



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

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

School Allocation Memorandum No.1, FY 2007

TO: Regional School Principals

DATE: April 12, 2006

FROM: Susan Olds

SUBJECT: Preliminary School Year 2006-2007 Initial School Allocations

CC: Regional Superintendents
Community School District Superintendents
SPYFSS Directors
Local Instructional Superintendents
Regional Operation Center Executive Directors

I am extremely pleased to provide you the information contained within this memorandum for the first time in April. These earlier budgets will better support your planning and recruiting efforts to carry out your instructional plans for the upcoming school year. Your preliminary school budget for the school year (SY) 2006-2007 is available on the web at:

http://www.nycenet.edu/offices/d_chanc_oper/budget/dbor/allocationmemo/fy06_07/SCHSEARCH/

On April 24, you will be able to access your school's SY 2006-2007 Table of Organization to begin scheduling your new budget. In the meantime, the School Allocation Memoranda (SAMs) explaining SY 2006-2007 allocation methods and guidelines for the use of funds will be posted at the following link starting on April 12th at: http://www.nycenet.edu/offices/d_chanc_oper/budget/dbor/allocationmemo/fy06_07/AM_FY07_pg1.html. You can also access your SY 2006-2007 *Galaxy Allocation Summary* via your school home page. All sites are publicly accessible through the Department's Internet site.

Please note that for District 75 and 79 schools, the budget allocations should be posted to the web and loaded into Galaxy by Wednesday, May 3rd. The Regional Operations Centers will provide further information on the schedule directly to principals during the week of April 24th.

Department Budget Overview

As of this posting, the State budget has not yet been adopted. It is expected that most of any increase in State funding will be put toward offsetting the costs of the UFT settlement. Since 2002, the State has increased its funding by \$1.1 billion, compared to an increase of \$3.1 billion provided by the City over the same time period. Increased City funding has supported pay increases for our quality workforce; the provision of math and literacy coaches to our schools; centralized purchasing of core curriculum materials for schools; hiring of parent coordinators at schools; increased expenditures on early and middle grade interventions and reduced class size; increased spending on mandated special education services; increased spending on special education inclusion programs; growth in programs for English Language Learners; the development of new and restructured schools; improved safety in our schools; increased expenditures on fixed costs and increased expenditures on pensions and debt service. All of this has been done while maintaining or improving all school budgets.

The Mayor's Preliminary budget, released in January, once again includes an increase in city funding for education all the while other city agencies were cut. The additional funding covered collective bargaining needs and contract schools.

Federal appropriations for the Department of Education appear steady, and, in the case of Title I, reduced. The Department will receive \$22 million less in Title I funds in SY 2006-2007.

School Allocation Overview

The Basic Allocation for SY 2006-2007 reflects the fourth year of school-based budgeting. Progress in granting more autonomy to principals in managing school budgets has occurred each year, and this upcoming year will be no different. Under school-based budgeting, principals continue to have greater flexibility and autonomy in using resources to support the instructional needs of their students. The major improvements to the process for SY 2006-2007 are the earlier release of the school budgets and the fact that almost all program and per capita allocations funding teachers for the fall will accompany the basic allocation. This more comprehensive budget will further assist you in planning for next year.

Once again, each school's tax levy budget for SY 2006-2007 is maintained at **current year levels** except to reflect changes in general and special education registers, changes in average teacher salary, elimination of one time allocations, or re-direction of funding to support mandated special education or ELL services.

For SY 2006-2007, schools will see significant increases in their average teacher salaries. These increases reflect the new UFT collective bargaining costs, but also include several payroll costs previously omitted from the Galaxy average teacher salary. To more accurately budget for "fully loaded" salaries, the SY 2006-2007 Galaxy average teacher salary will now include Teacher Support Aid (TSA) and the projected cost of step and longevity salary increments. As a result, the average teacher salary in Galaxy will increase, on average, by nearly 17% from SY 2005-2006 to SY 2006-2007.

Tax levy allocations are being increased to provide funding to cover costs associated with changes in the average salary. Additional funds to pay for TSA and increments for reimbursable-funded positions are being added to school budgets in the new TL Reimbursable Salary Increment Allocation category. Since no additional funding is provided to the Department for the impact of collective bargaining on State, federal or private grants, programs funded with these grants will experience decreased purchasing power in SY 2006-2007 ranging from approximately 4% to 15%, depending upon whether reimbursable resources were reserved in SY 2005-2006 for collective bargaining gains.

