

THE COUNCIL OF THE CITY OF NEW YORK

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Report to the Committee on Finance and the Committee on Education on the Fiscal 2018 Executive Budget for

Department of Education

May 16, 2017

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Executive Budget Summary

Expense Budget Overview

The Department of Education's (DOE or the Department) Fiscal 2018 Executive Budget totals \$24.3 billion, \$1.1 million more than the Fiscal 2017 Adopted Budget of \$23.2 billion. Total pension costs for Fiscal 2018 are projected to be \$3.9 billion and total debt service is \$2.6 billion for a total Fiscal 2018 budget of \$30.8 billion. The personal services (PS) budget totals \$15.2 million and the other than personal services (OTPS) budget totals \$9.1 million.

- Approximately \$11.6 billion, or 48 percent, of DOE's Fiscal 2018 budget is supported with City funds; \$10.7 billion, or 44 percent, is supported with State funds; \$1.8 is federal funding, or seven percent of the budget; and \$12.2 million is Intra-City funds.
- City funds have increased by \$533.3 million when compared to the Fiscal 2017 Adopted Budget; State funds have increased by \$438.6 million; and federal funds have increased by \$85,339.

Executive Budget Changes

New needs total \$103.5 million in Fiscal 2018 and increase to \$217.7 million by Fiscal 2021:

- \$19.7 million for DOE leases;
- \$4 million for Substance Abuse and Prevention (SAPIS) counseling;
- \$20.4 million for Universal Pre-Kindergarten;
- \$20 million for EarlyLearn Quality Transfer;
- \$16.5 million for 3-K for All;
- \$4.6 million for State mandated assessments;
- \$5 million for air conditioning in classrooms;
- \$10.3 for students in shelters; and
- \$18.5 million for lead testing and remediation.

Other adjustments in Fiscal 2017 total \$50.6 million and in Fiscal 2018 decreases DOE's budget by \$151.5 million.

- The Plan shows a reduction of \$129 million in State aid due to lower than expected State funding.

Savings total \$166.4 million in Fiscal 2018, \$165.7 for Fiscal 2019 and \$172.7 million in the outyears.

Major Agency Issue

- **3-K for All.** The DOE will now offer free, full day preschool to three year olds beginning in school Districts 7 (South Bronx) and 23 (Brownsville) for the 2017-2018 school year at a cost of \$16.5 million. DOE will add two districts a year and by Fiscal 2021, 3-K for All will operate in eight school districts at a cost of \$157 million.
- **EarlyLearn.** The child care system known as EarlyLearn will transfer from the Administration of Children's Services to the DOE in order to create better alignment among the City's early childhood and education programs. DOE has budgeted \$20 million in Fiscal 2018 to support this transfer.

DOE Overview

This report presents a review of DOE's Fiscal 2018 Executive Budget. The first section highlights a major agency change reflected in the DOE's Budget. Then, the next section presents an overview of the Department's budget by U/A and how it has changed during the course of Fiscal 2017, followed by a review of the significant budget actions introduced in the Fiscal 2018 Executive Budget. Major issues related to the Department's budget are then discussed. Appendix 1 reports the changes made to the Fiscal 2017 and Fiscal 2018 Budgets since Adoption of the Fiscal 2017 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2018 Preliminary Budget Report for the DOE at: <http://council.nyc.gov/budget/wp-content/uploads/sites/54/2017/03/040-DOE-1.pdf>.

Early Childhood Education

The Mayor recently announced two major changes for the DOE: 1) the Administration plans to provide free full-day preschool for three years olds through a new initiative called 3-K for All, and 2) moving the care system for children ages zero to five from ACS to DOE. This move consolidates all early education programs under the management of one agency, DOE, with the aim of creating a consistent system with better alignment between EarlyLearn and Universal Pre-Kindergarten.

The Fiscal 2018 Executive Budget funds 3-K for All, a program totaling \$16.5 million in Fiscal 2018. This program will begin in the upcoming school year and will offer free early childhood education programs to all three year old children and adding 11,000 seats for three years olds in two school districts; District 7 in the South Bronx and District 23 in Brooklyn. By the Fall of 2018, DOE plans to offer every three year old in Districts 7 and 23 a seat, approximately 1,800 students, at a projected cost of \$65.8 million. DOE will continue to add two districts every year and by Fiscal 2021, 3-K for All will operate in eight districts at a cost of \$157 million. DOE anticipates that this initiative will cost \$1 billion to provide universal 3-K in all districts.

Additionally, beginning in Fiscal 2018, DOE has baselined \$20 million to support the transfer of the EarlyLearn system. This funding is designed to align EarlyLearn programs with Universal Pre-Kindergarten (UPK) and supports a total headcount increase of 120 positions, including providing social workers and instructional coordinators in all EarlyLearn programs. Additionally, this funding supports creating new DOE outreach teams to ensure enrollment and capacity in the system. This funding is not intended to build new capacity in the child care system, but rather to provide support for the new infant and toddler programs at DOE. In Fiscal 2019, DOE will assume the administration and management of the child care system known as EarlyLearn, which is managed by ACS. This includes center-based child care, home based care through family child care networks and Head Start. The Fiscal 2018 Executive Budget acknowledges this change by creating two new Unit of Appropriations (U/A) 409 Early Childhood Programs PS and 410 Early Childhood Programs OTPS. In Fiscal 2019, the transfer of the EarlyLearn contract is recognized in DOE's budget with an adjustment of \$507 million.

