

Public Comment Analysis

Date: August 16, 2011
Topic: ANNUAL ESTIMATE OF THE TOTAL SUM OF MONEY AVAILABLE TO SUPPORT DOE OPERATIONS
PEP Vote: August 17, 2001

Summary of Proposed Item

Pursuant to section 2590-g of the New York State Education Law, each year the Panel for Educational Policy (the “Panel”) must approve the estimated total sum of money necessary for the operations of the New York City school district in the following school year (the “Estimated Budget”). These operations support primary and secondary education for over one million school-age children through a network of elementary, junior high, intermediate, and high schools as well as special education schools. The Department of Education’s operations provide basic instructional services and offers students special education and instruction for English language learners and career and technical training. Support services include free and subsidized transportation, breakfast and lunch services, and the operation and maintenance of approximately 1,500 schools.

For fiscal year 2012, the estimated operating budget (not including education-related pension and debt service costs, which are budgeted for by different city agencies) for the Department of Education is \$19.422 billion, an increase of \$535 million over the current forecast for fiscal year 2011. City funds including pensions and debt service support \$13.496 billion of the Department of Education’s expense budget in 2012, an increase of \$2.013 billion, or 17.5 percent. State funds support \$8.572 billion, an increase of \$42 million. The balance of the education budget is supported by \$1.921 billion in Federal aid and \$95 million in other categorical funds. Including those funds budgeted in separate agencies, total funds budgeted on behalf of the Department of Education are proposed to increase from \$23.003 billion in the 2011 Forecast to \$24.084 billion in the 2012 Executive Budget (excluding inter-city revenues).¹

Summary of Issues Raised and Significant Alternatives Suggested

The below summarizes the relevant comments received from 130 individuals during the public comment period.

General Opposition to Budget Cuts

One commenter expressed the opinion that our public schools need as much as help as they can get, and do not need teacher layoffs or any reduction in funding.

¹ These figures are taken from the Revised Estimated Budget issued on June 27, 2011. The Department of Education originally issued a public notice describing the Estimated Budget (the “Original Estimated Budget”) on May 6, 2011. The Original Estimated Budget was later revised upwards as described above. This Public Comment Analysis summarizes and addresses comments made on both the Original Estimated Budget and the Revised Estimated Budget.

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One commenter asserted that the community has done so much to support children, and it is imperative that the city and state do their part as well.

Comments Regarding Subjects of Potential Cuts

Multiple commenters asserted that the DOE is prioritizing and spending too much on technology and testing, and consultants, and suggested redirecting spending to one or more of art, music, smaller class size, and teachers.

One commenter asserted that cutting teachers should be the last option considered, and suggested that the city cut sanitation, cut services, or raise taxes, but not sacrifice the lives and education of our youth.

One commenter asked that the DOE not balance the budget by “shortsightedly” cutting teacher positions, and asked the DOE to consider alternatives raised by community groups.

Comments Regarding Potential Impact of Cuts

One commenter asserted that if the schools in NYC further eliminate teachers, the level of the public school system will drop dramatically because classrooms would become overcrowded and overcrowded classrooms are not equipped to teach children sufficiently.

One commenter asserted that class overcrowding would be made worse by teacher layoffs.

One commenter stated that s/he was “heartsick” to hear that the commenter’s younger son’s kindergarten class in September is expected to have 28 children -- with one teacher, no assistant.

Comments Regarding Impact on Class size

One hundred and nineteen commenters strongly oppose any budget based on a funding formula that assumes 30 students per class in Grades 1-5. These writers cite the Project STAR study done in Tennessee, that “...shows how class size in the elementary grades not only improves students' scores during elementary school, but also has far-reaching effects: middle school students who had been placed in smaller classes during K-3 continued to perform better than their peers through eighth grade; high school students who had been in small classes early on had fewer discipline problems and lower dropout rates than their peers and were more likely to enroll in college-preparatory courses.”

Comments Regarding Teacher Layoff Process

One commenter noted that our schools are our future and good teachers are key to good schools. The commenter asked that the City reconsider the “first in first out” policy towards layoffs.

One commenter asserted that principals and the school system need the ability to choose the teachers they believe are best, and that this should not be decided by an “antiquated” union rule.

