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**DATE: September 30, 2016**  
**FROM: Raymond J. Orlando, Chief Financial Officer**  
**SUBJECT: FY 2015 School Based Expenditure Report (SBER) Overview**

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The FY 2015 School-Based Expenditure Report (SBER) presents Fiscal Year 2015 expenditures for the New York City Department of Education (DOE). FY 2015 began on July 1, 2014 and ended on June 30, 2015. The financial data used in this report represents the DOE's 2015 year-end audited spending condition. In addition to using the audited school registers as of October 31, 2014 for pupil counts, pupil enrollment data has been refined to count students with disabilities with Individual Education Programs (IEPs) for specialized classroom instruction based on their program recommendations as of December 31, 2014.

This memo contains a summary of FY 2015 SBER data as well as a discussion of FY 2015 revenue and spending trends.

#### **FY 2015 REVENUE SUMMARY**

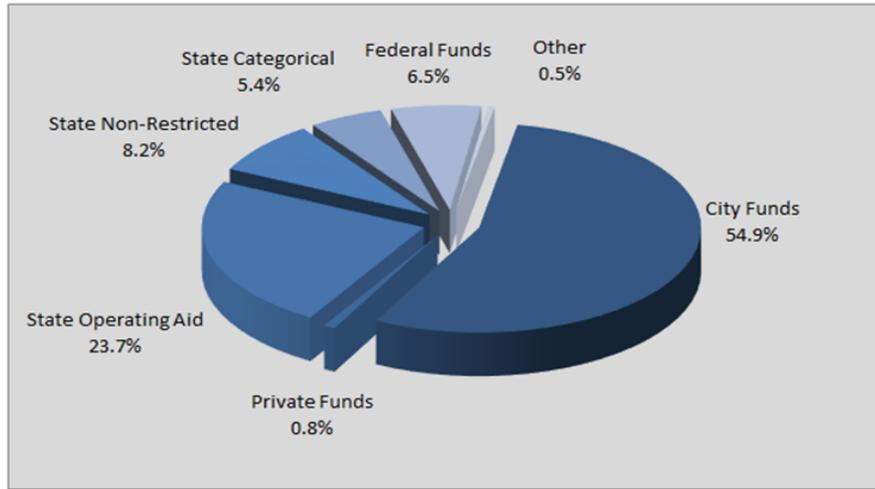
Overall, revenue sources supporting the DOE, including federal, state, city and private funding, increased by 5.4% or \$1.3 billion from the prior year.

Chart A reflects expenditures by FY 2015 source of federal, state, city, and private revenue supporting the DOE (including debt service and pension contributions):

- New York City (NYC) funding for direct services grew by \$590.5 million, an increase of 4.3% from FY 2014. New York City funding accounted for 54.9% of the DOE's \$26.2 billion total.
- New York State funding increased by \$752.6 million, an increase of 8.4%. Approximately 40% of this increase represents a \$294 million State grant to expand Universal Pre-K programs in New York City. As a result, in FY 2015, aid from New York State accounted for 37.2% of DOE funds, compared to 36.2% in FY 2014.
- Federal funding slightly increased by \$2.1 million, or 0.1% from FY 2014. Federal revenue sources constituted 6.5% of DOE funds.
- Private funding increased by \$19.6 million, or 9.7% from FY 2014. In FY 2015, private funds accounted for 0.8% of DOE funds.
- Funds from other sources, the capitolly-funded pollution remediation costs, declined by 10.6% from the prior year, and comprised 0.5% of total funds.

Chart A

**FY 2015 Expenditures by Revenue Source: City, State and Federal**



The actual appropriations of total education revenues for the past two years are displayed below.