Financial Plan Summary						
	Actual	Actual	Adopted	Executive Plan		2017 - 2018
<i>Dollars in Thousands</i>	2015	2016	2017	2017	2018	*Difference
Personal Services	\$13,392,607	\$14,470,377	\$14,457,775	\$14,501,507	\$15,197,618	\$739,843
Other Than Personal Services	7,606,759	7,951,183	8,731,764	8,904,951	9,080,109	348,345
Budget by Unit of Appropriation						
401 - GE Instr. & Sch Ldrshp - PS	\$5,713,488	\$6,050,412	\$6,164,926	\$6,157,197	\$6,402,898	\$237,972
402 - GE Instr. & Sch Ldrshp - OTPS	660,052	720,313	861,701	853,492	820,946	(40,755)
403 - SE Instr. & Sch Ldrshp - PS	1,387,735	1,559,902	1,552,538	1,550,155	1,685,345	132,807
404 - SE Instr. & Sch Ldrshp - OTPS	4,181	4,330	5,350	5,350	5,350	0
406 - Charter Schools	1,308,880	1,493,653	1,711,375	1,712,358	1,946,994	235,619
407 - Universal Pre-K - PS	0	439,140	427,550	429,170	429,895	2,345
408 - Universal Pre-K OTPS	0	423,099	435,799	435,036	434,890	(909)
409 - Early Childhood Programs - PS	NA	NA	NA	NA	11,952	11,952
410 - Early Childhood Programs - OTPS	NA	NA	NA	NA	3,355	3,355
415 - School Support Orgs. - PS	231,346	255,088	278,250	276,227	297,812	19,562
416 - School Support Orgs. - OTPS	39,739	27,360	32,585	32,348	35,393	2,808
421 - Citywide SE Instr. & Sch Ldrshp - PS	875,994	974,406	1,006,906	1,007,473	1,034,352	27,446
422 - Citywide SE Instr. & Sch Ldrshp - OTPS	20,439	18,870	22,464	22,464	23,239	775
423 - SE Instructional Support - PS	252,463	279,653	309,773	313,515	341,801	32,028
424 - SE Instructional Support - OTPS	230,721	257,234	235,141	236,274	242,576	7,435
435 - School Facilities - PS	433,937	481,621	192,662	202,231	203,269	10,607
436 - School Facilities - OTPS	436,292	466,366	810,659	903,628	853,960	43,301
438 - Pupil Transportation - OTPS	1,143,838	1,143,283	1,131,170	1,167,970	1,142,457	11,287
439 - School Food Services - PS	214,703	218,778	222,814	222,814	231,712	8,898
440 - School Food Services - OTPS	231,615	242,300	295,108	292,253	319,710	24,602
442 - School Safety - OTPS	330,581	327,490	357,191	342,703	367,802	10,611
444 - Energy & Leases - OTPS	468,100	439,198	477,905	497,065	508,051	30,146
453 - Central Administration - PS	163,947	172,006	195,261	198,286	221,215	25,954
454 - Central Administration - OTPS	171,357	179,113	155,575	183,671	144,852	(10,723)
461 - Fringe Benefits - PS	2,876,580	3,019,277	3,066,394	3,098,554	3,253,796	187,402
470 - SE Pre-K Contracts - OTPS	844,399	762,244	854,198	839,198	841,008	(13,190)
472 - Contract Sch/Carters/Foster Care - OTPS	641,613	709,674	677,366	689,072	707,476	30,110
474 - Non-Public and FIT - OTPS	65,086	66,038	65,036	76,249	77,610	12,574
481 - Categorical Programs - PS	1,242,413	1,020,088	1,040,700	1,045,884	1,083,572	42,872
482 - Categorical Programs - OTPS	1,009,864	670,613	603,142	615,821	604,442	1,300
TOTAL	\$20,999,366	\$22,421,560	\$23,189,539	\$23,406,458	\$24,277,730	\$1,088,191

The City's Fiscal 2018 Executive Budget totals \$84.9 billion, \$2.8 billion more than the Fiscal 2017 Adopted Budget of \$82.1 billion. City funds (City tax-levy and non-tax revenues) total \$61.1 billion when compared to the Fiscal 2017 Adopted Budget amount of \$59.3 billion. DOE's PS budget for Fiscal 2018 is \$15.2 billion, \$740 million more than the Adopted Fiscal 2017 Budget. The OTPS budget is \$9.1 billion, \$348.3 million more than the Fiscal 2017 Adopted Budget.

School Budgets

The City's over 1,800 public schools each have an individual school budget that is funded by the DOE through a variety of allocation formulas and pass-through funding. Most of this funding is allocated to schools to support operations is budgeted centrally within three program areas:

- General Education Instruction and School Leadership (U/As 401 and 402);
- Special Education Instruction and School Leadership (U/As 403 and 404); and
- Categorical Programs (U/As 481 and 481).

