



Fair Student Funding

Making It Work for Your School and Your Students

May 2007

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INTRODUCTION

Every child deserves the same opportunity for a great education. And that means every school deserves fair funding. For years, our school budgeting has fallen short of that promise. It's time to change that. Under Fair Student Funding, we will begin to fund schools based on the needs of the children at each school. Because that's what matters most.

Fair Student Funding aims to achieve three major goals:

Increase equity while preserving stability: Fair Student Funding will direct new funds toward schools that do not receive their fair share of resources today, without taking funds away from other schools. Because the Department is cutting central and regional offices and driving those dollars to schools, *all* schools will receive additional funding for the 2007-08 school year.

Improve student achievement: School leaders and communities know best what their schools need for their students to achieve. Fair Student Funding eliminates restrictions on dollars and gives schools more opportunity to make the best choices for their students. Fair Student Funding creates new financial incentives for schools to enroll struggling students—and new rewards when schools succeed in improving students' results.

Make school budgets more transparent: Fair Student Funding will eliminate many complex funding streams and provide more than five billion dollars to schools in a single, simplified allocation. Instead of hiding the tough choices inherent in budgeting, the new formula and new data bring those choices out into the open. And while Fair Student Funding isn't perfect, it's a big step forward and a strong vehicle for improvement over time.

CHAPTER 1: OVERVIEW AND BASIC IDEAS

1.1. The Problem: Unfair and Outdated Funding

Our current funding system is unfair and hard to understand or explain. Two schools with the same number and mix of students can receive budgets that differ by more than \$1 million.

Similar Schools, Different Funding

Elementary school A	
Enrollment	590
Poverty %	92%
English language learners %	25%
Tax levy general funds	\$3,250,000
Tax levy general education per student	\$5,860

Elementary school B	
Enrollment	620
Poverty %	98%
English language learners %	29%
Tax levy general funds	\$1,790,000
Tax levy general education per student	\$3,010

The difference between what school A and school B receive is \$1,460,000.

This inequity has a real impact on students: The school with less funding is likely to have:

- fewer teachers;
- less experienced teachers;
- less enrichment for students;
- less enrichment for teachers; or
- all of the above.

The reasons for the unfairness are complex, but two stand out. First, budgets often carry forward subjective decisions made long ago. Sometimes these decisions were made for legitimate reasons now outdated, sometimes because of politics. Whatever the reason, schools

receive different levels of funding for reasons unrelated to the needs of the school's current students.

The second factor is that we budget for most teachers in terms of positions rather than how much they actually cost. As a result, for example, two schools' enrollment levels give them each 100 teachers, but if the teachers at one school have average salaries of \$70,000 and teachers at the other school have average salaries of \$60,000, then we will have provided \$1 million less to the school with lower average teacher salaries. We know that across our system it is the neediest kids who have the least experienced teachers.

This system is wrong for our principals and teachers, whom we ask to meet the same high standards for improving student achievement. Even more important, it is wrong for the kids who haven't gotten a fair chance for success.

“No matter how you look it, a status quo that denies some students fair funding is not a status quo worth fighting for. We need to stand up for equity. The challenge is to strike a balance that moves us steadily toward equitable funding while preserving the stability and character of schools that work. The feedback — supportive and questioning alike — has moved us closer to that mark.”

*— Mayor Bloomberg, following three months of public hearings
on Fair Student Funding*

1.2. The Response: A Simpler and Fairer Way to Fund Schools

Fair Student Funding is based on simple principles:

School budgeting should fund students fairly and adequately, while preserving stability at all schools;

Different students have different educational needs, and funding levels should reflect those needs as best as possible;

School leaders, not central offices, are best positioned to decide how to improve achievement; and

School budgets should be as transparent as possible so that funding decisions are visible for all to see and evaluate.

“Weighted student funding was a key part of our academic reform strategy. The results speak for themselves. After six consecutive years of academic gains, San Francisco is now California’s highest-performing large urban district. Moreover, many of those who initially expressed the greatest concerns — principals, teachers, and parents — are now among the strongest champions of weighted student funding.”

— Arlene Ackerman is Christian A. Johnson Professor of Outstanding Educational Practice at Teachers College, Columbia University, and former superintendent of schools in San Francisco and Washington, DC.

In keeping with these principles, Fair Student Funding means that:

Money will begin to follow each student to the public school that he or she attends, without hurting any schools.

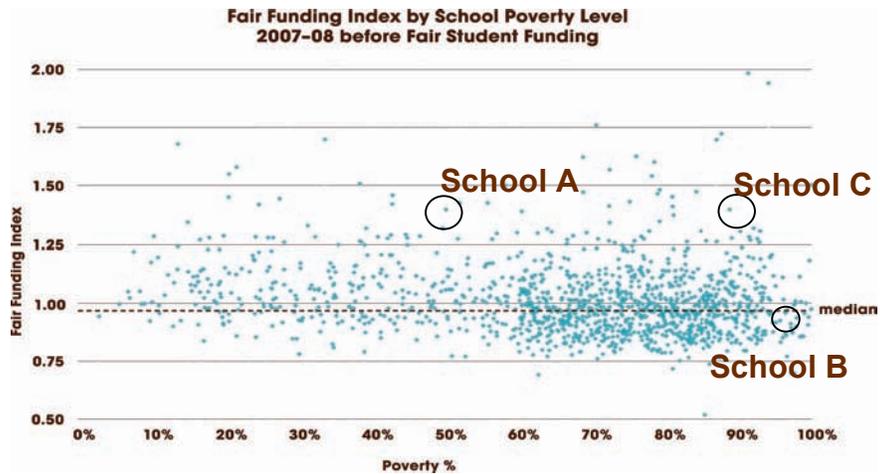
Each student will receive funding based on grade level. Students also may receive additional dollars based on need.

Principals will have greater flexibility about how to spend money on teachers and other investments—with greater responsibility for dollars and greater accountability for results.

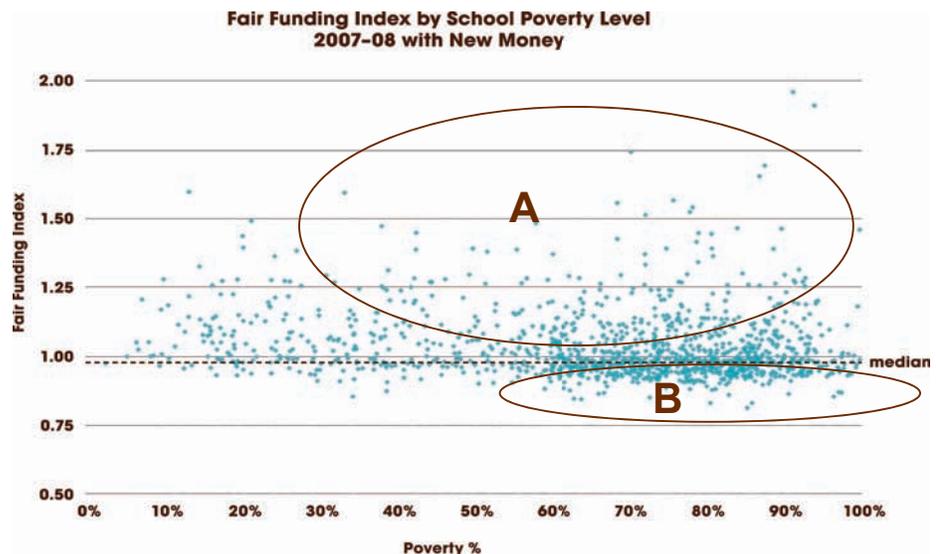
Key funding decisions will be based on clear, public criteria.

The two charts below demonstrate our progress this year in creating greater equity while maintaining stability. At 1.00, a school is receiving exactly the share of funds it would receive if we budgeted all schools precisely according to Fair Student Funding. This would require significant funding cuts for schools above 1.00. The top chart shows the distribution of funds without Fair Student Funding. The bottom chart shows the actual distribution of funding this year. Because Fair Student Funding is infusing \$110 million into schools this year, 693 schools come significantly closer to the 1.00 line. At the same time, due to the hold-harmless commitment, schools above 1.00 do not lose funding. In 2008-09, our goal is to bring all or virtually all schools up to today's 1.00 line.

School A, with about 50 percent poverty, receives about the same per-student funding as School C, with about 90 percent poverty. School B, which has nearly 100 percent poverty, receives less than both School A and School C.



With \$110 million in new funds through Fair Student Funding, 693 schools (group B) will come closer to fair funding (near the 1.00 line). Meanwhile, our “hold-harmless” protections will ensure that no schools (group A) will lose funding this year because of Fair Student Funding.



1.2.1. To preserve stability, we will implement FSF gradually

We need to drive more resources into schools that aren't getting their fair share of funds and encourage all schools to perform better. But we need to protect what's already working. That's why Fair Student Funding will be implemented gradually, with a focus on lifting schools up to parity, not bringing any down. Specifically, in 2007–08 and 2008–09:

“Fair Student Funding systems are now in place in several major U.S. school districts, with more in the planning stage. The benefits are consistent across these districts: parents support it, teachers and principals feel empowered by it, and rigid top-down bureaucracy is replaced by flexible local school empowerment.”

— *William G. Ouchi is the Sanford & Betty Sigoloff Professor in Corporate Renewal at UCLA. He has studied systems like Fair Student Funding across the country.*

Fair Student Funding will not result in reduced funding for any schools.

Schools will have resources to replace a departing senior teacher with another senior teacher.

Schools will be adequately funded to continue paying their existing teachers, those on their payrolls as of April 2007.

Two important things to keep in mind:

These funding commitments are contingent on adequate State and City funding.

Even under this plan, schools may still face funding reductions because of changes in programs outside Fair Student Funding, changes in enrollment, or loss of grant funding.

1.2.2. Background on the plan

We've based these budget reforms on extensive public outreach in New York City, conversations with school leaders in other cities, and research on education funding and results.

Public Input in New York City

Beginning in late January 2007, Department of Education leaders attended more than 100 meetings with almost 6,000 people in all five boroughs. These meetings included conversations with hundreds of principals, 27 Community Education Councils, roundtables with community groups in each borough, and discussions with faith and community leaders. The Department also trained all 1,400-plus parent coordinators in Fair Student Funding so they would be equipped to answer families' questions. We also communicated with hundreds of additional parents, community and religious leaders, teachers, and principals by e-mail.