<b>Comparison of Education Funding: Fiscal Year 2014 vs. Fiscal Year 2015 (\$ in Millions)</b>						
	FY 2014		FY 2015		FY 2014 - FY 2015	
	Revenue***	% of total	Revenue***	% of total	Revenue	% change from FY 2014
<b>City Funds*</b>	\$13,791.6 M	55.5%	\$14,382.1 M	54.9%	\$590.5 M	4.3%
<b>State Operating Aid**</b>	\$5,862.1 M	23.6%	\$6,202.1 M	23.7%	\$340.0 M	5.8%
<b>State Non-Restricted**</b>	\$2,051.0 M	8.3%	\$2,142.8 M	8.2%	\$91.8 M	4.5%
<b>State Categorical**</b>	\$1,087.2 M	4.4%	\$1,408.0 M	5.4%	\$320.9 M	29.5%
<b>Federal Funds</b>	\$1,713.5 M	6.9%	\$1,715.6 M	6.5%	\$2.1 M	0.1%
<b>Private Funds</b>	\$201.9 M	0.8%	\$221.5 M	0.8%	\$19.6 M	9.7%
<b>Other</b>	\$145.5 M	0.6%	\$130.0 M	0.5%	(\$15.5) M	-10.6%
<b>TOTAL</b>	<b>\$24,852.8 M</b>	<b>100.0%</b>	<b>\$26,202.2 M</b>	<b>100.0%</b>	<b>\$1,349.4 M</b>	<b>5.4%</b>

\* Beginning in FY 2013, funding for City Pension is reflected in "City Funds".

\*\* New York State revenues are broken into three categories: State Operating Aid, State Non-Restricted Aid and State Categorical. Beginning in FY08, State Operating Aid and a portion of State Non-Restricted Aid were folded into Foundation Aid. State revenues continue to be broken into the three categories shown above for ease of comparison to past year reporting.

\*\*\* Continuing the practice started in FY 2013, debt service included in City and State Non-Restricted funds includes General Obligation Debt and Transitional Finance Authority debt.

## **SUMMARY OF YEAR-OVER-YEAR SPENDING TRENDS: OVERALL**

In FY 2015, the city launched Pre-K for All, an unprecedented two-year expansion of universal Pre-K programs, with the goal of providing high quality full-day Pre-K for all of the city's 4-year-old children. Tens of thousands of new seats were opened across hundreds of educational institutions in both schools and Community-Based Early Childhood Centers. Over 53,000 four-year-olds enrolled in Pre-K for All full-day programs, with close to 13,500 additional pupils served in half-day programs. Costs for this initiative are primarily reflected in Classroom Instruction, Contracted Instructional Services, and System-wide Costs.

In the largest-ever expansion of after school programs for middle schools students, School's Out New York City (SONYC) was implemented in FY 2015. In partnership with other city agencies, including the Department of Youth and Community Development, pupils were provided with educational services to help build solid foundations for the children both academically and socially, both after school and over the summer. Expenses for this program are reflected in the SBER categories of Contracted Instructional Services and After School and Student Activities.

The Renewal School program was implemented in FY 2015 to turn around and build strong educational capacity in the city's most challenged schools. The program will transform the participating 94 renewal schools into Community Schools over a three-year period. These schools received additional resources, including intervention and counseling services, and teacher professional development assistance, in FY 2015. SBER categories of Teachers, Professional Development, Counseling, Other Instructional Support Services, and Field Support Costs reflect expenditures for the added resources for this program.

The latest UFT contract with the DOE established a career ladder for excellent teachers in the classrooms. Facets of the career ladder initiatives were included in the school Renewal, Learning Partners, Showcase Schools, Progressive Redesign Opportunity for Schools of Excellence (PROSE), Teacher Incentive Fund, Lead Teacher, and the District 4 and 23 pilot teacher leadership programs, which supported and helped develop teacher leadership pathways. Expenditures for these programs are focused in the SBER categories of Teachers, Professional Development, and System-wide Costs.

