



THE NEW YORK CITY DEPARTMENT OF EDUCATION
JOEL I. KLEIN, *Chancellor*

OFFICE OF THE CHIEF FINANCIAL OFFICER
52 Chambers Street, New York, NY 10007

BRUCE E. FEIG
Chief Financial Officer

School Allocation Memorandum No.1, FY 2005

TO: School Principals

DATE: June 8, 2004

FROM: Bruce E. Feig

SUBJECT: Preliminary Fiscal Year 2004-2005 School Allocations

CC: Regional Superintendents
Community School District Superintendents
Local Instructional Superintendents
Regional Operational Center Directors

I am writing to inform you that your preliminary school budget for the 2004/2005 school year is available on the Internet at:

http://www.nycenet.edu/offices/d_chanc_oper/budget/dbor/allocationmemo/am.html.

You can also access a summary of funding allocated to your school via a link inserted on your school's homepage on the Department of Education (DOE) Web site. We are, once again, pleased to deliver this preliminary information in a timely manner and trust that it will make your budgeting process more efficient.

We are distributing this information in the face of great uncertainty at the State level regarding the amount of State Aid that the DOE will receive for the upcoming school year. The Court of Appeal's order in the Campaign for Fiscal Equity (CFE) decision set a July 30, 2004 deadline for compliance with the requirement that the State Aid formulas be reformed to provide students in New York City with resources necessary for providing the opportunity for a sound basic education. However, there has been little progress to date in passing a State budget that fulfills this requirement.

Nonetheless, we recognize the needs that schools have to plan and organize for the next school year. Accordingly, we have assumed there will be some increase in State Aid in order to estimate resources available to schools for next year. While we will take all steps possible to minimize the impact on schools if State Aid falls short of expectations, there does exist a possibility that resources to schools might have to be reduced at a future date.

At the City level, the Mayor's Executive Budget provides DOE with the resources needed to generally maintain school funding at the prior year levels, to maintain current third grade class size in the face of increasing enrollment and to provide early grade interventions. The Executive Budget provides an increase of \$264 million over the budget adopted for the current school year and an increase of \$277 million to support increases in pension costs. Within the \$264 million are funds for projected costs resulting from collective bargaining, increases in fringe benefits costs, increases in fixed costs and enhancements to our programs for third and early grade students.

Despite the efforts of the City to maintain school funding levels, there will be some financial challenges. A reduction of \$60 million in non-recurring revenues to schools is reflected in these allocations. Additionally, federal and state funds supporting categorical programs do not provide increases for collective bargaining or fringe benefit (health insurance) increases. Accordingly, schools will experience some diminution of purchasing power in these programs (up to 6% when expenditures are for staff).

School Year 2005 Basic Allocation

The Basic Allocation for School Year 2005 reflects the second year of school based budgeting. Under school based budgeting, Principals have greater flexibility and autonomy in using resources to support the instructional needs of their students. There have been some adjustments in the structure of the school budgets to respond to experiences during the current school year, particularly in the area of special education and Collaborative Team Teaching.

Your preliminary school year 2005 budget allocation was developed based upon your projected school register for the upcoming year and your school's average teacher salary. Sufficient resources are provided to maintain class sizes consistent with the Chancellor's policy guidelines. The basic allocation also provides resources for school overhead, non-mandated special education services, English Language Learners, and other per capita needs. This year, changes were made to the school overhead formula, which pays for school-wide costs. In order to support an increase in the basic instructional per capita, particularly in middle schools, schools with pupil registers over 600 self-fund a portion of the school overhead allocation.

As in prior years, it should also be understood that the projected registers included here are tentative and may well change, in which case adjustments will be made accordingly

Unlike the current year, schools that have an actual audited register below the projections will not keep any resources associated with the lower register figure. Further, schools that excess staff associated with register and budget variations will be required to fund the excess staff which are declared after the fifteenth day of the school year.

During this second year of transition to school-based budget allocations, we have, once again, utilized an allocation methodology that minimizes budget changes from budget allocations in prior years. In recognition of the fact that each school is unique, this methodology compares the projected SY05 base budget allocation to your school's estimated SY04 base budget, adjusted for register changes, non-recurring revenues, one time SY 2004 funding enhancements, school-specific average salaries and funds that have been removed from the basic allocation to be allocated separately. No school budget was allowed to fall more than 3.0% (or \$200,000) below last year's adjusted level, and no school's budget was allowed to increase more than 2.56% (or \$200,000) above its adjusted level from the prior year.