These interactions resulted in many modifications to improve the final FSF plan. Many of these changes are spelled out in the following chapters.

Analysis of NYC Funding Patterns

We conducted extensive analyses of our current budgeting practices, including the methodologies in current funding approaches: for example, use of staffing ratios and assumptions about breakage, coverage, and the “curriculum index.” We examined contracts and policies governing class sizes to ensure our compliance. And we studied the disparities among schools that have arisen from current funding patterns. Our “weights” — the additional dollars that will follow different types of students to their schools — reflect what we learned.

“A funding formula similar to the Mayor’s “Fair Student Funding” Proposal was implemented in the San Francisco Public Schools when I was a principal in that school district The initial proposal for the new funding formula caused some anxiety among educational practitioners, but by the end of its first year, there was almost universal support for the system from teachers, parents, and the school community, as the formula helped create equity for the students and schools in San Francisco.”

— *David Weiner is principal of PS 503 in Brooklyn.*

National and International Experience

We spoke with current or past leaders in several of the other communities that have implemented plans similar to Fair Student Funding, including officials or former officials in San Francisco and Oakland, California; Seattle, Washington; Edmonton, Canada; and Great Britain. We also consulted with researchers who have studied funding reforms in these and other locations. We formed an external advisory group that helped us launch the initiative, including the following individuals:

Arlene Ackerman, former superintendent, San Francisco, and Washington, DC, and former assistant superintendent in Seattle; **Chester Finn**, president, Thomas B. Fordham Foundation; fellow, Hoover Institution; **William Ouchi**, professor, Anderson Graduate School of Management at UCLA; **John Podesta**, former White House Chief of Staff to President Clinton, and president and CEO, Center for American Progress; **Marguerite Roza**, professor, Evans School of Public Affairs, University of Washington; and **Michael Strembitsky**, former superintendent, Edmonton, Canada.

A Research Base

We examined various studies about the cost to educate students, including *Determining the Cost of Providing All Children in New York an Adequate Education* (also known as the CFE Report), Standard & Poor's *Resource Adequacy Study for the New York State Commission on Education Reforms*, and The New York State Commission on Education Reform's *Ensuring Children an Opportunity for a Sound Basic Education* (also known as the Zarb Report). We also reviewed reports by school finance experts around the country. Although none of the studies provided a precise roadmap for New York City, all of them informed our work.

1.2.3. Fair Student Funding going forward

Fair Student Funding provides a flexible vehicle for public feedback and improvement over time. We have made tradeoffs and tough decisions clearer. We have provided extensive data about schools' funding in more accessible form. We are committed to improving Fair Student Funding in the coming years through input from principals, teachers, parents, and school communities. A new advisory committee will review the impact of changes and make recommendations moving forward.

1.3. Overview of School Funding

1.3.1. What is in the Overall Department budget?

For the next school year, New York City will spend **\$16.9 billion** on the day-to-day operations of the school system. This is the Department's Operating Budget and includes funding for principals, teachers, textbooks and supplies. It also covers the cost of standardized tests, after-school programs, school buses, heating and cooling for school buildings, and school lunches. Finally, it covers the cost of the regional and central administration offices, which work with the schools to provide support and help improve student achievement at the schools.

The Operating Budget is spent annually and is allocated as follows:

\$8.7 billion for school budgets. This is the money that principals see in their schools' budgets. These are the core dollars spent on teachers, other school staff, and school materials. In addition to the Fair Student Funding allocation, these budgets include Federal, State, and other programmatic allocations.

\$4.7 billion for school support services, administration, and other programs outside of the schools. This is money for services that are directed centrally and do not appear in school budgets, even though many of the services are provided in schools. This money includes funding for school quality reviews, periodic student assessments, food, facilities, transportation, special education-related services, and supplemental education services (the extra help required under the Federal No Child Left Behind Act), as well as core staff and operations.

\$2.1 billion for fringe benefits. This is money for health, sick leave, and other benefits (except pensions) for all Department of Education employees, most of whom work in schools.

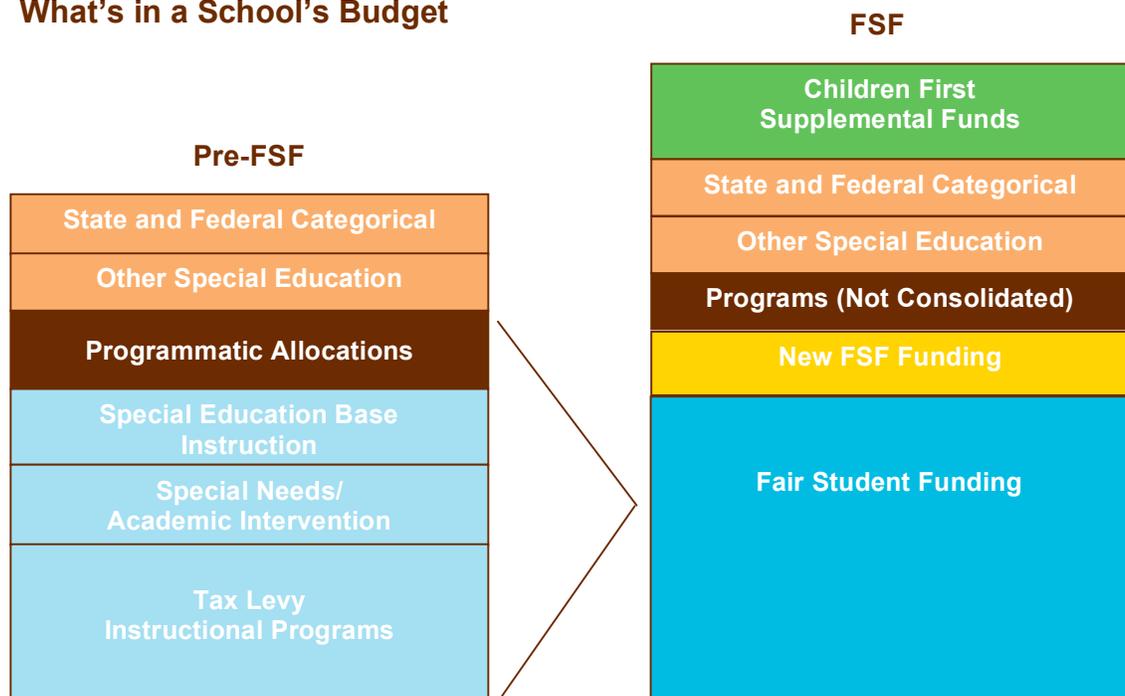
\$1.3 billion for other student tuition costs. This is money that the Department of Education is required to direct toward charter schools and non-public schools.

New York City incurs other costs for public education outside of its day-to-day operations through its Capital Plan and other systemwide obligations. The Capital Plan is a five-year, \$13 billion plan that covers the costs associated with building new schools, restructuring and repairing existing buildings, and investing in new assets within each school building. The other systemwide obligations total \$3 billion and include the cost of pensions for employees, most of whom work in the schools, as well as funding to pay the principal and interest for capital projects.

1.3.2. What is in a school’s budget?

Of the \$8.7 billion that goes into school budgets, more than \$5 billion will now be allocated through Fair Student Funding. The table below shows what is in Fair Student Funding, what isn’t, and what has changed from previous years.

What’s in a School’s Budget



The Fair Student Funding allocation combines the former Instructional Programs and Special Needs/Academic Intervention Services allocations, together with more than 15 allocations listed in Chapter 2.6 under “consolidated programs.”

Principals have greater flexibility over the programs consolidated into Fair Student Funding. Because we have decided not to reduce any school's funding, schools continue to receive resources for any programs that existed in a school's budget in the 2006-07 school year. The difference is that now the school may choose to spend the money on other priorities to serve students.

For the 2007-08 school year, schools will receive funding from five sources, more fully explained in School Allocation Memoranda (SAM).

Fair Student Funding, described in great detail in Chapter 3.

Programs Not Consolidated includes City initiatives that remain outside of Fair Student Funding because of their unique structure or priority, like the parent coordinator initiative. Among the SAMs, these programs are principally listed as Internally Restricted Programs.

Other Special Education Funds include funding for mandated special education support that supplements core classroom instruction services. These dollars are in addition to the funds special education students will receive as part of the Fair Student Funding allocation.

State and Federal Categorical programs are restricted by the State or Federal governments and may not be distributed through Fair Student Funding. Examples include Title I and Attendance Improvement/Dropout Prevention. These programs are listed as Externally Restricted Programs among the SAMs.

Children First Supplemental Funds come from funds formerly controlled by regional and central offices. Schools will use a portion of these funds to purchase their School Support Organization for next year. Any remaining funds can be used at the principals' discretion to best meet the needs of students.

Schools in District 75 and programs in District 79 will not receive a Fair Student Funding allocation in the 2007-08 school year because of their unique structures. They will continue to be funded under the same approach as previously.

CHAPTER 2: TRANSITION TO FAIR STUDENT FUNDING

2.1. The 2007–08 School Year

In the 2007–08 school year, Fair Student Funding will not result in funding reductions for any schools. This commitment requires that, for this year, we calculate school budgets using two different methodologies:

For Example ...

See pages 17 and 18 for examples of how these scenarios play out for two different schools — one school getting new resources through FSF and one being held harmless.

- **Old Approach:** This would be the school’s 2008 budget using the old, 2007 budgeting approach for each consolidated allocation. For example, the Instructional Programs allocation in this budget continues to be based on the number of teachers, the total enrollment, and average teacher salary.
- **FSF Approach:** This would be the school’s budget based on the Fair Student Funding formula, if it were implemented immediately with no hold-harmless protection. This approach incorporates the school’s total enrollment, student characteristics, and Foundation funding.

The rules governing actual funding for 2007-08 are simple: No school will receive less than the Old Approach, and some schools will receive more. Specifically:

- **If a school’s funding under the Old Approach is greater than funding under the FSF Approach, the school will receive base funding equal to its funding under the Old Approach.** That amount will be provided in two parts: “TL Fair Student Funding,” equal to the FSF Approach allocation, and “TL Hold Harmless.”
- **If funding under the FSF Approach is greater than funding under the Old Approach, a school will receive base funding equal to the Old Approach, plus new funding.** This funding will also be provided in two parts: “TL Fair Student Funding,” equal to the Old Approach amount, and “TL Fair Student Funding Incremental.” The amount of new money will be approximately 55

percent of the difference between the FSF Approach and the Old Approach, up to \$400,000.