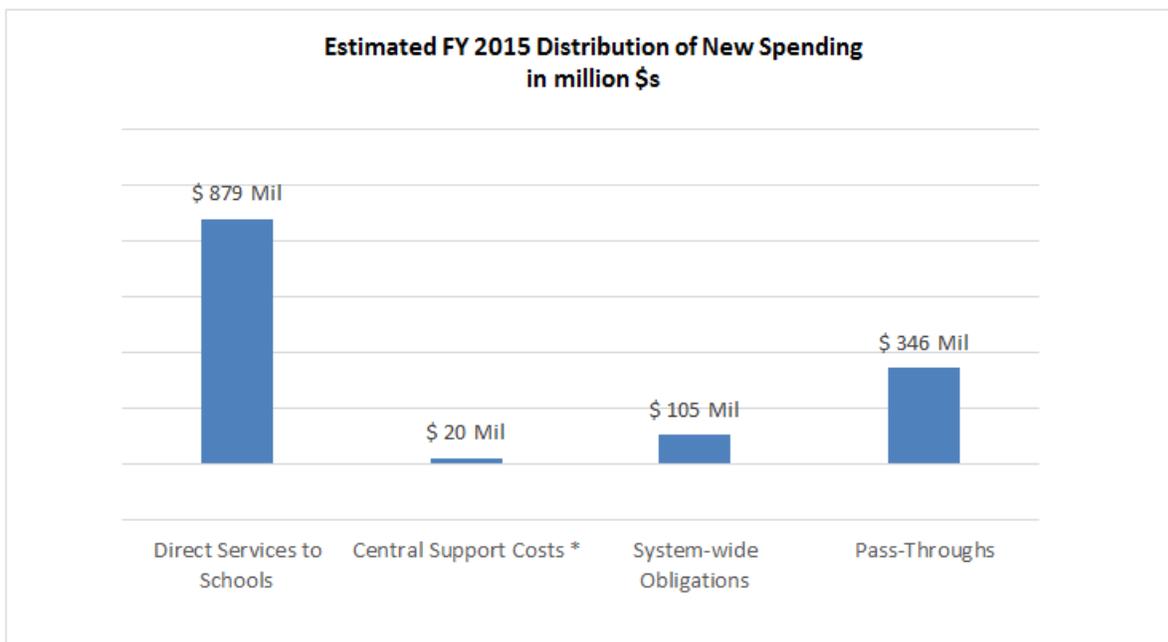
In FY 2015, the DOE initiated several arts programs, including focused efforts to increase the number of certified arts teachers and offer more varied learning opportunities (arts, drama, music, dance, etc.) in middle and high schools. Furthermore, the DOE engaged in additional partnership programs to expand arts services in the schools. Spending on these initiatives are primarily reflected in the Teachers, Instructional Supplies and Equipment, Supplies, Materials, Equipment and Telephones, Building Maintenance, and System-wide Costs categories of this SBER.

This year, the U.S. Departments of Education (USDOE) and Justice (USDOJ) released guidance to ensure equal access of English Language Learners (ELL) to quality education. The DOE expended additional resources to comply with the new regulations. Related spending is mostly reflected in the Classroom Instruction, After School and Student Activities, and System-wide Costs categories.

Personnel costs increased from FY 2014 to FY 2015 in all SBER functional categories reflecting personal service expenses, based on continuing collective bargaining agreements. The pattern of increase was also followed for the DOE’s non-union employees.

As shown in Chart B, of the \$1.3 billion in new spending in FY 2015, DOE spending on direct services to public schools increased by an \$879 million, with support costs and system-wide obligations for public schools contributing an additional \$125 million, for a total of approximately \$1 billion in additional public school spending. Overall Pass-Through expenses, covering charter and non-public schools, increased by \$346 million.

Chart B



Changes in these areas are explained in the “Summary of Year-Over-Year Spending Trends” section of this memorandum.

\* Central Support Costs includes both Field Support Costs and System-Wide Costs.