Although not all of the money budgeted in these U/As funds schools' budgets, school budgets will generally be impacted by actions in the corresponding program areas. In the Fiscal 2018 Executive Plan, we see lower than anticipated funding in these program areas largely due to an

adjustment of State aid. Funding in these U/As total \$10.6 billion in the Executive Plan, however, in January it was projected to be \$10.7 billion. Although this is not a large change considering the size of DOE's budget, this adjustment directly impacts the funding level of schools. The State adjustment directly impacts U/A 401 and 402 for the general instruction of elementary, middle and high schools, and U/A 403 in the area of special education classroom instruction.

Last fiscal year, DOE used the increase in State Foundation Aid to raise the Fair Student Funding (FSF) base level floor from 82 percent to 87 percent, and all Renewal and Community Schools received 100 percent of their FSF entitlement. DOE's Fiscal 2018 Preliminary Plan forecasted the same level of growth in Foundation Aid as the previous year and DOE planned to use this funding to again raise the FSF base level floor so that all schools were operating with at least 90 percent, with the goal of all schools reaching 100 percent by Fiscal 2021. However, since DOE did not receive the amount in Foundation Aid that was anticipated, the plan to increase school budgets is no longer in place and all schools will remain with the same base level of funding as the previous year.

General Instruction and School Leadership

As outlined in the Financial Plan Summary, the largest change in the DOE's budget is in U/A 401, General Instruction and School Leadership PS. Funding increased by \$238 million when compared to the Fiscal 2017 Adopted Budget for a total of \$6.4 billion in the Fiscal 2018 Executive Budget. U/A 401 is 26 percent of the DOE's budget. The year-over-year increase under this U/A is largely due to previously scheduled increases for school budgets and collective bargaining payments. The planned budget for Fiscal 2018 was forecasted to be higher than what is reflected in the Executive Plan. In January, DOE projected spending in U/A 401 to be \$6.5 billion, an increase of \$364 million when compared to the 2017 Adopted Budget. The Executive Plan reflects a shortfall of \$113 million in State aid supporting this U/A and is almost entirely the amount DOE was projecting to receive in Foundation Aid from the State. This shortfall will directly impact school budgets and the hiring of new teachers since funding in this U/A goes directly to schools to provide direct educational services to students.

Special Education Instruction and School Leadership

Another area of growth is in U/A 403, Special Education Instruction and School Leadership PS with an increase of \$133 million, or eight percent, when compared to the Fiscal 2017 Adopted Budget. The total allocation in the Fiscal 2018 Executive Budget is \$1.7 billion, or seven percent of DOE's budget. The expansion of special education is associated with the continued increase in students receiving special education services, DOE's effort to keep more special education students in district schools and an increase in headcount that was a result of increased State Aid last fiscal year. The Mayor's Fiscal 2017 Preliminary Management Report demonstrates the continued increases in enrollment with 260,791 students receiving special education services in Fiscal 2014 compared to 283,017 in Fiscal 2016. Special education services are mandated by the State and therefore, the DOE must assume all increased costs associated with special education. As mentioned earlier, U/A 403 was impacted by the loss of anticipated State aid, with an adjustment in State aid resulting in a loss of \$54 million. This directly impacts special education instruction for elementary and middle schools and the City will have to incur any increased costs for mandated programs.

Charter Schools

Funding for charter schools is projected to total \$1.9 billion in Fiscal 2018, a \$235.6 million, or 12 percent, increase when compared to the Fiscal 2017 Adopted Budget. Charter school costs are eight percent of DOE's budget. Charter school growth in the Executive Plan was expected since the Administration did not account for increased costs associated with new charter schools or State changes in the Preliminary Plan. Costs associated with charter schools continue to rise annually due to State mandates, charter school growth and increases in enrollment. For example, according to a Fiscal 2016 Term and Condition, charter school enrollment was reported at 98,939 students and there were 209 charter schools. The Fiscal 2017 Term and Condition reported enrollment at 119,622 and listed 220 schools. It is expected that we will continue to see increases in both enrollment and the number of charter schools in the upcoming school year.

There were also changes at the State level that will impact charter school costs in the upcoming school year. The Adopted State Budget included a \$500 increase in the supplemental basic tuition rate for the upcoming school year, making the total per pupil rate \$14,527. Additionally, the State approved an increase in the Charter Facilities Rental Aid for privately leased space from 20 percent to 30 percent. The increase in the supplemental per pupil tuition rate is reflected in the Executive Budget with an adjustment of \$57.3 million in State Aid, however, the Executive Budget does not reflect an increase in funding to cover facilities payments for charter schools, which DOE projects to be approximately \$8 million in the upcoming school year. According to a Fiscal 2017 Term and Condition the DOE submits to the Council on estimated lease costs, DOE spent \$5.4 million on rent in Fiscal 2017 for charter schools.

Fringe Benefits

U/A 461 Fringe Benefits PS shows an increase of \$187 million since the Fiscal 2017 Adopted Budget. The total allocation for Fiscal 2018 Fringe Benefits is now \$3.3 billion, or 13 percent of DOE's budget. Spending on fringe benefits is expected to rise because the DOE has increased headcount.