- In addition, *all* schools will receive additional funds from unconsolidated categorical and other programs, and *all* schools will receive Children First dollars as a result of reductions in central and regional offices.

2.2. The 2008–09 School Year

In the 2008–09 school year, we will continue with the same principles. Schools funded at higher levels than under the FSF Approach will continue to be protected against losses from FSF. In fact, because of changes in salary charging (explained in detail in Chapter 4), these schools may see real gains. Schools funded at lower levels than under the FSF Approach will continue to receive new funds.

While these principles remain, we will no longer calculate budgets under the Old Approach. Instead, all schools will receive a base budget through Fair Student Funding. That base budget may include adjustments due to:

- changes in enrollment;
- changes in the FSF formula;
- increases in basic funding for teaching positions (e.g., due to collective bargaining); or
- increases in funding needed for coverage of salary increases for teachers on schools' payrolls prior to April 2007.

Schools with budgets *above* their Fair Student Funding formula level will continue to be held harmless compared to the funding they would have received before Fair Student Funding. To begin, these schools will receive their 2008-09 school year FSF formula funding, plus their 2007-08 school year "hold harmless." If the weights change in 2008-09 and increase a school's purchasing power, the school will receive either the increase from Fair Student Funding or the "hold harmless," but not both. This means

Key Facts about FSF

Total dollars included in FSF allocation:
\$5.3 billion

FSF as a percentage of full FY08 school budgets: approximately **65%**

FSF as a percentage of full FY08 tax levy funding: approximately **80%**

Dollars over which FSF increases principal discretion: **\$961 million**

New dollars allocated through FSF this year: **\$110 million**

New schools that will get these new FSF dollars: **693**

Total new dollars placed on school budgets this year: **\$500 million**

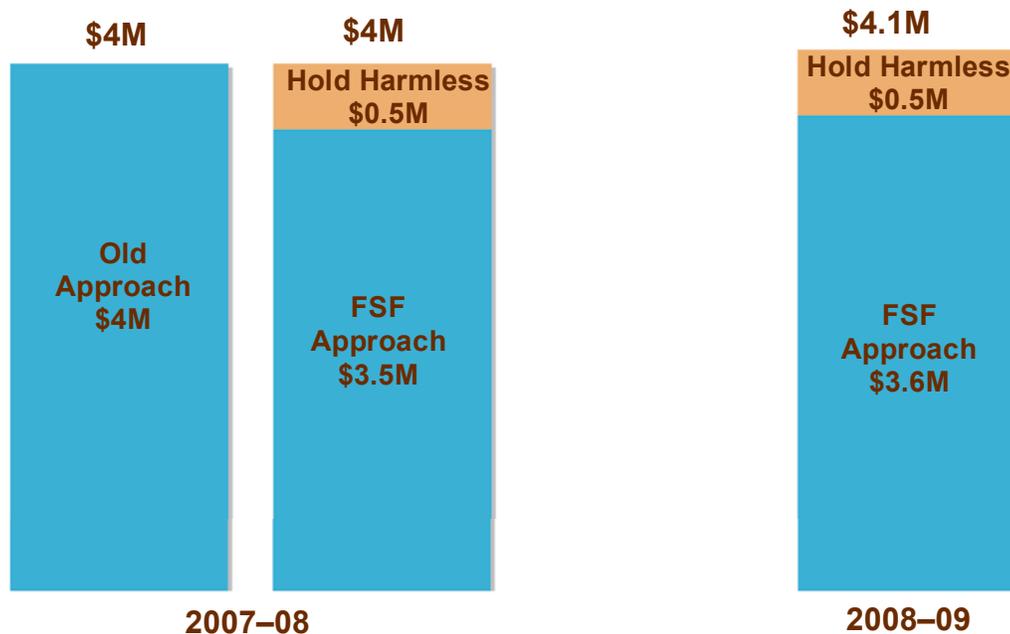
schools will receive at least as much as they would have under the Old Approach, but not more.

Schools with budgets *below* their FSF formula level will continue to receive new FSF funds on top of their FSF formula allocation. Where weights or enrollments have changed, the amount of additional funding that a school might receive could go higher or lower in 2008–09 than in 2007–08. By the 2008–09 school year, we hope to have brought all schools up to their FSF formula funding level.

As noted above, these results depend on adequate State and City funding. Even under this plan, schools may still face funding reductions because of changes in programs outside FSF, changes in enrollment or loss of grant funding

This is illustrated in the following examples.

School A: Old Approach Above FSF Approach



2007-08:

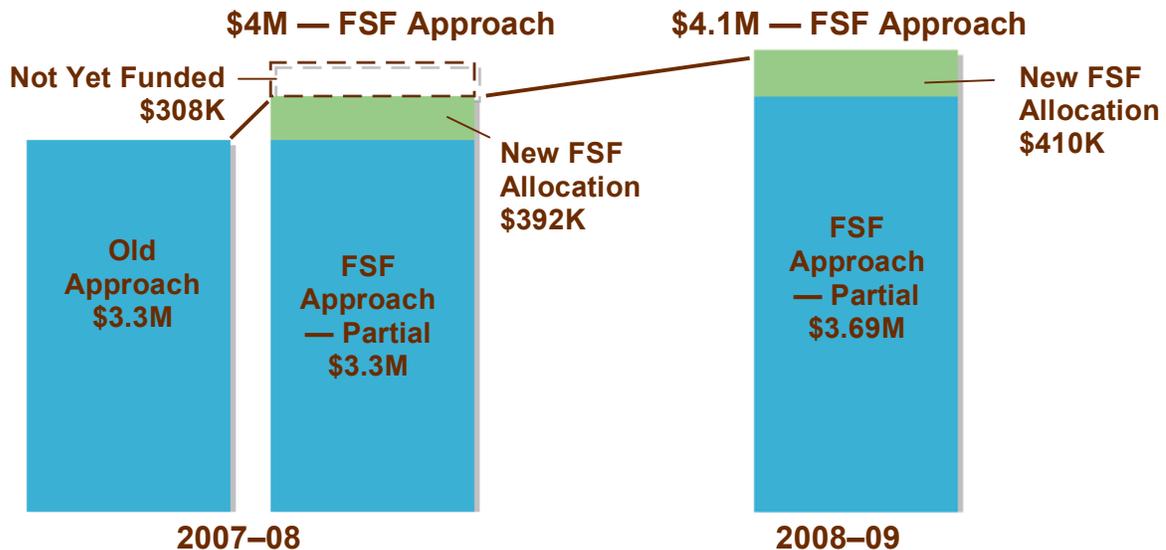
- The school would have received \$4 million if it were budgeted under the **Old Approach** to budgeting.
- The school would have received \$3.5 million using the Fair Student Funding formula (**FSF Approach**).
- The school will actually receive the same funding as it would have under the Old Approach through an additional **Hold Harmless Allocation** of \$0.5 million.

2008-09:

- In this example, the school's allocation under the **FSF Approach** increases to \$3.6 million. The underlying funding from FSF can grow or shrink based on changes such as enrollment or the FSF formula.
- Absent new funding from a change in weights, the school carries forward its \$0.5 million **Hold Harmless** from the 2007-08 school year. This brings the school's total budget for the 2008-09 school year to \$4.1 million.

Note: All results contingent on adequate State and City funding. See text for detail.

School B: FSF Approach Above Old Approach



2007-08 school year:

- The school in this example would receive \$3.3 million under the **Old Approach**, but \$4 million under the **Fair Student Funding Approach**.
- The school automatically receives the amount it would have under the **Old Approach** to give it the \$3.3 million **FSF Allocation – Partial**.
- This year, on top of that amount, the school will receive \$392,000 in new money (a school receives approximately 55 percent of the difference between the Old Approach and the FSF Approach, up to \$400,000). This **New FSF Allocation** will begin to bring the school closer to its full funding under the **FSF Approach**. These funds are subject to the State’s Contract for Excellence.

2008-09 school year:

- In this example, the school’s total funding under the **FSF Approach** would increase to \$4.1 million. The underlying funding from FSF can grow or shrink based on changes such as enrollment or the FSF formula.
- The school’s **FSF Approach – Partial** allocation is now approx. \$3.7 million, combining the previous year’s FSF Approach – Partial allocation (\$3.3 million) and New FSF Allocation (\$392,000).
- In this example, on top of that amount, the school receives an additional \$410,000 through the **New FSF Allocation** so that the school receives its full FSF formula allocation next year.

Note: All results contingent on adequate State and City funding. See text for detail.

2.3. New Dollars Under Fair Student Funding

New dollars will be given to the 693 schools receiving less than the FSF formula. Funds will be distributed through the “TL Fair Student Funding Incremental” allocation. The funds come from additional State dollars coming to New York City this year.

In the 2007-08 school year, schools will receive approximately \$110 million in new money through Fair Student Funding. Schools getting these funds will receive approximately 55 percent of the gap between the school’s funding under the Old Approach and the FSF formula level — up to \$400,000. Schools phasing out are not eligible for new FSF funds.

These new FSF funds will be part of the Department's Contract for Excellence, which is required by State law. The Contract governs how new state funds are spent. Principals with New FSF funds will need to spend their funds within the parameters laid out by the State regulations. The State regulations enable principals to allocate resources to five main areas:

1. Improving the quality of teachers and principals
2. Reducing class size
3. Increasing student “time-on-task”
4. Restructuring middle and high schools, and
5. Providing full-day pre-kindergarten.

When scheduling the FSF Incremental funds in Galaxy, principals must select from a menu of program names from the drop down list provided in the program field. Principals can use their FSF incremental funding on one or more of the above options. Schools should incorporate more descriptive information on the programmatic options in their 2007-08 School Comprehensive Educational Plan (CEP) Update.

