosure law last year
16 required changes in the electronic filing
17 application. Making those changes would also
18 require capital dollars, but again, we are working
19 with DoITT and with OMB and we do not anticipate
20 any problem in this regard either. So in short,
21 the executive budget should not have any
22 significant negative impact on the Conflicts of
23 Interest Board. That said, the board reiterates
24 the concern that it has expressed for many, many
25 years, and that is the lack of an independent

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2 budget. As you know, Speaker Quinn, Mayor
3 Bloomberg and this Council have been very
4 supportive of the work of the board not only
5 substantively, but also financially, but no
6 assurance exists that future mayors and future
7 speakers will be similarly supportive of the work
8 of the board. In fact, it seems pretty much
9 guaranteed that at some point in the future maybe
10 ten years from now some future mayor or future
11 speaker will slash the board's budget and
12 effectively destroy the work of the Conflicts of
13 Interest Board in regard to ethics advice, ethics
14 enforcement, ethics training and handle disclosure
15 in the city of New York. Those who downplay the
16 possibility of such draconian cuts always cite the
17 political implications of appearing to be against
18 ethics in government, but as we all know public
19 support for government ethics nowhere near
20 approaches public support for education or police
21 or fire and so forth. When was the last time any
22 of us saw on the steps of City Hall a protest for
23 more money for ethics regulation? It doesn't
24 happen, so in getting the board in the early
25 months of an administration would likely have

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2 little if any impact on the election four years
3 later. And these are the hard truths about the
4 maintenance of an ethics program in the city of
5 New York or anywhere else for that matter. In
6 addition virtually alone among city agencies the
7 board has the power to permit interest and conduct
8 or sanction violations of the law by the very
9 public officials who set its budget sometimes at
10 the very time they are setting its budget. The
11 board believes that this situation is in itself an
12 unseemly conflict that can only undermine the
13 perception of the board's independence in the eyes
14 of the public and of public servants; therefore,
15 the board has had as its highest legislative
16 priority now for many years removing the board's
17 budget from the jurisdiction of the officials over
18 whom the board itself has jurisdiction. This of
19 course would require either a referendum or state
20 legislation, but again, it remains the highest
21 legislative priority. We would be happy to answer
22 any questions that you may have.

23 CHAIRPERSON DICKENS: Thank you so
24 much, Mr. Davies for your testimony, and I want to
25 add a thank you to Wayne for coming to provide us

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2 with great, great training and I think we have had
3 very great attendance from the Council Members
4 since you have been coming in and giving the
5 training, so I just wanted to personally say thank
6 you to you. Now I just wanted to ask now the
7 content manager system now has that been developed
8 totally?

9 MARK DAVIES: No, it has not. It
10 has not been totally developed, and I can go into
11 details about the things we have learned and the
12 environment, the kind of learning management
13 system environment in New York City and the
14 challenges we are facing and how think we are
15 going to deal with them, but it has not been
16 developed yet.

17 CHAIRPERSON DICKENS: Do I recall
18 that a working group had been formed to assist in
19 the development of that site? Is that my
20 recollection?

21 MARK DAVIES: We have assigned to
22 us a project manager at DoITT who has been working
23 with us on trying to find the most efficient
24 option to find a solution for our agency.

25 CHAIRPERSON DICKENS: Now you say a

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project manager. It is not a working group more than one person then?

MARK DAVIES: Initially there were a couple of gentlemen involved in conversation.

CHAIRPERSON DICKENS: Who was on that group?

MARK DAVIES: My direct contact is Robert Quinones [phonetic] at the Department of Information Technology and Telecommunication, and we have been in pretty close contact.

CHAIRPERSON DICKENS: Mm-hmm. So how far out are you on doing this because you know, obviously since we are trying to get everything online and now we are late in doing that there is two questions that come to mind for me with that. One is how is that going to impact upon the fulfillment of the mandate of this training that we agree would be online? That's number one. Number two, is there going to be any additional cost that is unanticipated since it has taken so long? And actually my third question is about going back to the training. The agencies that would be utilizing this online, what is happening with the training of those employees?