Headcount

Headcount						
	Actual 2015	Actual 2016	Adopted 2017	Executive Plan 2017 2018		*Difference 2017 - 2018
Positions						
Full-Time Pedagogical	112,272	115,799	116,140	119,280	120,378	4,238
Full-Time Non-Pedagogical	11,693	12,248	11,216	11,253	11,409	193
TOTAL	123,965	128,047	127,356	130,533	131,787	4,431

**The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Executive Budget.*

The Fiscal 2018 Executive Budget supports a total of 131,787 full and part time positions, an increase of 4,431 when compared to the Fiscal 2017 Adopted Budget. Pedagogical employees comprise 120,378 of the full-time headcount for Fiscal 2018, an increase of 4,238 when compared to the Fiscal 2017 Adopted Budget. Most of these positions we accounted for in the November Plan, when over 3,000 positions were added due to a Fiscal 2017 increase in Fair Student Funding. The Fiscal 2018 Executive Budget also funds 11,409 non-pedagogical full-time positions, an increase of 193 positions when compared to the Fiscal 2017 Adopted Budget. Only 255 positions were added in the Fiscal 2018 Executive Plan to support the transfer of EarlyLearn and the expansion of 3-K for All by adding teachers, para professionals, social workers, instructional coaches, and teaching and learning staff.

Funding Summary				
	Adopted	Executive Plan		*Difference
<i>Dollars in Thousands</i>	2017	2017	2018	2017 - 2018
City	\$11,065,484	\$10,948,707	\$11,598,758	\$533,274
State				
Foundation Aid	\$7,104,406	\$7,104,406	\$7,433,451	\$329,045
Formula Aid	1,418,049	1,418,049	1,507,565	89,516
Building Aid	564,445	564,445	514,126	(50,319)
Categorical Programs	641,909	641,909	709,595	67,686
Special Education Pre-K	500,932	500,932	501,487	555
State Food Programs	14,359	14,359	16,520	2,161
Revenue in Other Agencies	(2,500)	(2,500)	(2,500)	0
Subtotal State	\$10,241,600	\$10,241,600	\$10,680,244	\$438,644
Federal - Other				
Title I	\$679,101	\$679,101	\$679,101	\$0
Title IIA	108,000	108,000	108,000	0
IDEA	269,782	269,782	269,782	0
Medicaid	40,500	40,500	97,000	56,500
School Lunch	300,476	300,476	300,476	0
Breakfast Program	105,779	105,779	134,617	28,838
Education for Homeless Children and Youth	1,550	1,550	1,550	0
Other	196,858	196,858	196,859	1
Subtotal Federal	\$1,702,046	\$1,702,046	\$1,787,385	\$85,339
Federal - CD	\$14,723	\$14,722	\$28,200	\$13,477
Intra-city	10,225	10,226	12,188	1,963
Other Categorical	155,459	155,459	170,952	15,493
Subtotal	\$180,407	\$165,685	\$211,340	\$30,933
TOTAL DOE FUNDING	\$23,189,537	\$23,072,761	\$24,277,727	\$1,088,190

Below is a summary of key funding changes by source when comparing DOE's Fiscal 2018 Executive Budget to its Fiscal 2017 Adopted Budget.

City Tax-Levy Increase

The DOE's Fiscal 2018 City-funded portion of the budget shows an increase of \$533.3 million when compared to the Fiscal 2017 Adopted Budget for a total of \$11.6 billion in City funding in the Executive Budget. The Executive Plan adds \$33 million in City Tax-Levy funds for Fiscal 2018 and \$63.2 million in Fiscal 2017.

Revenue

Total revenue for the Department in Fiscal 2018 is \$12.7 billion and is comprised of \$10.7 billion from the State, \$1.8 billion from the federal government, \$139 million from private sources, \$64 million in miscellaneous revenue and \$12 million in Intra-City funding.

Intra-City Funding

It is important to note that the DOE has a significant Intra-City expense budget. The total as of the Fiscal 2018 Executive Budget is \$912.5 million. Payments include, but are not limited to, \$132 million to the Department of Youth and Community Development (DYCD) for middle school afterschool programs, \$229 million to the New York Police Department (NYPD) for school safety services, and \$76.3 million to ACS for Universal Pre-Kindergarten.

The DOE also receives Intra-City revenue from various sources and the total for Fiscal 2018 is budgeted at \$12.2 million. Revenue from agencies include, but are not limited to, \$3.7 million from DYCD for the use of school space to operate Beacon programs, \$3 million from the

Department of Health and Mental Hygiene (DOHMH) for school health programs and an additional \$2.4 million from DOHMH for physical fitness and health education.

State Budget Actions

The DOE's Fiscal 2018 Executive Plan shows a \$438.6 million increase in State funds compared to the Fiscal 2017 Adopted Budget. This increase is mostly comprised of an increase of \$329 million in Foundation Aid and an increase of \$89.5 million in Formula Aid. A significant portion of State funding supports mandated programs such as charter schools and special education.

- **Foundation Aid.** Although DOE received an increase in State funds in the 2017-2018 State Budget, the amount of Foundation Aid is \$165.6 million less than what DOE had projected in the Preliminary Plan. The level of Foundation Aid in the State Budget fell short of meeting the State's responsibility for the *Campaign for Fiscal Equity* (CFE) decision.
- **Charter School Costs.** Charter schools are funded by the DOE and therefore the DOE budget must account for charter school growth, as well as the per pupil tuition rate that is set by the State. This year, the State Adopted Budget approved a \$500 increase in the supplemental basic tuition rate and an increase in the Charter Facilities Rental aid for privately leased space. The DOE must provide for both of these increases in the upcoming school year.