The section below provides additional guidance on the allowable expenditures for these programs. To review the State regulations and guidance, please visit:

Regulations:

www.regents.nysed.gov/2007Meetings/April2007/0407-100_13-170_12.html

Guidance:

www.emsc.nysed.gov/C4E-4-9-07-guidance.mht

When scheduling these funds through Galaxy, principals will be able to select one of the program categories listed above to show how they allocated the dollars. After principals determine how they intend to use the new funding within the State's regulations, the Department is required to submit to the State a Citywide Contract for Excellence and a Contract for Excellence for each Community School District. As part of the preparation of those contracts, Principals' plans will be reviewed by the Department and (for Community District schools) the Community Superintendents. The Chancellor and the Community Superintendents will then submit the Citywide and Community District Contracts to the State. In order to meet the State's June 30th deadline, principals need to schedule their new funds ("TL FSF Incremental") funds by mid-June. Under the contract, the activities on which schools can spend new resources on in each of the Contract's categories include the following:

- **Reducing class size**
 - Hiring additional teachers and creating additional classes in order to reduce the overall average class size in the school when space is available to create additional classes
 - Hiring additional teachers to reduce the student-to-teacher ratio (e.g. through the use of push-in teachers) in instances when a school Departments not have space to create additional classes
- **Increasing student "time-on-task"**
 - Longer school day for students including adding time before and after school and including either content instruction or student support services such as guidance, counseling, attendance, parent outreach, behavioral support or instruction in study skills to support improved academic performance
 - Dedicated blocks of time for instruction during the school day in content areas to facilitate student attainment of State learning standards using a research-based core instructional program
 - Individualized tutoring and intervention to students at risk of not meeting State standards (excludes Supplemental Education Services)

- **Improving the quality of teachers and principals**
 - Professional mentoring for new teachers and principals such as Lead Teachers
 - Instructional Coaches for teachers
 - School leadership coaches for principals
 - Programs and activities to recruit and retain certified and highly qualified teachers
- **Restructuring middle and high schools**
 - Making targeted instructional changes in middle and high school that provide challenging academic content and/or academic intervention to students who are at risk of not meeting State learning standards
 - Internal school restructuring including creating teams of teachers focused on student needs (e.g. ninth grade academies, breakage for grade teams, etc.)
- **Expanding full day pre-Kindergarten**
 - Expanding the instructional hours for existing half-day pre-Kindergarten programs so that they last for a full school day (provided that the school has sufficient space)
 - Beginning a new full-day pre-Kindergarten program by matching a half-day of State funding from Department's Office of Early Childhood Education with school funds
 - Ensure that new or existing full-day prekindergarten programs integrate students with disabilities

2.4. New Dollars in Addition to Fair Student Funding

For the 2007-2008 school year, we are redirecting hundreds of millions of dollars that were previously controlled by regional and central offices to schools. Each school will receive a Children First Supplemental Allocation that includes a fixed amount of \$85,000 and a per student amount of \$120.48 based on each school's FY2008 projected enrollment.

For Empowerment schools, this allocation will replace the Empowerment Supplemental Funds Allocation.

Principals can use these supplemental funds at their discretion, subject to review and approval of their Community Superintendent. They will provide each school with the resources needed to purchase their new School Support Organization (“SSO”). These funds will also provide each school with additional resources with which to purchase other staff, services, materials and any other resources deemed necessary for student success.

As principals plan how to use these new supplemental funds, it is important to understand how the relationship between schools and the Department of Education will change. Specific services that were previously provided at no charge must now be paid for by the schools and can be purchased from an SSO, an external vendor or other internal Department service providers.

To assist in planning for FY2008, we highlight here the optional services that would be paid for out of a school’s budget in FY2008 that were previously provided by the regions and central.

More Tools

The Department’s Web site features several other useful tools for principals:

- FSF Formula budget
- Old Approach to Budgeting — List of consolidated programs and amounts by school
- Old Approach budgets — 2007–08 school year instructional programs worksheet
- Old Approach budget — 2007–08 school year special needs worksheet

- Schools will be required to pay for services offered by the School Support Organizations. The level of support will vary by SSO, but they all include instructional supports and coaching, help in using accountability tools, youth development support, organizational and professional support, and other dimensions of support that relate to a school’s educational mission and goals. For additional information on the services provided by each of the SSOs, please see the *Principal’s Guide to School Support Organizations*.
- Schools can purchase additional professional development, mentoring, and academic intervention programs from internal Department service providers, SSOs, and other external vendors.

- Principals can use the remaining funds flexibly to meet the needs of their students to buy additional teachers, school leadership, professional development, textbooks, supplies, and other equipment.
- Additional detail on the specific service offerings of internal Department service providers will be available on the FAMIS Portal during July and August.

The Department will continue to provide the following support services at no cost to the schools:

- *Accountability and performance evaluations:* The Chancellor and his team, including community and high school superintendents, will hire and fire Department of Education employees. Community superintendents and high school superintendents will perform all statutory duties for the schools in their districts and geographic areas, respectively. This includes appointing principals, acting as the rating officer for principals, reviewing and approving school budgets, and performing all other duties and responsibilities conferred by law. They will also play a vital role in the Department accountability initiative, working closely with the Accountability Office.
- *System-wide functions related to policy and resource allocation:* The Department of Education will continue to make system-wide decisions, ensuring that all standards are rigorous and clear and services are of high quality. It will also allocate resources fairly and equitably. It will implement student enrollment policies that are fair, in the best interest of students, and consistent Citywide.
- *Mandated and Operational Supports:* Each borough will have an Integrated Service Center (“ISC”) which will offer schools one-stop assistance with mandated and operational services related to human resources, payroll, budget and procurement, transportation, food services, facilities, extended use, grant management, technology, health and safety, student suspensions and some elements of special education. The ISCs will serve schools at no charge and provide a consistent level of support citywide regardless of schools’ choices of School Support Organization.
- *Compliance:* The Department will both monitor and support schools in their efforts to comply with the myriad laws, regulations, and collective bargaining agreements to which all schools are subject. A

compliance team, managed by the General Counsel's Office, will ensure that schools are in compliance through streamlined reporting and targeted support.

2.5. Online Budget Reports

To ease the transition for principals and increase transparency for families and community members, three budget views will be available online for every school. **Only the third section represents a school's actual budget.** The following page features an illustrative report. Reports are available at: <http://schools.nyc.gov/Offices/ChildrenFirst/FairStudentFunding/default.htm>.

Fair Student Funding Budget

LOUIS D. BRANDEIS HIGH SCHOOL (M470)

Enrollment

FY08 Projected Enrollment	2420
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I. Foundation

Foundation	\$200,000
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II. Student Funding

Grades	Weight	Per Capita		Projected Enrollment		
K-5	1.00	\$3,788	x	0	=	\$0
6-8	1.08	\$4,091	x	0	=	\$0
9-12	1.03	\$3,902	x	2420	=	\$9,442,840
Grade Weight Subtotal				2420	=	\$9,442,840
Needs	Weight	Per Capita		# of Students		
Academic Intervention*						
Achievement (4-5)						
Well Below Standards	0.40	\$1,515	x	0	=	\$0
Below Standards	0.25	\$947	x	0	=	\$0
Achievement (6-8)						
Well Below Standards	0.50	\$1,894	x	0	=	\$0
Below Standards	0.35	\$1,326	x	0	=	\$0
Achievement (9-12)						
Well Below Standards	0.40	\$1,515	x	908	=	\$1,375,620
Below Standards	0.25	\$947	x	815	=	\$771,805
English Language Learner (ELL)**						
K-5	0.40	\$1,515	x	0	=	\$0
6-8	0.50	\$1,894	x	0	=	\$0
9-12	0.50	\$1,894	x	674	=	\$1,276,556
Special Education Classroom Services						
< 20%	0.56	\$2,121	x	141	=	\$299,061
20% to 60%	0.68	\$2,576	x	0	=	\$0
> 60%: Self-Contained						
K-8 Filled Seats	1.23	\$4,659	x	0	=	\$0
K-8 Unfilled Seats	1.23	\$4,659	x	0	=	\$0
9-12	0.73	\$2,765	x	155	=	\$428,575
> 60%: Integrated						
K-8 Filled Seats	2.28	\$8,637	x	0	=	\$0
K-8 Unfilled Seats	2.28	\$8,637	x	0	=	\$0
9-12	2.52	\$9,546	x	0	=	\$0
Needs Weight Subtotal					=	\$4,151,617
No Child Left Behind Transfer	0.53	\$2,000	x	0	=	\$0
TOTAL FSF FORMULA					=	\$13,794,457

* Students attending schools that begin in 4th grade or above receive academic weights. Students attending schools that begin in 3rd grade or below receive poverty weights.

** Citywide cumulative ELL weight is 0.55.
At this school, there were 395 ELLs who entered the school below proficiency, funded at \$524,017.

2.6. Changes in Allocation Categories

Under Fair Student Funding, a few new allocation categories replace many old ones.

Consolidated Categories

The allocation categories below are now part of the FSF Formula “pot” and no longer arrive at schools as separate allocation categories. Schools with services, programs, and/or staff purchased with dollars from the allocations below may now use FSF dollars to continue paying for them.

FSF Formula Collapsed Allocations

Collapsed Allocations			
1	Instructional Programs (IP)	11	Ninth Grade Intervention
2	State Standards	12	Middle School Intervention
3	Special Education Classroom: Self-Contained, CTT and CTT Prep Coverage	13	Reimbursable Salary Increment
4	Special Education Classroom: HS SETTS and PT CTT	14	Bronx Academic Programs
5	Special Needs/ Academic Intervention Services (SN/AIS) and ERSSA Academic Intervention	15	Extended Day for High Schools Program
6	State Magnet	16	Unpacking of the Children's First Core Curriculum
7	Limited English Proficient (Part 154 & PCEN Per Capita)	17	Social and Emotional Learning
8	Instructional Coach (Tax Levy/PCEN/Chapter 53/SIG/IPP)	18	Peer Mediation/Negotiation at Impact Schools
9	Project Arts	19	Advanced Placement Initiative
10	Early Grade Intervention		

The online school reports contain detailed information on the methodology used to consolidate programs under FSF for each school.

New Allocation Categories for Galaxy

The chart below highlights the new allocation categories in Galaxy. These allocation categories should be used to fund any consolidated services or programs you wish to continue.