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Analysis of Issues Raised, Significant Alternatives Proposed and Changes Made to the Proposed Regulation

General Opposition to Budget Cuts

Many of the comments expressing opposition to budget cuts were directed at the Initial Estimated Budget. The Revised Estimated Budget increases the total amount of money for the operation of the city school district by \$204 million.

The revised FY12 Department of Education budget contains nearly \$2 billion in increased revenue from New York City to cover the loss of \$853 million in Federal stimulus funds, which expire this June, and the State's \$812 million cut to education. Over the past decade, city-funded spending on education has more than doubled from \$5.9 billion in FY 2002 to \$13.5 billion proposed in the Mayor's FY12 Executive budget. In FY02, state and city funding comprised a nearly equal portion of non-federal spending on NYC education. But, in FY12, city funding will comprise 61 percent of non-federal spending and state funding will comprise only 39 percent. Meanwhile, to date the state has funded only a portion of the \$2.345 billion mandated by the Campaign for Fiscal Equity law suit and has no clear plan on funding the balance.

So, although the City has increased its contribution in an attempt to cover revenue shortfalls, the additional city dollars are insufficient to meet all of the rising costs and new needs in the DOE budget. Many of the rising costs are tied to State and Federal mandates that have little to no flexibility and often come without commensurate funding. In total, including pension and debt costs, *DOE costs will increase by \$1.6 billion between FY11 and FY12*; a bottom line increase of 7%. Many costs grow at a higher rate, such as pensions, which will grow 20% or \$490 million, and "pass through" special education costs for pupils in state-licensed contract schools, which will grow 21% or \$331 million. (Overall, mandated special education costs are expected to increase by \$423 million over this period.) Total personnel compensation (salary, fringe and pension) will grow by \$703 million between FY11 and FY12. Additional cost increases are expected for necessary items such as energy, food and growth in pupil registers.

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INCREASING COSTS	
Year-over-year FY12 Exec Plan V FY11 Exec Forecast (millions)	
Personnel Compensation (salary growth, fringe, pension)	\$704
SE Costs (DOE & Non-DOE schools)	\$424
Register Growth (DOE & Charter)	\$243
School Operations (Food, Transportation, Safety, Debt)	\$256
Total Growth	\$1,627

Comments Regarding Subjects of Potential Cuts

Much of the Department of Education’s budget is invested in mandates and contractual obligations, leaving less than half available for budget reductions, as shown below.



**Department of
Education**

Dennis M. Walcott, Chancellor

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FY11 Feb. Plan Forecast (millions)	
Department of Education Budget	\$22,930
LESS FLEXIBLE	\$12,486
Special Education	\$4,991
PENSIONS	\$2,457
DEBT	\$1,656
Transporation(SE & NYS funds)	\$923
ENERGY & LEASES	\$468
CHARTERS (NYS sets amount)	\$572
FOOD - NYS & Federal Funds	\$425
SAFETY	\$296
English Language Learners (Est.)	\$213
PRE-Kindergarten - state grant	\$216
NON PUBLIC SCHOOLS/FOSTER CARE	\$270
MORE FLEXIBLE	\$10,444
General Education- DOE SCHOOLS	\$8,972
CENTRAL & FIELD	\$682
FACILITIES	\$617
Transportation - GE (\$NYC)	\$110
FOOD \$ NYC)	\$64
Amounts shown include fringe costs for personnel	

Among the more flexible portions of DOE’s budget, every effort has been made to reduce non-school budgets. Since 2008 through the FY12 Mayor’s Executive Budget, the Education Department has cut 38 percent of the budget for its central and field offices, including eliminating 705 positions (with 221 layoffs), for a savings of nearly \$250 million. These reductions have included reductions to technology and testing budgets. Cuts have also been applied to facilities, transportation and food totaling \$166 million over this period. The Department must continue to do more with less and continues to work on identifying savings and efficiencies elsewhere in its budget, including through collective bargaining agreements and mandate relief from the state and federal government.

Regarding cuts to other components of New York City’s budget, the City has made overall budget reductions since FY08 resulting in annual savings of \$5 billion. These reductions have occurred in virtually every City agency, including Sanitation and other uniformed services. Throughout this difficult budget process, DOE and NYC have worked with partners in the City Council, unions and other groups to identify budget reduction alternatives.