New in the Executive Budget

The Fiscal 2018 Executive Plan has recommended new needs totaling \$103.5 million, other adjustments that decrease the budget by \$151.5 million, savings that total \$166.4 million and revenue of \$12.7 million.

- **Carter Cases.** The Fiscal 2018 Executive Plan includes \$12.6 million in City funds to support Carter Cases in Fiscal 2017. Spending on Carter Cases has increased over the past several years and this need reflects the increased costs driven by the increase in Carter Cases. Part of the increase in Carter Cases is due to more parents being aware of the program and the Mayor's policy change to challenge cases less aggressively, as well as deciding within 15 days to proceed with a hearing or settle a case. However, the Council has not been provided information on the number of hearings or settled cases.
- **Universal Pre-Kindergarten.** In order to meet the demand for Universal Pre-Kindergarten in district schools, Pre-K Centers and New York City Early Education Centers, the Fiscal 2018 Executive Plan adds \$20 million. Out of this \$20 million, \$9.3 million is supported with federal funding for one year only because the federal grant expires in Fiscal 2019. DOE is working with the State to determine what will happen once the federal grant expires. This funding is baselined in Fiscal 2019 at the City funded portion of \$11 million.
- **Air Conditioning.** In the Budget Response, the Council called on the Administration to provide air conditioning in all classrooms and it has been included in this plan. The Fiscal 2018 Executive Budget commits \$5 million in Fiscal 2018, \$5.5 million in Fiscal 2019 and grows to \$6 million in City funding by Fiscal 2020 and the outyears, to provide for the installation of air conditioners in every classroom that is currently without one by 2022. This work will begin in 2018 in 2,000 classrooms at 114 buildings. Each year the DOE plans to provide at least 2,200 classrooms with air conditioners.

- **Substance Abuse Prevention and Intervention (SAPIS).** The Fiscal 2018 Executive Plan supports \$2 million in City funds and a matching \$2 million in federal funds for a total of \$4 million to maintain the current level of SAPIS workers in all Renewal Schools and some district schools.
- **Leases.** In order to fund increased costs due to increases in lease renewals and new leases, the Fiscal 2018 Executive Plan commits \$15 million in City funds for Fiscal 2017 and \$19.7 million for Fiscal 2018 and in the outyears to support DOE leases. New charter school leases and the increased cost in charter school rental aid are not included in this new need. According to the Fiscal 2017 Term and Condition on lease costs, DOE estimated spending \$200 million on rent in Fiscal 2017, of which \$5.5 million was for charter school leases.
- **Students in Shelter.** The Students in Shelter program is designed to better support the needs of homeless students by providing additional supports in schools with the highest concentrations of students living in shelters. This program was first funded in the Fiscal 2017 Executive Plan at \$10.3 million and funds were used to place attendance teachers in certain shelters to target chronic absenteeism, to provide literacy support through after school tutoring in shelters, and to add social workers in schools to provide homeless students with social-emotional, health and mental health services. This funding has now been added to the Fiscal 2018 Plan at \$10.3 million and again, for one year and is not baselined. The Administration is collecting performance data on this program and will decide how to fund the program in the outyears based on data collection and feedback about the program. The Students in Shelter program will be slightly different than the program funded this school year. DOE determined that the social workers in schools were able to cover the same scope of work as the attendance teachers and therefore, the attendance teachers will not be included in the program in the upcoming school year. DOE plans to absorb these staff members and use them as attendance teachers in other schools. By eliminating the attendance teachers, DOE will have the ability to hire 11 new social workers and expand this program to 11 additional schools with high concentrations of students living in shelter. The literacy coaches working in shelters after school, which are part of the current program, will continue in the next school year.
- **State Mandated Assessments.** Due to a change in the State Education Law, the DOE is required to annually assess teachers and principals as part of the Annual Professional Performance Plan. The City has committed \$4.6 million in Fiscal 2018, \$3.8 million in Fiscal 2019 and \$3.9 million in Fiscal 2020 in order to conduct this mandated annual assessment.
- **Lead Testing and Remediation.** The Fiscal 2018 Executive Plan supports \$17 million in City funding in Fiscal 2017. For Fiscal 2018, \$3 million in City funding and \$15.5 million in State funding has been added for a total of \$18.5 million for lead testing in water and remediation in all schools in Fiscal 2018. This work is mandated by the State and some of the remediation work that will take place will be reimbursable.
- **EarlyLearn Quality Enhancement.** In addition to the transfer of the EarlyLearn program for children ages zero to three from ACS to DOE, the Fiscal 2018 Executive Budget provides an additional investment of \$20 million and a headcount increase of 120 pedagogical positions. This funding is baselined in the outyears and provides support to ensure all EarlyLearn programs operate in a similar way as Universal Pre-Kindergarten

programs. This is reflected in the headcount increase with the hiring of 43 social workers for EarlyLearn Programs since Universal Pre-Kindergarten programs have onsite social workers. Additionally, 44 instructional coordinators will be hired to help implement the EarlyLearn curriculum. The additional headcount increase supports outreach staff to ensure parents and families are aware of the program.