FSF Allocation Categories

Allocation Category	Restrictions
<i>If a School's Old Approach Budget Is Greater than FSF Formula</i>	<i>If a School's Old Approach Budget Is Greater than FSF Formula</i>
TL Fair Student Funding	Unrestricted cost factors
TL FSF General Hold Harmless	Unrestricted cost factors
<i>If a School's Old Approach Budget Is Less than FSF Formula</i>	<i>If a School's Old Approach Budget Is Less than FSF Formula</i>
TL Fair Student Funding	Unrestricted cost factors
TL Fair Student Funding Incremental	Subject to the State's Contract for Excellence (CFE)
<i>All Schools — Children First Supplemental Funding</i>	<i>All Schools — Children First Supplemental Funding</i>
TL Children First Funding	Unrestricted cost factors
<i>All Schools — Non-recurring Allocations</i>	<i>All Schools — Non-recurring Allocations</i>
TL One-Time Allocations	Unrestricted subject to program guidelines

CHAPTER 3: THE FAIR STUDENT FUNDING FORMULA

This chapter describes the Fair Student Funding formula used to calculate school budgets under our new approach. Under this formula, dollars will flow to schools through four basic categories:

- Foundation—a fixed, \$200,000 sum for all schools;
- Grade weights, based on student grade levels;
- Needs weights, based on student needs; and
- Enhanced weights for students in “portfolio” high schools.

Fair Student Funding in Context

Don't forget that Fair Student Funding represents only one of six major funding streams through which schools receive dollars.

Others are:

- Children First Supplemental Funds
- State and Federal Categorical Programs (Title 1, etc.)
- Programs Not Consolidated (parent coordinators, etc.)
- Other Special Education Funds
- New FSF Funding

Why these weights?

Fair Student Funding weights are always adequate for schools to meet legal and policy requirements. Beyond that, these weights reflect evidence-based judgments about the fairest levels of funding for students across New York City. In particular, the weights are designed to do two things:

- Meet the needs of students, with higher weights in grades and for the students who need the greatest support.
- Reflect fair, objective criteria that can be applied on an even-handed basis across New York City.

A “weight” or dollar figure can never capture the incalculable worth of every child. Our weights are just designed to provide the fairest level of funding for a child's education. There are many significant student needs beyond the current categories in Fair Student Funding, and in future years, we anticipate the weighting categories will expand.

The following school budget illustrates how Fair Student Funding will work in practice for the 2007–08 school year for a high school.

School Budget Overview - LOUIS D. BRANDEIS HIGH SCHOOL (M470)

In fiscal year 2008, New York City schools begin the transition to Fair Student Funding. We are showing three budget views, but only the third represents a school's actual budget. All schools are receiving additional funds this year.

- I. **OLD APPROACH** - This section shows how much money a school would receive in fiscal year 2008 based only on the fiscal year 2007 methodology.
- II. **FAIR STUDENT FUNDING (FSF) APPROACH.** This section shows how much money a school would receive under the new Fair Student Funding formula. *For schools receiving less funding under FSF, this number is hypothetical.*
- III. **ACTUAL BUDGET (PRELIMINARY).**
 - a. If funding is greater under the Old Approach than under the FSF Approach, a school will receive base funding equal to its Old Approach funding.
 - b. If funding is greater under the FSF Approach than under the Old Approach, a school will receive base funding equal to its Old Approach funding plus new funding.
 - c. All schools receive funds from unconsolidated programs.
 - d. All schools receive additional "Children First" dollars from reductions in central and regional offices.

I. OLD APPROACH

Instructional Programs		\$8,186,333
Special Needs / Academic Intervention Services (SNAIS)	+	\$1,329,124
Programs Consolidated	+	\$2,444,269
Amount Under Old Approach		= \$11,959,725

II. FAIR STUDENT FUNDING (FSF) APPROACH

FSF Formula	=	\$13,794,457
Difference: FSF would increase your funding by: \$1,834,732		

Building Your Budget

* Preliminary School: M470

III. ACTUAL BUDGET (PRELIMINARY)

Amount Under Old Approach		\$11,959,725
New FSF Allocation (Approx. 55% of Difference up to \$400,000)	+	\$400,000
FSF Subtotal	=	\$12,359,725
Allocations Not Consolidated (as of 5/08/07)	+	\$3,595,811
Children First Supplemental Allocation	+	\$376,563
FY08 Budget (Preliminary Budget as of 5/08/07)	=	\$16,332,099

3.1. Foundation

Foundation

\$200,000 per school

Policy

All schools, regardless of size or type, will receive a lump-sum foundation of \$200,000. The dollars are not tagged to particular positions; schools, not central administration, can determine whether they need more core administrative staff and fewer teachers, or the reverse. Schools can finance additional administrative staff not only from the per-student allocations, but also from other allocations, such as Children First Supplemental Funds (including an \$85,000 fixed component), parent coordinators, and other programmatic supports provided on a per-school basis, such as IEP teachers.

Changes made based on principal and public feedback

Today, schools carry a different Foundation level based on both the year they were established and the school type. Based on concerns about the unfairness of these distinctions, we will no longer treat schools differently in this way. We initially proposed to tie the Foundation to enrollment. Given that the Foundation is a basic per-school allocation, many people found this approach confusing. Schools of all sizes now will receive a uniform lump-sum Foundation.

3.2. Grade-Level Allocations

Policy

We provide every student with a base weight determined by grade level:

K to 5 <ul style="list-style-type: none"> ▪ 1.00 ▪ \$3,788 	6 to 8 <ul style="list-style-type: none"> ▪ 1.08 ▪ \$4,091 	9 to 12 <ul style="list-style-type: none"> ▪ 1.03 ▪ \$3,902
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We chose to provide *middle school* students with the largest grade-level weights because these students experience the largest drop-offs in student achievement. The percentage of students at or above grade level on the 2006 State ELA and math exams was more than 20 percent lower for 8th graders than for 5th graders.

We chose to fund *grades 9–12* at a slightly higher level than grades K–5 for several reasons: older students tend to have higher costs for non-personnel (such as more costly science materials); they often take electives that break into smaller classes; their schools often require more administrative personnel. This approach is consistent with our historic funding practices and with practices in other cities.

Eligibility

All students receive FSF dollars through grade-level weights.

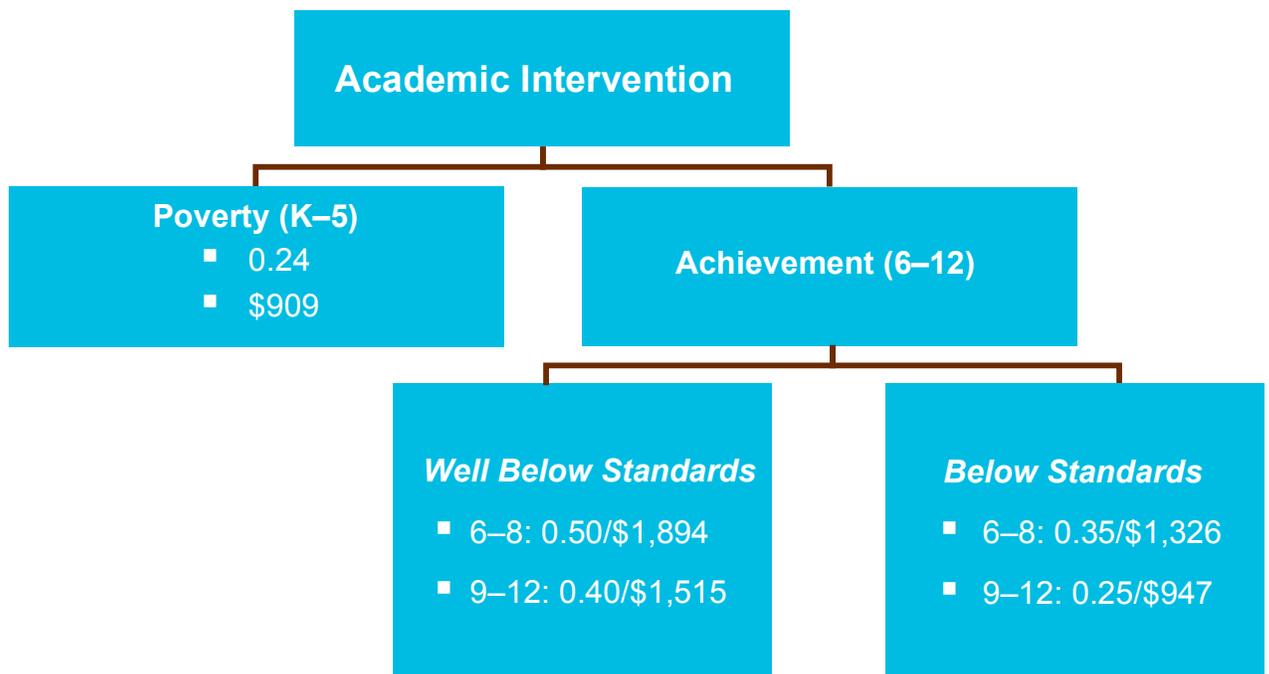
Schools with non-traditional grade configurations will receive their base weight funding in more than one category. For example, a K-8 school will receive the K-5 weight for the K-5 grades and a 6-8 weight for the 6-8 grades. A 6th grader carries the same weight whether at a 6-8, a K-8, or a 6-12 school.

3.3. Needs-Based Allocations

In addition, starting in the 2007–08 school year, students will be eligible for needs-based weights for the following characteristics:

- Academic Intervention, based on
 - Poverty for schools beginning before 4th grade
 - Achievement for schools beginning in 4th grade or later
- English language learner status,
- Special education, and
- Transfer status under No Child Left Behind.

3.3.1. Academic Intervention



Policy

We will drive additional funds to students at the greatest risk of academic failure. This approach is consistent with a large body of research showing that students who are struggling in school require additional supports to succeed.

In general, we believe that the best way to identify students with greater need is to look at their past achievement. Therefore, to the extent possible, we will rely on student achievement data — results on math and English Language Arts exams — to identify students eligible for additional funding. We will provide additional funding to schools with struggling students.

At the same time, funding students based on their test results could create perverse consequences. For example, if two schools enroll students with low levels of achievement, and if one school gets great results and the other Departments not, a system that bases funding on student test scores will cut funding for the school that achieved great results. That would be counter-productive.