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Those are my three questions as it relates to the content management system.

MARK DAVIES: Okay. I might ask you to repeat those questions. Let me answer the second one first because it is the one I remember. There is no additional anticipated costs. Part of the delay has been trying to figure out what is the most cost effective option to go with, and I won't bore you with a ton of the details, but right now learning management systems in New York it's a little wild, wild west. There is a lot of agencies that have undertaken individually to do some kind of limited learning management system for a smaller targeted group. Our problem is that our needs are very, very broad, but not deep, which means we have to essentially develop one course and deliver to 300,000 people, so the ideal situation would be that we would piggyback with an agency that provided a robust sort of training option portfolio to all 300,000 public servants and we would be one little tiny part of that registering these people for the one course that is our mandate. Right now there is no city wide option to do that. So part of what DoITT has been

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2 trying to do is to eliminate redundancies and find
3 is there any other agency or group of agencies
4 that we might partner with where we could be that
5 small part, and that has been the challenge. We
6 thought for a while it was going to be one city
7 agency. It fell through because the technology
8 wasn't leverage able [phonetic]. There is a
9 discussion right now able another agency to
10 possibly do it, but the price doesn't seem right
11 because it seems pretty high from the recent
12 meetings, so we have been looking for the right
13 option where we would save the most manpower and
14 also save the most money because you don't want to
15 have 45 different agencies having 45 different
16 learning management systems. There has been no
17 money spent on development with an outside vendor
18 or consultant or anything of that matter. We
19 anticipate that we will be spending that money we
20 move forward on whatever option we choose and we
21 may be close to doing that within the next month
22 or two I think. The other two questions... How are
23 people being trained? So in the meantime, we have
24 one is agencies are supposed to develop a plan
25 with us about how we are going to implement this

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2 training, and I have been in consultation
3 personally with a number of them. Some agencies
4 already have been completely trained with live
5 classroom training. ACS, Administration for
6 Children's Services, we have conducted maybe 100
7 classes since last November. We have been in
8 every borough doing multiple classes per day for
9 example. So we have moved forward on live
10 training for some agencies, other agencies we are
11 working on an old train the trainer model with the
12 Parks Department for example where I am working
13 with trainers at the Parks Academy to develop
14 curriculum that they can push out to certain
15 people while my trainers will train other people
16 at the Parks Department at the same time, but by
17 and large even doing that, and even though there
18 has been a tremendous uptick in the amount of
19 classes that we have taught I think last year the
20 whole year I think we had around 325, 330 classes
21 taught. We taught 200 in the first three months
22 of this year, so we are going to have record
23 numbers this year, but the most important piece of
24 this is going to be the electronic system to
25 capture these other couple hundred thousand people

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2 that we just won't be able to hit with classroom
3 training

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CHAIRPERSON DICKENS: Alright,
5 well, thank you and the last thing I want to ask
6 about is when do you anticipate--how much longer
7 do we have to go before that is completed?

8

MARK DAVIES: I anticipate that
9 following up--closing up some last conversations
10 on a couple of options with the Department of
11 Information Technology this month I think we will
12 probably have a pilot solution developing and
13 ready by the end of this calendar year, and it
14 will take a little bit of time to work out the
15 bugs. As we all remember, it took a little bit of
16 time to work out the bugs with the financial
17 disclosure system, and that was only 8,000 people,
18 so we will probably have a pilot program with an
19 agency that is not too big and not too small in
20 the next calendar year I think is when we can
21 anticipate agencies coming online with this.