- **3-K for All.** Beginning in the Fall of 2017, New York City will provide free preschool for three year olds in School Districts 7 (South Bronx) and 23 (Brownsville). The total cost in Fiscal 2018 for this pilot program is \$16.5 million in City funding with a headcount increase of 92 positions. Funding for this program grows in the outyears as DOE expands the program by adding two additional districts each year for a total of eight by 2021 and a total cost of \$156.8 million. Additional districts are yet to be determined.

Savings Program

In its Fiscal 2018 Executive Plan, DOE proposed a total \$166.3 million in savings in Fiscal 2018 growing to \$172.7 million in the outyears. Below is a list of proposed savings reflected in the Fiscal 2018 Executive Plan.

- **Absent Teacher Reserve (ATR).** Savings are generated by permanently placing teachers in full-time positions at schools. DOE will incentivize schools to utilize staff in this pool by assuming the salary cost of the staff member for one year and gradually shifting the cost to the school. For example, if a teacher is hired from the ATR pool, DOE will pay the salary cost in the first year. In the second year, DOE will cover 50 percent of the salary and the school will cover the remaining 50 percent. By year three, DOE will pay for 25 percent of the salary, until year four when the school will pay for 100 percent of the position. Therefore, the projected savings for DOE increase in the outyears with \$10.9 million in savings in Fiscal 2018, growing to \$21.9 million by Fiscal 2020. Incentivizing schools to hire from the ATR pool is not a new policy and therefore, the Council is concerned the savings may not be realized.
- **Computer Hardware Contractual Savings.** Savings of \$1.9 million in Fiscal 2018 and in the outyears are due to lower rates in existing computer hardware contracts.
- **Insourcing.** A total of \$7.1 million in savings are projected in Fiscal 2018 and in the outyears from insourcing various services at DOE, including some professional development and training, as well as insourcing 120 IT consultants that previously were contracted out.
- **OTPS Savings.** Efficiencies totaling \$2 million in Fiscal 2018 and beyond are generated from savings on Central Administration and OTPS purchases across divisions at the DOE.
- **Per Session Efficiencies.** By reducing the per session time allocated for data specialists and all centrally managed programs by incorporating more of the work during regular hours, DOE projects \$7.7 million in savings in Fiscal 2018 and in the outyears.
- **School Consolidations.** In Fiscal 2016, DOE began consolidating small schools and savings are generated by schools combining resources to more efficiently utilize support staff. All schools receive an allocation of \$225,000 for administrative purposes, however, newly consolidated schools will not receive the full amount and will be expected to share this resource. It is projected that there will be \$1.8 million in savings in Fiscal 2018 and in the outyears.

- **Consumer Price Index (CPI) Reeducations.** Due to lower than expected price increases for transportation, DOE is recognizing \$29.8 million in savings beginning in Fiscal 2017 and continuing in the outyears.
- **School's Out New York City After School Program (SONYC).** In order to align with actual spending on SONYC seats, DOE has re-estimated and generated a savings of \$7 million in Fiscal 2018 only. The re-estimate is due to seats being reallocated to schools with a high demand for SONYC and less funding was needed for opening costs associated with starting new programs.

DOE Budget Issues

The following section provides issues and concerns as it pertains to DOE's Executive Budget.

Preliminary Budget Response

The Council's response to the Mayor's Fiscal 2018 Preliminary Budget included numerous recommendations for the Department of Education, including eliminating all school lunch fees, ensuring community school sustainability and baseline funding for several Council Initiatives.

- **Eliminate School Lunch Fees.** Currently, all children enrolled in the City's Pre-Kindergarten program receive free lunch, as do all middle school students who attend stand-alone middle schools. However, students enrolled in a school that serves kindergarten through 8th grade and high school do not receive a free or subsidized school lunch unless they qualify based on their parents' income. The Community Eligibility Option is a federal entitlement program in which localities can participate where at least 40 percent of students qualify for public assistance. One of the advantages of this program is that because all students are eligible to participate, it removes the stigma of receiving a free meal at school.

In the Preliminary Budget Response, the Council called on the Administration to baseline the initiatives listed below, as they are proven pilot programs and should become core components to the Department of Education.

- Baseline Funding for the Council's Restorative Justice Initiative
- Baseline Funding for the Middle School Quality Initiative
- Baseline Funding for Bridge to Tomorrow
- Baseline DOE's Gender Equity Liaison

Preliminary Budget Highlights

DOE's Fiscal 2018 Executive Budget also encompasses changes made in the Preliminary Budget. Below are some of the key highlights from the Department's Fiscal 2018 Preliminary Budget.

- **Data Center Upgrades.** The Preliminary Plan provided \$8.4 million to upgrade DOE's data center to support the provision of faster internet speeds to schools. The Plan included \$7.9 million and 10 positions in Fiscal 2017, growing to \$11.5 million and 13 positions by Fiscal 2021. This project is directly related to two savings recognized in the Plan totaling \$4.7 million. Savings occur because DOE will leverage existing technology resources provided by the Department of Information Technology and Telecommunication (DoITT), including fiber cables and wiring. Additional savings arise from upgrading DOE's computer system, which will result in lower maintenance costs.