Based on these considerations, the Department has adopted the following policies:

- Students receive additional weights based on their achievement at *entry* to a school. A school will receive additional funding for enrolling struggling students, but will not lose money for success in educating them.
- Where we do not have data regarding students' achievement before they enter a school, we do not use achievement data because we do not want perverse incentives. As the regular citywide first testing occurs in 3rd grade, we can use test data only for schools starting after that grade (i.e., in 4th grade or later).
- For schools beginning before 4th grade, we use a proxy for low achievement. The best proxy for achievement is poverty. Particularly in the elementary grades, there is a very tight correlation between poverty and achievement. More than 90 percent of “Level 1” students are low-income.

Eligibility for Poverty Weight

Students enrolled at schools that begin before grade 4 (e.g., all K–5, K–8, and K-12 schools) qualify for the poverty weight if they also qualify for free lunch and/or receive public assistance, according to data provided by New York City’s Human Resources Administration. These are also the criteria for Title I eligibility.

The poverty student count used in the FSF formula represents poverty data as of December 31, 2006 for the students on a school’s register on October 31, 2006.

At Universal Free Lunch (USM) schools, where the concentration of students meeting the Title I criteria is above a certain threshold and forms are not collected annually, the weight is calculated by multiplying the total number of students on the 2006-2007 school registers at the school by the school’s most recent poverty percentage under Title I.

Eligibility for Achievement Weight

At schools beginning in 4th grade or later (e.g., all 6-8, 9-12, and 6-12 schools), students receive additional weights based on their achievement upon entering the school. There are two funding levels—a higher achievement weight for students “Well Below Standards,” and a lower one for students who are below grade level, but closer to proficiency (“Below Standards”). As with the grade-level weights, these intervention weights are higher in grades 6-8 than in grades 9-12. Qualifying English language learners and special education students are also eligible to receive the academic intervention weights.

Students are considered “Well Below Standard” if they:

- Score Level 1 (“Not Meeting Learning Standards”) on both the State’s English language arts (ELA) and math exam;
- Score Level 1 on the ELA exam and Level 2 (“Partially Meeting Learning Standards”) on the math exam; or
- Score Level 2 on the ELA exam and Level 1 on the math exam.

Students are considered “Below Standards” if they:

- Score Level 1 in math or ELA that do not fall within the categories in the first tier (e.g. students who score Level 1 in math and Level 3 or 4 in ELA); or
- Score Level 2 on both the State’s ELA and math exam.

In circumstances where one or more scores for a student are missing:

- Students who score Level 1 in ELA or math with a missing score in the other subject will be considered “Well Below Standards.”
- Students who score Level 2 in ELA or math with a missing score in the other subject will be considered “Below Standards.”
- Because there is no information about their achievement, students with no scores do not receive weights. The underlying weight for academic achievement is higher as a result.

Scores are based on the last result before the student enters his/her current school.

Changes made based on principal and public feedback

In the Department’s January 2007 proposal, we said that entering students who score Level 1 (“Not Meeting Learning Standards”) on *either* the State ELA or math test would qualify for the weight. In our public process, we heard from educators and parents that, in order to better address students’ needs, the weight should cover students scoring Level 2 on *both* tests. Based on this feedback, we split the weight into two tiers.

3.3.2. English Language Learners

English Language Learner

- K–5: 0.40/\$1,515
- 6–8: 0.50/\$1,894
- 9–12: 0.50/\$1,894

Policy

Experts recognize that English language learners (ELL) who do not speak or understand English have higher needs. ELLs who have become proficient in English graduate at higher rates than all other students – over 60 percent – while more than half of ELLs who never become English proficient drop out of high school.

Plus Federal and State Support

In addition to the FSF weight, eligible ELL students also receive a weight of 0.05 in Federal and State categorical aid.

Funding for ELLs will be determined by grade level: a K-5 weight, a 6-8 weight, and a 9-12 weight. Students in higher grades will receive additional resources for two reasons: (a) as students age, the state requires them to receive additional periods of specialized education; and (b) it is more developmentally difficult for older students to master a new language.

ELL students are fully eligible for the academic intervention weight. Taken together, the value of the ELL weight and the achievement weight received by ELLs is 0.55. Dollars based on ELL status (including students who receive the ELL weight and those who also receive the achievement weight) will be tracked regarding spending and programming for ELL students.

The current ELL weight incorporates the former state Limited English Proficiency Program.

Eligibility

Students who are currently ELLs, as determined by the Home Language Survey and the NYSESLAT, are eligible for this funding.

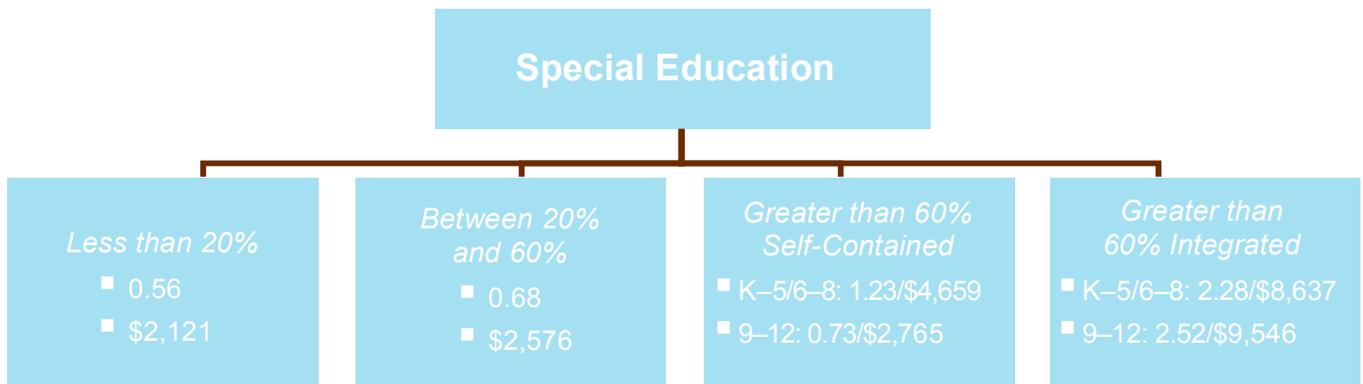
We also plan to create a weight for recently decertified English language learners remaining at their schools, starting in the 2008-09 school year. This will allow for better provision of services to these students and create a new incentive for schools to successfully educate ELLs.

The February 2007 register data from BESIS survey (as of the October 31, 2006 audited data) generate the ELL funding for the initial budget release.

Changes made based on principal and public feedback

In response to public feedback, we increased the ELL weight and created the plan to weight decertified students in 2008-09.

3.3.3. Special Education



Background

Fair Student Funding gradually shifts funding for special education away from funding per *class type* and toward funding for *student needs*. This will encourage schools to tailor educational programming to meet the unique needs of each student. Experts have noted how funding types of classes, rather than students, encourages schools to provide services within an unnecessarily narrow range. Schools should instead be able to use the full continuum of services that our laws and regulations for special education authorize. To put it simply, funding students means encouraging principals to better meet the needs of students. In addition, by better integrating special education funding into school budgets, student-based funding encourages everyone in the system to see special education

students as a wholly integral part of schools, for which we all have responsibility.

Policy

Fair Student Funding will cover only special education classroom services in non District 75 schools. Schools will receive per-student funding based on the number of periods a day that a student requires special education services.

NOTE: Fair Student Funding Departments *not* impact District 75, related services (including mandated speech and counseling services), IEP teachers, IEP paraprofessionals and adaptive physical education teachers, assistive technology, and other special education programmatic allocations.

While promoting innovation and flexibility, the Department is committed to providing all services required by the Individualized Education Program (IEP). The Department will continue to fund the cost of the current *projected number* of unfilled seats in anticipation of greater classroom utilization after the start of the school year for self-contained and Collaborative Team Teaching (CTT) students at the elementary and middle schools only. This protection will be applied for the 2007-08 school year and will be phased out gradually over the next two years.

Special education students also are eligible for the poverty, ELL, and academic intervention weights. Therefore, significant other resources will be available to fund the needs of these students.

Eligibility

The table below provides a summary of the types of special education students who will be eligible for each of the special education weights.

FSF Category	Previous Classification
Less than 20%	Special Education Teacher Support Services (SETSS)
Between 20% and 60%	Multiple SETSS, Part-time Collaborative Team Teaching (CTT)
Greater than 60% Self-contained	Self-contained students including 12:1, 12:1:1 and 15:1
Greater than 60% Integrated	CTT

Changes made based on principal and public feedback

During the public comment period, principals, advocates, parents, and the general public raised two primary concerns. First, they were concerned about their ability to provide the mandated level of services. Because the Department's placement decisions often rest outside of individual schools' control, many people expressed concerns that schools would be unjustly penalized as a result of having classes with many unfilled seats. They also worried about being able to provide adequate transitional support. The current funding methodology funds only specific classroom models. As students move out of these specific classroom settings, no specific funding helps transition students to a lower intensity of services.

These concerns prompted two modifications in the proposal:

- Elementary and middle schools will be protected for their unfilled seats in self-contained and CTT classes. The hold-harmless protection will be phased out over the next two school years, so that by the 2009-10 school year schools will no longer be funded for their unfilled seats.
- Starting in the 2008-09 school year, the Department will provide funding to schools as students are transitioned to lower intensity support models in order to ensure that adequate support is maintained. Additional detailed information on this new funding will be provided during the summer months.

3.3.4. NCLB Transfers

NCLB Transfer

- 0.53
- \$2,000

Policy

This weight will create greater opportunities for students at struggling schools to enroll and succeed at schools with strong track records. It will encourage successful schools to enroll and successfully serve more struggling students, without compromising these schools' character or success.

Under the federal No Child Left Behind (NCLB) Act, we offer students at “schools in need of improvement” (SINI schools) the opportunity to transfer to non-SINI schools. The NCLB weight will help more students take advantage of this transfer opportunity and facilitate students' matches with high-performing schools. We will provide \$2,000 per child to a successful school that takes a child transferring under the NCLB process. The \$2,000 will be for each year the child is enrolled at the school, for up to two years.

This weight will go into effect for students participating in this spring's NCLB transfer process. The money will be provided as part of the October 31st register adjustment. ASA will be provided in order to allow the school to use new money in a timely fashion. If the student drops out before October 31st, the school will be exposed to losing the money.