Autonomy and Accountability

For school year 2006-2007, the Department is further expanding Principal autonomy through the decentralized hiring authority granted in the recently negotiated UFT contract agreement. Changes in the UFT contract provide greater opportunities to principals, but they also demand corresponding accountability. Schools will only reap the full benefit of the contract reforms if principals excess staff only when necessary and appropriate, and give fair consideration to excess teachers applying for vacancies. Maintaining a large number of staff in excess or in "Absent Teacher Reserve" (ATR) positions would result in an extraordinary cost to the system, thereby limiting the funding we could otherwise provide to schools for a variety of other purposes.

The Galaxy budget system has been enhanced to fully integrate with the new Open Market Transfer System (OMTS). New vacancies created in Galaxy will automatically appear in OMTS, as well as in Recruitment Management System (RMS), for candidates outside of the Department. "Forecasted vacancies" created in Galaxy over the past several weeks will also automatically roll over onto your new SY 2006-2007 Table of Organization.

Instructional Programs and Special Education Classes (Self-contained and Collaborative Team Teaching)

A school's preliminary SY 2006-2007 tax levy budget allocations for Instructional Programs and Special Education Classes were developed based upon its projected register for the upcoming year and its average teacher salary. Pupil registers continue to reflect a downward trend in elementary and middle school populations with increases on the high school level. Overall, registers show a bottom-line decline and a net decrease of associated funding. Still, sufficient resources are provided in these allocations to maintain class sizes, teacher coverage and breakage consistent with the Chancellor's policy guidelines.

Declines in general education registers and associated funding are fully offset by significant projected growth in special education self-contained and collaborative team teaching classes. Special education classes for elementary and middle schools will continue to be funded based upon the number of *classes*, rather than *pupils*. New for SY 2006-2007, a portion of the high school Instructional Program Allocation is being redirected to a new, discrete allocation category for self-contained and collaborative team teaching classes. These classes will continue to be funded according to teacher-pupil

ratios, but students receiving two or fewer periods of part-time CTT will, for the first time, be counted in the funding ratio.

Approximately \$19 million in Part 154 LEP funds, previously allocated in the Instructional Programs Allocation Category, are being re-directed to be included in the Part 154 LEP Allocation Category for SY 2006-2007. Meanwhile, \$26 million in State Standards funding, previously allocated as a separate Allocation Category, are included this year in the Instructional Programs Allocation.

As in prior years, registers included here are projections and may differ from the actual registers on October 31, 2006, in which case adjustments will be made accordingly. Continuing the existing policy, schools that have an actual audited register below the projections will not keep any resources associated with the higher projected register figure.

In SY 2005-2006, principals did an outstanding job of anticipating register deviations from projections. As a result, very few schools were left in a situation where the mid-year resource adjustments left them with insufficient resources to complete the year within their budget allocations. Those few schools that required supplemental allocations, for reasons not deemed to be beyond their control, are required to refund the supplemental allocations from their SY 2006-2007 and future resources.

Once again this year, the Department is operating its highly successful surplus rollover program. This program allows schools that anticipate budget surpluses to defer funds to SY 2006-2007, where they can be put to use with the benefit of full year instructional planning. The cap on the amount of funds that could be deferred was eliminated this year.

Finally, in view of the earlier school budgets and the great autonomy that principals have in hiring school staff, changes will be made in SY06-07 regarding how staff declared excess are budgeted. With the exception of schools that are undergoing restructuring or significant register decline and do not have sufficient budget capacity, all schools will be required to fund staff that are declared excess until such staff find other employment opportunities in the Department.