- **Broadband Conversion and Upgrade.** The second piece to the Department's technology upgrade strategy will provide high speed broadband capacity to all schools. Fiscal 2017 funding totals \$15.8 million and decreases to \$8 million in Fiscal 2018 since there are savings associated with the newly awarded contract, as well as fewer schools to upgrade since this project began in Fiscal 2017. There is no additional funding for this in the outyears and there is no headcount associated with this initiative.
- **SEGIS System Upgrade.** In order to address system performance issues, provide training for all system users and create a data reporting system to enhance data quality, a \$14.8 million investment is being made to SEGIS in Fiscal 2018. Fiscal 2017 funding totals \$12.4 million. This investment would improve DOE's claiming for special education services since data collection and reporting would be improved. The Preliminary Plan included a related increase in DOE's Medicaid revenue, which is expected to increase from \$40.5 million in Fiscal 2017 to \$97 million in Fiscal 2018. The Plan makes an overall headcount increase of 42 positions: 21 in the Central Administration to support data capacity and 20 positions for Special Education and Instructional Support.
- **Chromebooks for Teachers.** In Fiscal 2017, \$1 million is provided for the purchase of Chromebooks for all speech language pathologists. Integrating technology into instruction and investing in new technology is part of the Department's Five-Year Strategic Technology Plan. Speech teachers will now also be able to claim for Medicaid and this is tied to the increase in Medicaid mentioned on the previous page. Physical and occupational therapists already work with Chromebooks in schools. Funding decreases in the outyears and is largely for maintenance.
- **SEGIS Per Session.** The Plan added \$2.2 million in Fiscal 2017 and \$4.6 million in Fiscal 2018 for per session pay for speech language pathologists and speech teachers. Additional work hours are required to allow staff to document their session notes in SEGIS following sessions with students.
- **Summer in the City Expansion.** The Preliminary Plan included a proposal to expand the DOE's Summer in the City program with a budget increase of \$1.9 million in Fiscal 2017 and growing to \$14.2 million in Fiscal 2018. The program would enroll an additional 4,400 at-risk second graders this summer to ensure they are prepared for third grade math and reading levels. Program hours would also be extended from four to six hours a day and be offered five days a week. The Department of Youth and Community Development's (DYCD) COMPASS program would provide 3,000 slots, an increase of 1,000 from the previous year, in order to provide wrap around services for mandated students. Lastly, this funding would support an expansion of Science, Technology, Engineering and Math (STEM) programming for Summer in the City. In Fiscal 2018, there is an overall headcount of 61 positions, an increase of 41 from the previous year, to accommodate the additional students. Headcount will eventually reach 67 positions with funding at \$44.5 million in the outyears.

Appendix 1: Fiscal 2018 Budget Actions since Fiscal 2017 Adoption

<i>Dollars in Thousands</i>	FY 2017			FY 2018		
	City	Non-City	Total	City	Non-City	Total
DOE Budget as of the Adopted 2017 Plan	\$11,065,485	\$12,124,054	\$23,189,539	\$11,573,880	\$12,668,879	\$24,242,759
November Budget Actions	(\$29,420)	\$86,414	\$56,994	(\$22,126)	\$40,417	\$18,291
New Needs - Prelim						
Broadband Conversion and Upgrade	\$15,767	\$0	\$15,767	\$7,983	\$0	\$7,983
Chromebooks	1,025	0	1,025	68	0	68
Data Center Upgrades	7,866	0	7,866	8,399	0	8,399
Per Session	2,239	0	2,239	4,573	0	4,573
SEGIS System Upgrade	12,427	0	12,427	14,831	0	14,831
SEGIS/Medicaid Business Technology Support Group	245	0	245	1,405	0	1,405
Summer in the City Expansion	1,854	0	1,854	14,260	0	14,260
Subtotal, New Needs - Prelim	\$41,423	\$0	\$41,423	\$51,519	\$0	\$51,519
Other Adjustments - Prelim						
Adult Literacy Transfer from DYCD	\$1,910	\$0	\$1,910	\$0	\$0	\$0
Agency Sharing Resources	0	0	0	(2,371)	0	(2,371)
CDBG	0	5,011	5,011	0	8,200	8,200
College Access for All - Application Fee Waivers	(1,000)	0	(1,000)	(1,000)	0	(1,000)
DIIT Insourcing	0	0	0	886	0	886
FIT Collective Bargaining	8,971	0	8,971	9,185	0	9,185
Fringe	15,000	0	15,000	14,114	0	14,114
FY17 DOE Furniture	0	167	167	0	0	0
Maintenance Charges on Technology Services	0	0	0	(2,307)	0	(2,307)
Member Items Reallocation	(54)	0	(54)	0	0	0
NYS - Career and Academic Improvement Aids	(42,714)	42,714	0	(42,714)	42,714	0
RCM Work Phase 2	0	6,340	6,340	0	0	0
SEIT (Special Education Itinerant Teachers)	(15,000)	0	(15,000)	(15,000)	0	(15,000)
Solar Program	0	295	295	0	0	0
YMI: City Mentor	24	0	24	38	0	38
YMI: Mentorship Capacity Building	499	0	499	776	0	776
YMI: NYC Men Teach	0	0	0	195	0	195
YMI: Peer 2 Peer Initiative	165	0	165	440	0	440
Subtotal, Other Adjustments - Prelim	(\$32,199)	\$54,527	\$22,328	(\$37,759)	\$50,914	\$13,156
Subtotal, Prelim Budget Actions	\$9,224	\$54,527	\$63,751	\$13,761	\$50,914	\$64,675
New Needs - Exec						
3K	\$0	\$0	\$0	\$16,475	\$0	\$16,475
Air Conditioning	0	0	0	5,000	0	5,000
Carter Cases	12,665	0	12,665	0	0	0
DOE Leases	15,034	0	15,034	19,651	0	19,651
EarlyLearn Transfer - Quality Enhancements	830	0	830	20,087	0	20,087
Lead Testing/Remediation	17,000	0	17,000	3,000	0	3,000
SAPIS	0	0	0	2,000	2,000	4,000
State Mandated Assessments	0	0	0	4,570	0	4,570
Students in Shelters	0	0	0	10,321	0	10,321
Universal Prekindergarten	0	0	0	11,174	9,259	20,433
Subtotal, New Needs - Exec	\$45,530	\$0	\$45,530	\$92,279	\$11,259	\$103,538
Other Adjustments - Exec						
ATR	\$0	\$0	\$0	(\$10,940)	\$0	(\$10,940)
Beacon Opening Fees	0	0	0	0	726	726
Capital FY17	0	18,660	18,660	0	0	0
Capital Outyears	0	0	0	0	19,000	19,000
CD-Lead Testing & Remediation	0	0	0	0	15,500	15,500
City Service Corps (CYE/DOE)	(7)	0	(7)	(1)	0	(1)
Citywide Fleet Optimization	0	0	0	(115)	0	(115)
Computer Hardware Contractual Savings	0	0	0	(1,870)	0	(1,870)