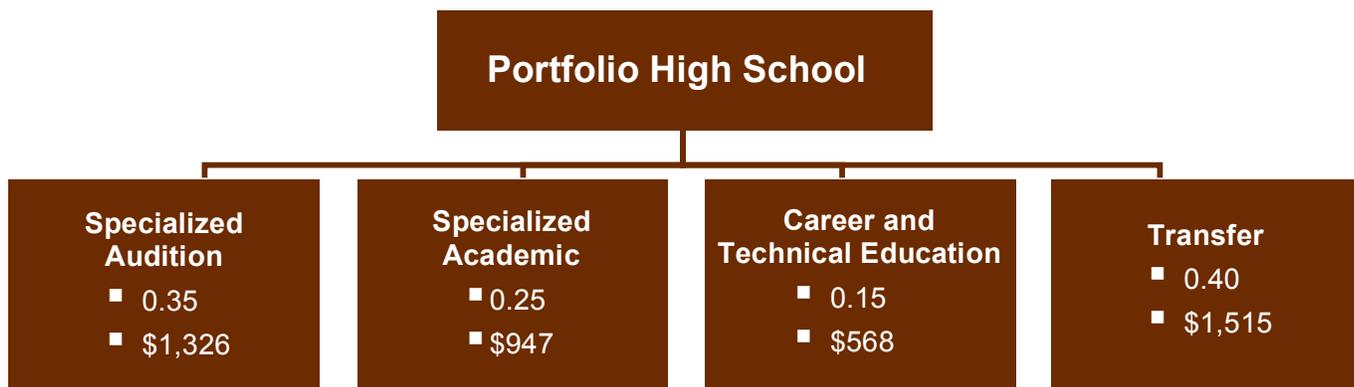
Eligibility

Eligible receiving schools will receive notification from OSEPO, along with an analysis of seats identified as available for NCLB transfers. To be eligible for this funding, a school must:

- Be eligible under State and Federal law to enroll transfers under NCLB Public School Choice, which means the school cannot be a Title I “School In Need of Improvement” or in “Corrective Action” or “Restructuring” under NCLB.
- Have demonstrated strong student achievement gains in 2005–06 and obtain a Quality Review score of “proficient” or higher in 2006–07. “Strong student achievement gains” will be determined based on measures patterned after those in the draft Progress Reports being distributed to schools this spring. When eligible receiving schools are sent their seat analysis, OSEPO will indicate which schools can receive additional funds for each transfer student.
- Respond to the seat analysis from OSEPO and consider making additional seats available for NCLB transfers.
- Enroll students transferring under NCLB in Fall 2007. Students are only eligible for this FSF weight if they transfer through the centralized NCLB Public School Choice process.

Note: All eligible receiving schools are expected to accept transfers under NCLB whether they qualify for this initiative or not.

3.4. High School Portfolio



Policy

At the high school, we provide students with a portfolio of different education models. Students attending these schools will continue to be eligible for additional funding. Portfolio categories for the 2007-08 school year are:

- Career and Technical Education (21 schools)
- Specialized Academic (10 schools)
- Specialized Audition (6 schools)
- Transfer (30 schools)

Eligibility

Career and Technical Education (CTE): All students are engaged in sequences of instruction that integrate rigorous academic study with workforce skills in specific career pathways. This Department does not include comprehensive high schools with CTE courses or career-themed schools with no formalized CTE programs.

Students will be funded according to a four-tier structure recommended by the Office of Secondary Schools:

- Health (Nursing only)
- Health / Trade & Industry / Technical Education
- Business
- Home Economics and Fine & Performing Arts

We are hopeful that we can begin to fund CTE programs as well as schools by the 2008-09 school year.

Specialized Academic: For the 2007-08 school year, this category continues to capture academically challenging high schools that have been funded at a higher level in the past. We anticipate revising this program category next year, as part of the effort to develop a Gifted and Talented weight (as discussed in Section 3.5).

Incentives To Improve Achievement

The FSF weights encourage success by allowing schools to get or keep resources when they are successful at improving student achievement:

2007–08 school year:

- The academic intervention weight gives more money for enrolling low-achieving students. Schools keep weighted funds when students improve.
- The NCLB transfer weight gives successful schools the opportunity to get additional dollars for enrolling students from lower-achieving schools.
- The special education weight allows schools to transition a student to a lower intensity of service during the year and still keep the money that year.

2008–09 school year:

- A portion of the ELL weight will remain for students who have been recently decertified.
- The special education weight will allow for transitional support for students who are moved to lower intensity of services in the prior year.

Specialized Audition: All students within the school participate in the equivalent of a five-year sequence through two double periods daily of study in their art form.

- Students in these schools are admitted through a screening process that involves a performance audition or a portfolio review.
- Students take and pass a Comprehensive Exit Exam in the art form of choice in grade 12 and receive the Arts Endorsed Diploma.

Transfer: Small high schools designed to re-engage students who have dropped out or are overage and under-credited for

grade, as identified by the Division of Youth Development / Office of Multiple Pathways. This includes both District 79 and regional schools.

3.5. Possible Future Weights

3.5.1. Gifted and Talented

Students designated as gifted and talented require educational programs different from most children. In addition, teachers of self-contained classrooms for gifted and talented students have additional licensing requirements. Given these resource needs, we recognize that gifted and talented students should ideally receive extra resources.

Because in the past we have not had a basis for ensuring that gifted and talented students in all parts of the city are identified equitably, we cannot implement the weight this coming year. This year, for the first time, we implemented a citywide assessment process for K-3 gifted and talented students. The results of that process were not available when we made weighting decisions. We also have not established citywide standards for eligibility in the early grades or for admissions or eligibility criteria for upper grades. We will aim to develop criteria so that a weight would be possible for the 2008-09 school year. For the 2007-08 school year, we will continue to fund gifted and talented students through programmatic allocations.

3.5.2. Students with an Interrupted Formal Education

Students with an Interrupted Formal Education (SIFE) are immigrants who enter the United States after the 2nd grade with two years less schooling than they should have and are at least two years behind the expected grade level in reading and math. They may be pre-literate in their first language. SIFE students routinely score extremely low on assessments.

Because we reported SIFE students in the past under the state definition that only counts English language learners, we believe our present systems under-count these students. We will not implement a weight in 2007-08, but will continue to fund programs for these students through school-based programmatic allocations. We will establish consistent criteria,

assessments, and systems so that it will be possible to implement a SIFE weight for the 2008-09 school year.

3.6. How Students Are Counted

3.6.1. Projected enrollment

In February of this year, schools reviewed their 2007-08 projected registers using the web-based projected register tool. As in the past, these projections are the basis for funding of general education and special education students.

The enrollment tool also showed schools their 2006-07 school year audited student attribute data. Audited student attributes serve as the basis for the Fair Student Funding needs-based weights. (The only exception is new schools and phase-out schools, where we have used projections.)

In this first year of implementation, audited data provided the strongest basis for identifying student needs by schools. To preserve stability in this transitional year, we used data from the 2006-07 school year in the FSF formula. Next year we anticipate developing a projection methodology for need characteristics.

3.6.2. Mid-year adjustments

In general. As with the traditional budgeting process, mid-year adjustments will be made for grade-level and special education weights based on audited October 31st enrollment. The Additional Spending Authority (ASA)/Set Aside Process will continue in anticipation of this mid-year adjustment for general education and special education.

Exception for special education. Where unfilled seats are already funded, there is no need for additional funding as new students arrive. “Greater than 60% Self-Contained” and “Greater than 60% Integrated” at **existing** elementary and middle schools will have no mid-year adjustment. Additional funding will be provided for the opening of self-contained and CTT classes approved by the Deputy Superintendent for Special Education and the Office of the Chief Financial Officer. The need for such funding should be communicated first to your contact at the Regional Operations Center or Integrated Service Center.

All other special education categories will follow the general mid-year adjustment process outlined above. The chart below summarizes the adjustment process for special education. Note that this policy applies to existing elementary and middle schools. New schools will follow the same mid-year adjustment process as high schools since these schools are not funded for empty seats.

Summary of Special Education Mid-Year Adjustment Process		
FSF Special Education Category	ES/MS	HS
Less than 20%	Yes	Yes
Between 20% and 60%	Yes	Yes
Greater than 60% Self-contained	No*	Yes
Greater than 60% Integrated	No*	Yes
*The initial allocation provides funding for unfilled seats. To the extent there is a need to open a new class, both the Deputy Superintendent of Special Education and the Chief Financial Officer must approve the opening of an additional self-contained or CTT class, over and above those funded from the initial school budget allocations, before schools open and staff such classes.		

Need characteristics. Adjustments for need characteristics will not be made in the 2007-08 school year. It is cost-prohibitive to provide for upward adjustments based on register changes without also providing for downward adjustments, and principals expressed a strong preference for avoiding downward adjustments on new bases. In addition, audited data present the most accurate basis for funding student needs this year.

In the 2007–08 school year, an appeals process will cover student attribute changes, but **only** for schools that (1) are **below** their FSF formula and (2) can demonstrate **significant swings** from the Audited FY07 student needs population.

Basis	Grade Weights	SPED	ELL	Poverty	Achievement
Projected FY08	X	X			
Audited FY07			X	X	X
Mid-Year Adjustment	X	X*			

*See Summary of Special Education Mid-Year Adjustment Process chart

Note: The Children First Supplemental Allocation is not subject to the mid-year adjustment, therefore, there will be no additional changes to this allocation for changes in register.

3.7. Special Rules for New Schools, Transfer Schools, and Phase-Out Schools

3.7.1. New schools

Schools opening in September 2007 do not have existing budgets and will receive their FSF Formula. They are not eligible for a Hold Harmless or New FSF funds.

Poverty Weight. Year 1 new schools are funded using the Citywide cutoff level of 60 percent except for sites where the actual poverty information is known, such as for program conversions.

Academic Intervention. Based on information on existing new schools, schools opening in September 2007 are funded based on the following assumptions:

Well Below Standards:

- High Schools — 26%
- Middle School — 7%
- Secondary — 26% if only grades 9 to 12, 7% for grades 6 to 8
- Elementary Schools – poverty weight (if start before grade 4)

Below Standards:

- High Schools — 34%
- Middle School — 12%
- Secondary Schools — 34% if only grades 9 to 12, 12% for grades 6 to 8
- Elementary Schools — poverty weight (if start before grade 4)

ELL Weights. Based on information on existing new schools, schools opening in September 2007 are funded based on the following assumptions except for sites where the actual student information is known:

- ELL focused schools — 100% ELL population
- Non-ELL focused schools — 8% ELL population

3.7.2. New transfer schools

Academic. Based on historical information for existing transfer schools, new transfer schools' academic weights are funded based on the following assumptions:

- Well Below Standards — 35% of the general education population
- Below Standards — 29% of the general education population

ELL. Based on historical data for existing transfer schools, new transfer schools are funded with an assumption of having a population of 3 percent ELLs.