Special Needs/Academic Intervention Services (SN/AIS)

The Special Needs/Academic Intervention Services (SN/AIS) formula targets funds for students with special needs. The need criteria prioritize funds for students with academic needs, low income students, Limited English Proficiency (LEP)/English Language Learners (ELL) students and special education pupils. For SY 2006-2007, no changes are being made to this formula and the formula will continue to fully fund the cost of providing multiple Special Education Teacher Support Services (SETSS) sessions to special education pupils in elementary and middle schools. New in SY 2006-2007, for high schools, a portion of their SN/AIS Funding will be redirected to fund SETSS, at a ratio of one teacher per 38 students, in a new discrete allocation. Additional SN/AIS funds are being redirected to fund growing costs associated with the Section 504 program, expansion of the regional autism program and to fund prep coverage for special education teachers in collaborative-team teaching classes. Overall, about 7.5% of

SN/AIS resources are being redirected; approximately 4% of funds targeted to elementary and middle schools are being redirected and 20% of high school funds.

Title I

The Department of Education will maintain the current Title I methodology for SY 2006-2007. The school poverty cut-off level for eligibility will be the lower of 60 percent free lunch eligibility or the county's average free lunch eligibility percentage (down to the federal cut-off of 35%). The school eligibility levels are: 60% in Manhattan, the Bronx, Brooklyn; 55.53% in Queens; and 35.52% in Staten Island.

Despite the \$22 million Title I federal cut, the Department did not incorporate this cut into the portion of Title I funds that are allocated out to the schools as a per capita. Instead, the budget office, in collaboration with Teaching and Learning, is reviewing the targeted supplemental programs supported with Title I in SY 2005-2006 to determine how to adjust the allocations. Consequently, no Title I allocations supporting supplemental programs are being allocated pending resolution of budget issues.

In the 2006-07 school year, the Department will implement a minor adjustment to the Title I formula to address an inequity in Title I allocations due to the extensive grade reconfigurations being implemented as part of system-wide school restructuring. The adjustment will ensure that eligible students in newly added grades in Title I schools will generate funds in a more timely way. For these schools, the projected number of eligible students in the new grades will be added to the actual eligible students from the prior year. The same poverty percentage as the prior year will be applied, or the borough minimum will be applied where there is no prior year history. The total number of students applied when calculating the amount of Title I funds for these schools will include the projected plus the prior year pupils. Allocations based upon projected Title I registers will be subject to adjustment should actual Title I registers vary significantly.

The financial impact of the change in the allocation methodology plus absorbing SY 2006-2007 collective bargaining increases will result in average reductions in purchasing power ranging from 2% to 6%.

Finally, we will continue the 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. School Allocation Memorandum #3 contains a chart which indicates all schools that are changing Title I status.

Part 154 and PCEN Limited English Proficiency

The Department will build upon and continue the methodologies first used in SY 2004-2005. Funds will be allocated based upon actual enrollments as of October 31, 2005, except in the case of high schools, where projected September 2006, ninth grade enrollment will be used. Funding associated with ninth grade pupils has temporarily been omitted from the initial allocations, pending receipt of data for developing ninth grade projections. The ninth grade allocation will follow shortly.

A small percentage of funds is being held in reserve to ensure that funds are available to meet the needs of schools experiencing changes in student register in the fall. Specific, detailed information on these programs is available in School Allocation Memoranda #5.

Early Grade and Middle Grade Intervention Programs

The SY 2006-2007 will see a continuation of early grade intervention funding. In addition to the basic school allocations that you are receiving today, we will continue to provide supplemental funding for early grade and elementary level intervention services, middle grade intervention services, and early grade, elementary and middle school summer services. Please note that due to the Title I federal cut, the middle school allocation is pending and will be allocated when the budget issue is resolved.

Children First

The highly successful Children First reforms will continue in SY 2006-2007. As in the past years, 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 schools' basic allocations.

Surplus Rollover Program

Schools participating in the new surplus rollover program will receive 50% of the funds identified for rollover in their instructional programs allocation category. These funds are in addition to their basic school allocation. The remaining 50% of the rolled-over funds will be released to participating schools following a review of their SY 2005-2006 year end financial condition.

Future Allocations

While the vast majority of school funding has been allocated today, 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.

Training, Support and Ongoing Assistance

The Regional Operations Centers will conduct training sessions for principals and school liaisons in April; the ROC staff will also be available for individual sessions with principals throughout April and May, and into the summer as needed.

Approval of Budgets

After reviewing his or her budget, a principal should consult with his or her School Leadership Team to align resources with the school's Comprehensive Educational Plan. After completing this process, budgets must be submitted to the school's Local Instructional Superintendent. The 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 fully scheduled in Galaxy no later than June 2.