In the area of Special Education:

- 1 Funds for IEP paraprofessionals and related service staff are no longer part of the basic allocation but are allocated separately to schools based upon actual student needs.
- 2 Funds to support Collaborative Team Teaching are allocated distinctly based upon where the classes are located.

Additionally, the following allocations that used to be part of the basic allocation are being provided to schools separately this year: AIDP; Project Arts; Title III; Middle School Sports; and Student Activities.

Some additional funds will be allocated to schools at a later date. These deferred allocations include monies being held for register increases and special education services that are mandated for new students during the course of the school year.

Title I

The Department of Education will continue the Title I methodology that was established in SY 04. For SY 05, the school poverty cut-off level for eligibility will be the lower of 60 percent free lunch eligibility and the county's average free lunch eligibility percentage (down to the federal cut-off of 35%). This has the effect of maintaining the school eligibility level at 60% in Manhattan, the Bronx and Brooklyn, and lowering it slightly to 55.46% in Queens and 35.0% in Staten Island.

The plan for SY 04 also continues last year's grandfathering provision, which allows schools falling below their respective county cutoff to receive a prorated share of funds for one year, regardless of their eligibility percentage. There is a chart posted on the web page that indicates all schools that are changing Title I status, according to these plans.

Additional Allocations Accompanying the Basic Allocation

Wherever possible, dollar amounts of additional allocations have been posted along with the basic allocation. These include funding for Title I, Early Grade Class Size Reduction, Parent Coordinators and Coaches. Other allocations, including Project Arts, Pre-Kindergarten Programs, and School Based Support Teams will be available shortly. These allocations all supplement the basic allocation and are not adjusted by last year's budget.

Funds to Support Ending Social Promotion

In anticipation of the targeted interventions and sustained assistance that 3rd grade students who do not meet the promotion standards will need during the next school year, the Executive Budget provided \$25 million of new funds to ensure that smaller class sizes are maintained for this grade level. Accordingly, additional funds are included in the basic allocation formula to provide for the smaller size of third grade classes compared to fourth grade. In addition, a portion of these funds will be allocated at a later date to further reduce third grade class size.

Also outside of the basic allocation is \$58 million to support early grade interventions and \$32 million to support the Summer Success Academy. The \$58 million will be separately allocated at a later date and will include funds for intervention staff, speech teachers, materials for interventions, professional development of teachers and parents, after school programs, and Saturday and Spring Break academies.

Children First

The highly successful Children First reforms will, of course, continue in SY 2005. As in FY 2004, schools will receive targeted resources in addition to their basic allocation to support literacy and math Coaches and Parent Coordinators. Additional resources for textbooks and classroom libraries associated with the core curriculum will once again be provided outside of a school's basic allocation.

Until there is some certainty at the State level regarding availability of resources, math and literacy coaches, or cash equivalents for exempt schools or schools using Assistant Principals for coaching, will be provided to schools under the same basic guidelines that were used in the current year. If additional State resources become available, there may be some modifications to the guidelines.

Future Allocations

Additional funds, generally for specific programs, will be allocated in the near future and throughout the upcoming months. Allocations for these programs will go to schools as soon as there is sufficient information to place the resources appropriately. A complete listing of resources that remain to be allocated is posted on the website. **If your school**

currently runs a program that is funded from these additional allocations, resources to fund those programs are not included in the basic allocation.

Training, Support and Ongoing Assistance

The Regional Operations Centers will conduct training sessions for principals and school liaisons in June and July. Staff members of these Centers will be available to assist you in understanding your budget and in scheduling your 05 Budget in Galaxy. We expect that many of the questions you may have will be answered at the training sessions. A preliminary list of contacts for the Centers and their e-mail addresses is also posted on the website.

Approval of Budgets

Once you have had a chance to review your preliminary allocations and align resources with your Comprehensive Educational Plan, you are required to submit your proposed budgets to your Local Instructional Superintendent. Your Local Instructional Superintendent will, in turn, submit the proposed budget to the Community School District Superintendent and Regional Superintendent for approval. All school budgets should be approved, and allocated funding fully scheduled in Galaxy, no later than August 2.

We are facing another challenging year financially. As outlined above, State uncertainties may require future budget adjustments and increased fixed costs will reduce purchasing power. However, DOE continues to have an ambitious agenda to create excellent schools for all of our students. These school budgets, coupled with additional funds we anticipate receiving from the State, will form the basis for supporting our schools.