## **SUMMARY OF YEAR-OVER-YEAR SPENDING TRENDS: BY CATEGORY**

### **I. DIRECT SERVICES TO SCHOOLS**

Direct Services to Schools increased overall by an \$878.6 million, with most services experiencing growth due to increased salary costs required under collective bargaining agreements. In addition to collective bargaining, major changes within the category were in the following areas (refer to Chart C for details):

- Classroom Instruction – increase of \$456.4 million or 4.6%
- Instructional Support Services – increase of \$299.6 million or 9.8%
- Leadership, Supervision and Support – increase of \$53.1 million or 2.9%
- Ancillary Support Services – increase of \$63.9 million or 3.6%
- Building Services – increase of \$34.4 million or 2.3%
- Additions to Salary/Projected Expenses – decrease of \$28.8 million or 33.2%

In FY 2015, a \$13.2 million technical fix was made to re-code some school OTPS expenditures previously categorized as Instructional Contract Services in prior years. These expenses are now reflected in the following Direct Service to Schools categories: Instructional Supplies and Equipment (\$5.3 million), Professional Development (\$1.6 million), Parent Involvement (\$3.0 million), Supplies, Materials, Equipment, Telephones (\$3.4 million), and Food Services (\$0.6 million).

#### ***Classroom Instruction***

Overall, this functional category increased by \$456.4 million. Major changes in spending occurred in the following areas:

- Teacher spending increased by \$252.7 million, mainly due to the collective bargaining increases and the Pre-K for All program expansion.
- Education paraprofessionals providing support services under Section 504 have been shifted from the Related Service category to Education Paraprofessionals. This shifted \$31 million dollars in expenditures to this category, which also saw an increase of \$19 million due to the Pre-K for All expansion needs for educational paras.
- Contractual Instructional Services costs grew by \$172.5 million due to expenses for Community-Based Early Childhood Centers as part of the expansion of Pre-K for All program opportunities.
- Spending on textbooks decreased by \$58.7 million as the Common Core Curriculum initiative phased into its second year, and many schools needed to purchase only consumable workbooks and residual orders due to register changes.

#### ***Instructional Support Services***

This category had a \$300.0 million or 9.8% increase over FY 2014. The increases in this category reflect CB payments in all service types, as well as the implementation of the SONYC program.

The Counseling Services (\$26.5 million), Related Services (\$110.2 million), and After School & Student Activities (\$140.9 million) saw biggest spending increases in this category. Parent Involvement increases

(\$6.2 million) are mainly attributable to the technical recoding of Contractual Services noted above mentioned.

- The implementation of the SONYC summer and after school program for middle schools resulted in increased costs by \$140.9 million for After School & Student Activities.
- Related Service expenses have increases of \$110.2 million, as the need for speech, education paraprofessionals, occupational and physical therapy services grew for students with disabilities as per Individual Education Plan (IEP) mandates.

### ***Leadership, Supervision and Support***

There was an increase of \$53.1 million in expenses from the prior year in the School Leadership, Supervision and Support category.

Due to the CB payments and new schools opening, spending in all four personnel categories increased: Principals (\$18.1 million), Assistant Principals (\$30.7 million), Supervisors (\$3.8 million), Secretaries, School Aides & Other Support Staff (\$24.4 million).

Supplies, Materials, Equipment and Telephone overall decreased by \$23.8 million. The decreases are mainly driven by Core Curriculum initiative implementations phasing into the second year, and changes in the Federal E-rate discount program.

### ***Ancillary Support Services***

Ancillary Support Services increased by \$63.9 million. Food Services has a \$41.2 million increase, due to the CB payments and food supply cost increase. School Safety saw an increase of \$21.0 million, due to the school safety personnel CB. Computer System Support costs were lower by \$17.3 million as a result of changes in the Federal E-rate discount program and the reconciliation of prior year accruals.

### ***Building Services***

Building Services, which includes spending on custodial services, building maintenance, energy and leases, increased by \$34.4 million. Increases are seen in the Custodial Services (\$61.1 million), Building Maintenance (\$13.7 million), and Leases (\$11.2 million). Energy had a decrease of \$51.6 million, attributable to the energy saving programs.