22

CHAIRPERSON DICKENS: I want to
23 acknowledge that you did work very hard on getting
24 everything ironed out on the financial disclosure
25 because last year the Council Members if they had

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2 already filed and needed to file an amendment it
3 couldn't be done, and as you know our names are
4 put in the media if we file late, and I argued
5 vehemently with you daily so that my members would
6 be protected and if they had to file an amendment
7 they would be protected and their names would not
8 be given to the media, so I want to say thank you
9 for working with me on that to protect the Council
10 Members not against disclosure and transparency,
11 but instead to be open and fair with them. So I
12 just wanted to say thank you. Council Member
13 Koslowitz, do you have any questions?

14 COUNCIL MEMBER KOSLOWITZ: No.

15 CHAIRPERSON DICKENS: Let me ask
16 you one last question - - finish this campaign
17 finance is having trouble every week something
18 that was destroyed as a result of Sandy. Are you
19 having any trouble? Because they are having a lot
20 of difficulty.

21 MARK DAVIES: No, we were
22 completely unaffected.

23 CHAIRPERSON DICKENS: So you didn't
24 have any problems?

25 MARK DAVIES: None.

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2 CHAIRPERSON DICKENS: Alright. So
3 you are in good shape? Is that what I hear? We
4 don't have to worry about you, since you really--

5 MARK DAVIES: [interposing] Yeah,
6 we are okay. We are okay.

7 CHAIRPERSON DICKENS: Now let me
8 ask you just one last question on the reduction of
9 the 38 and because of energy budget. In this last
10 couple of winters we haven't really had severe
11 winters, how would your budget be affected if we
12 had a severe winter next year--this coming year?

13 MARK DAVIES: Our budget would be
14 affected to the extent that if there is a huge
15 overtime payments and so forth and as a result
16 there has to be a peg midyear our budget is
17 reduced. We are affected by the--like all of you,
18 we are affected by the stock market. We are
19 affected by decrease in sales tax receipts and all
20 the rest of it. We are affected by all of that
21 stuff, but it doesn't have any direct impact, but
22 to the extent the city is impacted then we are
23 impacted.

24 CHAIRPERSON DICKENS: Alright.
25 Thank you. Mr. Chair?

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2 CHAIRPERSON RECCHIA: Does any
3 other Council Member have any questions? Alright,
4 without seeing that--Jackson, do you want to ask a
5 question? Go ahead. I recognize Council Member
6 Jackson.

7 COUNCIL MEMBER JACKSON: Thank you
8 and thank you for coming in and giving testimony
9 concerning this expense budget. I just wanted to
10 flesh out the discussion regarding a referendum
11 versus a change in law in Albany and that clearly
12 the belief and opinion is that there should be an
13 independent budget and not relying on the elected
14 officials who you actually review as to possible
15 conflicts of interest. Has there been any bills
16 in the assembly and the senate to your knowledge
17 because I feel that we or myself should pursue
18 this and especially now where in New York City you
19 are going to have a turnover so much as far as a
20 new mayor, public advocates, city comptroller,
21 four out of five borough presidents are coming
22 back and the brand new City Council, brand new
23 Speaker. Has there been any bills introduced at
24 all by any assembly member or any senator
25 regarding that and/or has there ever been put

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2 forward a possible referendum regarding the
3 independence for the Conflicts of Interest Board?

4 MARK DAVIES: The short answer is
5 no. We have again raised this for many, many,
6 many years. We have raised it with every charter
7 revision commission. The last charter revision
8 commission we raised it again. Mark Page spoke on
9 it and he spoke against it as you would expect any
10 budget director to speak against it because his
11 position was that there is too much that is in the
12 city budget now that is mandated. We don't need
13 more things taken out of our control that the
14 mayor and the Council should have the power to set
15 your budget just as they set the police
16 department's budget and so forth. So that was the
17 position of the director of the budget. But there
18 has been no legislation passed, no referendum.
19 Again, we have recommended this. The last charter
20 revision commission did adopt two of our
21 proposals, training education and on the
22 penalties, increasing the penalty, but that was
23 the only changes that came out of the charter
24 revision commission.