Comments Regarding Potential Impact of Cuts

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Classroom impacts cannot be entirely avoided due to the significant portion of school budgets invested in teacher positions. Teacher salaries alone constitute over 60% of most schools' budgets. And since teacher salaries grow every year as a result of automatic salary step increases, salaries will continue to absorb larger and larger portions of school resources. As a result, any sizable cut to school budget (which make up a part of the Revised Estimated Budget) will *necessarily* have to include some reductions in teacher positions, although the increased funding in the Revised Estimated Budget eliminates the need for teacher layoffs in school year 2011-12.

Comments Regarding Impact on Class size

Concerns cited by commenters about classes of thirty pupils in grades 1-5 do not take account of the fact that this policy applies to Integrated Co-Teaching Classes (ICT) which have *two full-time teachers*. As a result, **each ITC class has a maximum pupil-to-teacher ratio of 15:1**. While this investment is warranted in limited circumstances, implementation of small classes at the scale of the Tennessee STAR program across the DOE would cost billions of dollars.

[The Tennessee STAR experiment](#) achieved positive effects through *large decreases* in class size (down to 15 pupils) in the early grades. Alan Krueger ("Experimental Estimates of Education Production Functions," Quarterly Journal of Economics, 115(2): 495-532 (1999)) found that the return on investment in significantly (32%) smaller class sizes on the Tennessee-STAR experiment was only *slightly* bigger than the costs of implementing the program. These effects decrease with time, with the impact on 5th grade to be half the size of the kindergarten effect, and by the time the students complete secondary schooling, pupils who enrolled in the smaller early grade classes in the Tennessee-STAR experiment were only 2% more likely to enroll in college, and showed no differences in income at age 27 ("How Does Your Kindergarten Classroom Affect your Earnings? Evidence from Project STAR," NBER Working Paper No. 16381, September 2010.). Other rigorous studies, such as [a rigorous quasi-experimental study of schools in Connecticut](#), find no benefits of smaller classes.

Large-scale implementation of very small classes also would require the recruitment of many new teachers. Reductions in average teacher quality, as might be expected from hiring a large crop of inexperienced teachers, could offset any direct benefits of smaller classes. An [evaluation of California's statewide CSR policy](#) found that it increased the shares of teachers that were new and not fully certified. And [an evaluation of Florida's CSR mandate](#) found no evidence of positive effects on student outcomes. In 2002, Florida voters amended the Florida state constitution to limit the numbers of students in core classes in the state's public schools. Maximum core class sizes were set at 18 through grade 3; 22 students in grades 4 through 8 and 25 students in grades 9 through 12. The policy cost about \$20 billion to implement during its first 8 years, with continuing costs of \$4 billion to \$5 billion in each subsequent year.

Asking the question of whether class size reduction is the most productive use of educational dollars, Douglas Harris ("Toward Policy-Relevant Benchmarks for Interpreting Effect Sizes: Combining

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Effects with Costs,” Educational Evaluation and Policy Analysis 31(1):3-29 (2009) finds short-term rates of return for computer-aided instruction, cross-age tutoring, early childhood programs, and increases in instructional time are all greater than those for Class size Reduction. Grover Whitehurst (“Don’t Forget Curriculum” Brown Center Letters on Education, #3. October 2009, Washington, D.C.: The Brookings Institution.) finds effects on student achievement from choosing more effective curriculum or improving teacher quality that are larger than those obtained from class size reduction.

Comments Regarding Teacher Layoff Process

New York State law includes the “first in first out” provision regarding teacher layoffs. Any change to state law must be made by the State Legislature.

Changes Made to the Proposed Item

In response to public comments such as those received regarding the Original Estimated Budget, the DOE, Mayor, City Council and United Federation of Teachers reached a collaborative budget agreement on June 24, 2011, that includes no layoffs of teachers and avoids more severe budget cuts to school budgets. On June 27, 2011, the DOE revised the original Estimated Budget. Under the Revised Estimated Budget, the total sum of money for the operation of the city school district (again not including education-related pension and debt service costs) is \$19.422 billion. This represents an increase of \$535 million over the current forecast for fiscal year 2011, and an increase of \$204 million over the Original Estimated Budget.

No other changes were made to the proposed item, meaning the Panel will vote on the Revised Estimated Budget as issued on June 27, 2011.