### ***Additions to Salary/Projected Expenses***

Expenditures in this category decreased by \$28.8 million. This category includes technical accounting transactions, e.g. delayed payroll actions, charge-backs and late journal entries that are directly related to technical transactions for alignment between the DOE and the City's accounting systems.

## **II. SYSTEM-WIDE COSTS**

Overall system-wide costs, including Central Administration and Central Instructional Support, increased by \$7.0 million.

## **III. SYSTEM-WIDE OBLIGATIONS**

System-Wide Obligations increased by a \$105 million in FY 2015. Increased Debt Services costs were offset by savings in Retiree Health and Welfare expenses. Please note that year-over-year changes in debt service are not uncommon, due to debt restructuring, principal payments, changing interest rates, prepayments, and other such activities.

## **IV. NON-PUBLIC SCHOOLS AND PASS-THROUGHS**

Spending on non-public schools and other “pass-through” entities had a net increase of \$346 million. Charter school spending increased as 19 new charter schools opened in FY 2015, and existing charter schools continued to phase-in additional grades, leading to substantially increased enrollment. Non-public school spending increased largely due to student transportation costs and additional special education needs.

Chart C1

PUBLIC SCHOOL EXPENDITURE COMPARISON: FY 2014 - FY 2015						
(Dollars in 000's)						
			FY 2014 - FY 2015		% of Public School Spending	
	2014	2015	\$ Diff	% Diff	2014	2015
<b>I. Direct Services to Schools</b>						
<b>Classroom Instruction:</b>	\$9,940,385	\$10,396,827	456,442	4.6%	46.3%	46.2%
Teachers	8,178,740	8,431,469	252,729	3.1%	38.1%	37.5%
Education Paraprofessionals	440,105	485,260	45,155	10.3%	2.0%	2.2%
Other Classroom Staff	15,688	12,983	(2,705)	-17.2%	0.1%	0.1%
Text Books	139,602	80,874	(58,728)	-42.1%	0.6%	0.4%
Librarians & Library Books	79,817	80,885	1,068	1.3%	0.4%	0.4%
Instructional Supplies & Equipment	249,186	262,883	13,697	5.5%	1.2%	1.2%
Professional Development	373,155	394,933	21,778	5.8%	1.7%	1.8%
Contracted Instructional Services	234,761	407,277	172,516	73.5%	1.1%	1.8%
Summer & Evening School	229,331	240,263	10,932	4.8%	1.1%	1.1%
<b>Instructional Support Services:</b>	\$3,066,753	\$3,366,334	299,581	9.8%	14.3%	15.0%
Counseling	463,520	490,041	26,521	5.7%	2.2%	2.2%
Attendance & Outreach Services	170,328	169,550	(778)	-0.5%	0.8%	0.8%
Related Services	1,682,930	1,793,112	110,182	6.5%	7.8%	8.0%
Drug Prevention Programs	22,438	22,990	552	2.5%	0.1%	0.1%
Referral & Evaluation Services	297,319	313,302	15,983	5.4%	1.4%	1.4%
After School & Student Activities	274,757	415,689	140,932	51.3%	1.3%	1.8%
Parent Involvement	155,461	161,651	6,190	4.0%	0.7%	0.7%
<b>Leadership/Supervision/Support:</b>	\$1,834,266	\$1,887,389	53,123	2.9%	8.5%	8.4%
Principals	372,788	390,840	18,052	4.8%	1.7%	1.7%
Assistant Principals	590,884	621,638	30,754	5.2%	2.8%	2.8%
Supervisors	97,740	101,505	3,765	3.9%	0.5%	0.5%
Secretaries, School Aides & Other Support Staff	576,294	600,699	24,405	4.2%	2.7%	2.7%
Supplies, Material, Equipment & Telephones	196,561	172,708	(23,853)	-12.1%	0.9%	0.8%
<b>Ancillary Support Services:</b>	\$1,777,439	\$1,841,334	63,895	3.6%	8.3%	8.2%
Food Services	531,014	572,181	41,167	7.8%	2.5%	2.5%
Transportation	844,882	863,926	19,044	2.3%	3.9%	3.8%
School Safety	322,000	342,984	20,984	6.5%	1.5%	1.5%
Computer System Support	79,543	62,244	(17,299)	-21.7%	0.4%	0.3%
<b>Building Services:</b>	\$1,478,932	\$1,513,361	34,429	2.3%	6.9%	6.7%
Custodial Services	633,340	694,418	61,078	9.6%	2.9%	3.1%
Building Maintenance	385,014	398,741	13,727	3.6%	1.8%	1.8%
Leases	144,078	155,311	11,233	7.8%	0.7%	0.7%
Energy	316,500	264,890	(51,610)	-16.3%	1.5%	1.2%
<b>Other School Costs (All Funds)</b>	86,697	57,872	(28,825)	-33.2%	0.4%	0.3%
Prior Year Pay & Other Adjustments	86,697	57,872	(28,825)	-33.2%	0.4%	0.3%
<b>Direct Services to Schools Subtotal</b>	18,184,472	19,063,117	878,645	4.8%	84.6%	84.8%
<b>II. &amp; III. Field and Central Support Costs:</b>	\$994,156	\$1,014,145	\$19,989		4.6%	4.5%
Instructional Support & Administration	322,272	332,615	10,343	3.2%	1.5%	1.5%
Sabbatical, Leaves, Termination Pay	90,183	90,072	(111)	-0.1%	0.4%	0.4%
Prior Year Pay & Other Adjustments	1,478	4,266	2,788	188.7%	0.0%	0.0%
Central Instructional Support	99,876	143,485	43,609	43.7%	0.5%	0.6%
Central Administration: Instructional Offices	110,518	115,403	4,885	4.4%	0.5%	0.5%
Central Administration: Operational Offices	333,744	290,783	(42,961)	-12.9%	1.6%	1.3%
Central Educ Policy & Chancellor's Offices	36,085	37,521	1,436	4.0%	0.2%	0.2%
<b>IV. Systemwide Obligations:</b>	\$2,307,946	\$2,413,055	105,109	4.6%	10.7%	10.7%
Debt Service	1,796,680	1,929,702	133,022	7.4%	8.4%	8.6%
Retiree Health and Welfare	502,964	474,486	(28,478)	-5.7%	2.3%	2.1%
Special Commissioner of Investigation	8,301	8,867	566	6.8%	0.0%	0.0%
<b>Total Public School Expenditures</b>	21,486,574	22,490,318	1,003,744	4.7%		