25 COUNCIL MEMBER JACKSON: And so

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2 currently the budget is--what is your current
3 budget right now?

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MARK DAVIES: Our budget is right
5 now is just under two million dollars.

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COUNCIL MEMBER JACKSON: So in
7 essence you are not talking about a 50 million
8 dollar, you are talking about two to two and a
9 half million dollars even if you take a little
10 increase.

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MARK DAVIES: As we point out in
12 our charter amendments which are online and we
13 submitted to the Speaker and the mayor in 2009,
14 there is various ways of doing this. The way that
15 we think is the most rational and easiest is to
16 make it similar to independent budget office.
17 Their budget is 10 percent of OMB's budget. Ours
18 would be a percent, now it would be a very low
19 percentage, about four thousandths of one percent
20 of the city's total net expense budget. So four
21 thousands of one percent would give you about two
22 and a half million dollars. That would be our
23 proposal. That is easy. If the city's budget
24 goes down, Conflicts Board's budget goes down. If
25 there is a mid-year cut in the city's budget, the

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2 Conflicts Board's budget goes down. To us that is
3 the fairest, the easiest, but that has been our
4 proposal again for many years.

5 COUNCIL MEMBER JACKSON: Okay. To
6 be continued. I just thought all things considered
7 especially now with so many FBI investigations, so
8 many arrests and/or pleading pleas of guilty or
9 resigning from various positions from elected
10 public officials I would think that there is
11 someone in the assembly that will feel the need to
12 have in New York City specifically an independent
13 Conflict of Interest Board even though you are not
14 like FBI or anything like that, and if in fact an
15 individual, government employee is found guilty of
16 a possible conflict of interest, I think the
17 majority of times that I read your opinions that
18 come out, decisions, it is like fines. Is that
19 correct? Do you have a right to under your
20 jurisdiction to say that someone is found guilty
21 and must be terminated or resign?

22 MARK DAVIES: As you that generally
23 in the United States only the appointed authority
24 has the authority to discipline. We have no
25 authority to discipline whatsoever. We can make a

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2 recommendation, which I don't think we have ever
3 done, but we have no authority to discipline. We
4 have the power to impose a civil fine. As of
5 2010, we have the power or order a - - of ill-
6 gotten gains, which can be significant.

7 COUNCIL MEMBER JACKSON: To order
8 what?

9 MARK DAVIES: - - of ill-gotten
10 gains, so if you use confidential information and
11 got a million dollars in a benefit, paying a
12 25,000 dollar fine that is a good deal, right?
13 But we can now order you to - - the million
14 dollars, so that come out of the 2010 charter
15 amendment. We have that power, the power to void
16 contracts, which we have never employed usually
17 because the comptroller's office and the mayor
18 beats us to it. So those are the only powers we
19 have, but no power to--and we are not seeking any
20 other powers, but we are seeking an independent
21 budget.

22 COUNCIL MEMBER JACKSON: Thank you
23 and I look forward to pursuing the independence of
24 the Conflicts of Interest Board.

25 MARK DAVIES: Thank you.

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COUNCIL MEMBER JACKSON: Thank you.

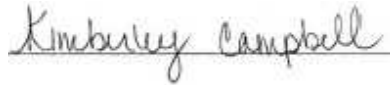
CHAIRPERSON RECCHIA: Thank you very much. This concludes our hearing for today. Tomorrow will be the last day of budget hearings. We will begin at 10 a.m. and will be held in Council Chambers. We will hear from the Office of Management Budget, Department of Finance, New York City Comptroller, the Independent Budget Office and then the public. The public will begin at four p.m. For members of the public who wish to testify but cannot make the hearing, you can fax your testimony to my counsel, Tanisha Edwards, at 212-788-7061. Thank you very much. This hearing is now adjourned.

[gavel]

C E R T I F I C A T E

I, Kimberley Campbell certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Signature

Handwritten signature of Kimberley Campbell in cursive script, written over a horizontal line.Date _____ 6/30/13