<i>Dollars in Thousands</i>	FY 2017			FY 2018		
	City	Non-City	Total	City	Non-City	Total
CyberShift	\$0	\$0	\$0	\$1,733	\$0	\$1,733
DOE-Workforce Programs	0	0	0	0	2,177	2,177
Door Widening DOE	0	45	45	0	0	0
DSF Demand Response	0	1,024	1,024	0	0	0
ExCEL Supplemental Agreement	0	1,779	1,779	0	0	0
Expense Re-estimate	(29,816)	0	(29,816)	(29,816)	0	(29,816)
FIT Demand Response	0	128	128	0	0	0
From 6622/686 to 6622/40x	0	3	3	0	0	0
Go Pass	0	0	0	300	0	300
Heat, Light, and Power	(2,866)	0	(2,866)	(360)	0	(360)
Heating Fuel Adjustment	2,849	0	2,849	6,929	0	6,929
Horticultural Therapy Program	0	140	140	0	0	0
IC W/ DOE - ANTS Program	0	3,875	3,875	0	0	0
Insourcing - ITCS Consultants	0	0	0	(1,010)	0	(1,010)
Insourcing - Professional Development	0	0	0	(1,442)	0	(1,442)
Insourcing - Professional Services	0	0	0	(4,669)	0	(4,669)
Local L924 Laborer Hourly Wage Agreement	54	0	54	56	0	56
Member Items Reallocation	308	0	308	0	0	0
Operating Aid to FIT	0	0	0	2,500	0	2,500
OTPS Savings	0	0	0	(2,000)	0	(2,000)
Per Diem/Per Session	0	0	0	(5,747)	0	(5,747)
Per Session Efficiency - Data Specialist	0	0	0	(3,228)	0	(3,228)
Recoupment of Prior Year Expenses & Fees	47,187	0	47,187	0	0	0
School Consolidations	0	0	0	(1,800)	0	(1,800)
Service in Schools	0	0	0	150	0	150
Service Provider Wage Adjustment	0	0	0	1,672	0	1,672
Skilled Trades Overtime	0	0	0	(161)	0	(161)
SONYC	0	0	0	(7,000)	0	(7,000)
State Aid Adjustment	0	8,387	8,387	0	(129,904)	(129,904)
Summer in the City Reallocation	0	0	0	(2,888)	0	(2,888)
Take down RCM funds	0	(1,077)	(1,077)	0	0	0
Vision Zero Forum Lunch	0	4	4	0	0	0
Vol Svces Finger-printing Cost	0	1	1	0	0	0
YMI Funding Adjustment	(380)	0	(380)	597	0	597
YMI: NYC Men Teach	325	0	325	0	0	0
Youth Leadership Council	20	0	20	75	0	75
Subtotal, Other Adjustments - Exec	\$17,676	\$32,970	\$50,646	(\$59,035)	(\$92,500)	(\$151,536)
Subtotal, Executive Budget Actions	\$63,205	\$32,970	\$96,175	\$33,243	(\$81,242)	(\$47,998)
TOTAL, All Changes	\$43,009	\$173,911	\$216,920	\$47,004	(\$30,328)	\$16,677
DOE Budget as of the Executive 2018 Plan	\$11,108,494	\$12,297,965	\$23,406,459	\$11,598,758	\$12,678,969	\$24,277,727

*Continuation from previous page