Chart C2

PASS-THROUGHS EXPENDITURE COMPARISON: FY 2014 - FY 2015						
(Dollars in 000's)						
			FY 2014 - FY 2015		% of Pass Through Spending	
	2014	2015	\$ Diff	% Diff	2014	2015
<b>Total Public School Expenditures</b>	21,486,574	22,490,318	1,003,744	4.7%		
<b><u>V. Pass Throughs:</u></b>	3,366,212	3,711,852	345,640	10.3%	13.5%	14.2%
Non Public Schools: General Education	252,567	269,435	16,868	6.7%	1.0%	1.0%
Non Public Schools: Special Education	1,809,363	1,851,275	41,912	2.3%	7.3%	7.1%
Fashion Institute of Technology	52,654	52,203	(451)	-0.9%	0.2%	0.2%
Charter Schools	1,251,628	1,538,939	287,311	23.0%	5.0%	5.9%
<b>Grand Total</b>	24,852,786	26,202,170	1,349,384	5.4%		

Chart D

**COMPARISON OF SPENDING: FISCAL YEARS 2014 - 2015**

	<u>2014</u>	<u>2015</u>	<u>2014-2015</u>
<b>Total Expenditures</b>	\$24.853b	\$26.202b	\$1.349b
<b>Public School Spending</b>	\$21.487b	\$22.490b	\$1.003b
<b>Enrollment</b>	1,032,314	1,038,001	5,687