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3.7.3. Phase-out schools

Poverty. The FY07 poverty percentage is applied to the school's projected enrollment to determine the poverty student count for schools that are phasing out.

Academic. An FY07 academic percentage is applied to the school's projected enrollment to determine the academic intervention student count for schools that are phasing out.

ELL. The 2006–07 school year ELL percentage is applied to the school's projected enrollment to determine the poverty student count for schools that are phasing out.

CHAPTER 4: STAFFING

4.1. Overview

Today we fund schools based on the teachers they hire. This means that we give more money to schools for having more experienced, higher-paid teachers. The inevitable consequence is that we give less money to schools for having less experienced, lower-paid teachers. At two schools with 100 teachers each, one with teachers earning an average of \$60,000 and one with teachers earning an average of \$70,000, the funding difference can reach \$1 million. That difference is especially troubling when we know that the school with lower-salary teachers likely has greater needs.

The Funding Gap

School A	School B
100 Teachers	100 Teachers
X Schoolwide average salary of \$60,000	X Schoolwide average salary of \$70,000
= \$ 6,000,000	= \$ 7,000,000

To address this inequity, we have proposed that, moving forward, schools should begin to be funded based on the needs of their students, not the salaries of their teachers. Under this approach, a school will no longer receive less money because it has trouble attracting experienced teachers. Schools will begin to receive an allocation based on the needs of their students, and schools will begin to be responsible for paying their teachers out of that allocation. This is the kind of responsibility for managing a budget familiar to families, universities, and businesses.

Although we are moving in the direction of budgeting in real dollars, we're also moving very gradually. Schools will not experience radical changes. But they will have new opportunities and new flexibility. Planning carefully will be the key.

4.2. Preserving Stability

The new system will preserve many key aspects of the current approach.

- **We will continue to charge schools for all teachers at a single rate, the school's average teacher salary.** Principals won't have to worry about teacher salaries on a hire-by-hire, real-time basis. As today, schools will be charged the same rate for all teachers. And as today, we will adjust the average salary at which teachers are charged each year. That average will reflect both the salaries of existing staff and the salaries of the staff hired after April 2007.
- **If they so choose, schools will be able to replace departing senior teachers with other senior teachers.** Because of the hold-harmless protections, if a teacher with a \$75,000 salary in 2007 retires, then other things being equal, the school will be able to replace that teacher with another teacher earning roughly \$75,000.
- **As the salaries of teachers currently on a school's payroll increase, we will make sure the school is adequately funded to cover them.** For "base" teachers, the Department currently provides additional funding to cover increases in salary due to steps and differentials. The Department is committed to continuing adequate funding for all base teachers who were on school budgets as of April 2007 for as long as they remain on those budgets. This protection will be linked to the specific staff member.

4.3. Gradual Changes

4.3.1. Principals are responsible for costs of new hires

The Department will no longer adjust school budgets based on the salaries of teachers newly hired into schools. For example, right now, if a principal is choosing between a \$60,000 teacher and an \$80,000 teacher for a base position, that principal's decision changes the school's budget. Absent other salary changes or attrition, the budget rises \$20,000 if the principal chooses the \$80,000 teacher; the school is effectively held harmless for the increased salary costs.

Under Fair Student Funding, that won't be true anymore. A school's funding in the 2007-08 school year will not depend on the hiring decisions made in this year. If a principal hires a \$60,000 teacher, by the 2008-09 school year, when average teacher salary is recalculated, the principal will have \$20,000 more to spend on other priorities than if he or she has hired an \$80,000 teacher. Whatever the salary of new teachers, the school also will be accountable for funding any raises those new teachers receive in future years.

With the greater control over budgets that the new approach creates, principals will have both new opportunities and new responsibilities. Schools can choose how to combine their investments in different types of teachers, services, and supports to improve student achievement. Smart principals will invest in great staff. They also will recognize that the more they spend on staff, the more recurring expenditures they will have down the road. Whatever their decisions, schools will bear the real costs of their new hires, both currently and in the future.

There is no reason for alarm. Salaries rise gradually over time, and schools are familiar with the need to bear these costs for teachers outside their "base." The Department is providing an array of new tools to help schools plan.

4.3.2. A one-year lag for many decisions to take effect

When schools add teaching positions that don't currently exist, the schools will immediately pay the additional costs at the current schoolwide average teacher salary. When schools replace existing teachers, there will be a lag-time for the effect. Because we continue to charge schools at a fixed schoolwide average teacher salary for the year, principals will not immediately feel the impact of decisions replacing existing teachers. That effect will be felt a year later, when the schoolwide average teacher salary is adjusted.

For example, whether a school hires a \$60,000 teacher or an \$80,000 teacher in the 2007-08 school year, the school will be charged the same amount, its current average salary. However, in the 2008-09 school year, the school's average salary will rise or fall based on the costs of the teachers hired this past year. At that time, the school will have roughly \$20,000 more or less left to spend on other priorities, depending on whether the school hired the \$60,000 or the \$80,000 teacher.

Again, principals will simply need to plan carefully to manage the effects of their decisions down the road

4.3.3. Student achievement is the bottom line

Some principals have expressed concern that the reforms will shift the focus to money, not learning, and discourage the hiring of successful senior teachers. That's not accurate. We hold principals accountable for one thing above all: student achievement. And principals can never pocket financial "savings"; they can only spend resources on other supports they believe will better serve students. High-quality, experienced teachers can contribute enormously to student achievement. In important ways, they can lower costs; rather than needing support themselves, these teachers can offer support to others. The bottom line for a principal will always be simple: Make the decision that will get the best results for your students.

Our Theory of Action



4.4. Tools for Smart Staffing

We are providing new tools to help principals fulfill their responsibilities:

- Recruitment Management System (RMS): Applications through the RMS contain information about applicants' teaching history and education experience, which can be used to help predict the salaries of teachers principals are hiring.
- Open Market Transfer System (OMTS): Applications received through the OMTS contain information about the forecasted 2008 salary of the applicant.
- Tenure management: Principals receive notices and reminders of dates when teachers are scheduled to receive tenure.

Principals may wish to review the salary schedules under the current collective bargaining agreement, available at:

<http://schools.nyc.gov/NR/rdonlyres/15074C44-E87D-4A0A-982C-72DBAD1EAC8E/12731/certifiedteacherssch101.pdf>

4.5. New Limitations on Centrally Funded Excessing

4.5.1. In general

Principals should always have the ability to choose their school teams. For this reason, we are profoundly committed to the recent contract reform that eliminated the destructive practice of “bumping” and “forced placement” of teachers and gave principals control over teacher hiring. But that commitment has a corollary: Once teachers are in a school, principals are responsible for them. If a principal has a poorly performing teacher, the principal has several appropriate options—but excessing is never one of them. If principals use excessing to remove poor performers, we will have a large pool of unemployable teachers on the central payroll, creating costs that limit school funding and create pressure once again to force-place excesses.

For these reasons, schools must self-fund their excess teachers in all but extraordinary circumstances. For excess teachers whom schools will self-fund, schools may select a new reason category, “school-funded excess.” This will allow these teachers to obtain transfers through the Excess Staff Selection System beginning on August 8, 2007.

The Department will only centrally fund excess teachers when two separate thresholds are met:

First, the reason for the excess, which will be verified, must fall into one of a few narrow categories:

Allowed reasons for excessing

- Grade loss or reconfiguration (confirmed centrally)
- Grant reduction or ending only if not foreseeable
- Register loss of at least 5 percent
- Loss of need for mandated IEP Para

The following reasons for excessing will no longer be available:

- Return from sabbatical
- Mandated positions no longer needed (except IEP Para)
- Potentially anticipated grant reduction or ending
- Program ending
- Program restructuring/Different license

Second, within these categories, schools must also demonstrate financial need under FY07 SAM #36.

4.5.2. Other policies

Discounting for excessed teachers will be available for centrally funded teachers in excess for at least six months. The school will be eligible for a

discount equal to the difference between the teacher's actual salary and first-year teacher salary in year 1, then 50 percent of the difference in year 2.

Any school assigned an excess teacher as a full-time substitute (ATR) who is terminated or charged under 3020-a will be refunded the amounts charged for the ATR based on the school's inability to obtain satisfactory substitute service from the ATR.

4.6. CSA Contract

Budgets do not yet reflect the new settlement with the Council of School Supervisors and Administrators (CSA). Over the coming weeks, your budget will be updated as follows:

- CSA Settlement adjustments will increase the "TL Fair Student Funding" allocation for all schools regardless of whether they are over or under the FSF Formula. It will not impact the Hold Harmless or the New FSF funds.
- Galaxy charging will be simultaneously updated to reflect the actual salary of specific individuals
- School allocation for CSA Settlement will comprise:
 - Fixed component of \$20,000–\$25,000 for each school
 - FSF Formula based on the per student component.

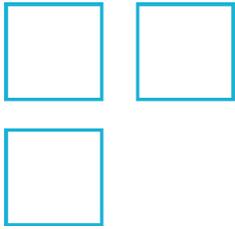
The two-part allocation of the CSA adjustment is consistent with past practice. The allocation is also consistent with the pre-FSF foundation allocation for all schools, which included the average cost of a principal at all schools and an assistant principal for high schools. Significantly larger schools, which tend to have more administrative staff, will receive significantly more funding. As in the past, schools with more CSA staff than covered by the allocation may need to self fund a portion of the increase.

4.7. Technical Notes on Staffing

Schools will be charged actual salary for non-teaching positions, such as:

- Parent Coordinators and School Aides
- Assistant Principals and Principals
- Ed Paraprofessionals
- Guidance Counselors

When charging teachers to categorical funding streams, schools will continue to be responsible for fringe benefits.



NYC Department of Education

Chancellor's Office

NYC Department of Education

52 Chambers Street

New York, NY 10007

<http://schools.nyc.gov/Offices/ChildrenFirst/FairStudentFunding>