

SCHOOL ALLOCATION MEMORANDUM NO. 01, FY 14

DATE: May 24, 2013

TO: Community Superintendents
High School Superintendents
Children First Networks
School Principals

FROM: Michael Tragale, Chief Financial Officer

SUBJECT: FY14 Fair Student Funding Allocation

For the second consecutive year, schools' Fair Student Funding budgets will not sustain a year-over-year cut.

While the DOE FY14 budget includes a 7.1% increase in State funds, state education support remains well below FY09 funding levels and continues to drop as a share of total DOE funds. The increase includes \$250M restored to the DOE that had previously been associated with the penalty for not having a state-approved agreement for an Annual Professional Performance Review system by January 17, 2013. The continuing rise of system-wide costs for items such as special education mandates, teacher compensation, and register changes, imposes an additional burden on DOE's overall budget. The department has been working diligently to institute efficiencies in central and field budgets in order to help absorb these rising costs and prevent school-level financial impact. However, federal and state funding impacts continue in FY 2014.

Federal Sequestration

In 2011, Congress passed a law (Budget Control Act) indicating that if there is no agreement on a budget to reduce the federal deficit by \$4 trillion — including the \$2.5 trillion in deficit reduction already accomplished over the last few years — close to \$1.2 trillion in automatic, across-the-board spending cuts would start to take effect in 2013. This annual automatic reduction in the federal spending is known as sequestration.

Since Congress did not come to an agreement for 2013, the sequestration cuts for 2013 took effect on March 1. Recognizing that these cuts will impact education and disrupts continuity of services in education programs, the city has provided the DOE \$63M in funding to offset the sequestration to Title I, Title IIA, Title III and IDEA funding. These new tax levy funds will remain separate from other funds in school budgets. These funds are not co-mingled with Fair Student Funding.

Title I, Part A – 2010 Census Updates

Census data collected by the U.S. Bureau of Census is a factor that the USDOE uses to distribute federal education program funding, such as Title I, Part A, to State Education Agencies (SEA). Each SEA then, in turn, uses the Census Bureau's school district estimates of the number of underprivileged children who are between the ages of 5 -17 and the annual update of neglected and foster home children to determine each Local Education Agency's (LEA) funding allocation.

The Census data used to determine funding was updated based on the 2010 Census, which affected the education funding allocations in SY2012-2013 (FY13). As a result of this Census update, NYC's final allocation for Title I, Part A for SY2012-2013 was cut by \$40M as compared to the previous school year, SY2011-2012.

For SY2013-2014 (FY14), the continuing impact of the Census loss to schools will be compounded by federal sequestration. The result will be further reductions in federal formula funding for Title I, Part A (and other NCLB Titles' funding) and IDEA.

However, the NYC DOE, through the City of New York, is attempting to mitigate these cuts by backfilling them with discretionary State Foundation Aid funding to protect essential education programs.

FY14 Highlights Fair Student Funding Highlights

Raising the Floor

In FY14 the DOE will raise the floor for schools with FSF funding below 81% of the formula. Any school with a lower funding percent will be raised to that level. The additional funding will be issued in FSF allocation categories in Galaxy.

Portfolio and Academic Needs Weight – Formula Revision

In FY14 the DOE will institute the second stage of the approved two-year implementation of changes to the portfolio and academic needs weights. The Panel for Educational Policy approved these revisions in order to better align resources with college and career ready high school graduation requirements, as well as the phase-out of the local diploma option for general education students. The FY14 changes are as follows.

Full implementation of the two-tiered per capita funding based on:

- ❖ Transfer school pupils: two weights based level of graduation challenge (heavy graduation challenge or regular graduation challenge)
- ❖ Non-transfer school pupils: weight for students who demonstrate significant credit accumulation challenges and who are admitted through the over-the-counter (OTC) enrollment process

The table below summarizes the impact of changes to the Transfer School Weight and the new Academic Weight for over-aged/under-credited OTC students enrolling in traditional high schools. A portion of transfer school funding for students who are not over age and under credited will shift to over-age/under-credited pupils at traditional high schools in order to generate funding to support the new Academic Weight. The FY14 changes to these weights represent the final change which was phased in over a two-year period.

<i>Weight</i>	<i>Pupil Need</i>	<i>FY13</i>	<i>FY14</i>
<i>Academic Intervention</i>	<i>Heavy Graduation Challenge OTC</i>	<i>0.20</i>	<i>0.40</i>
<i>Portfolio Schools: Transfer Schools</i>	<i>Heavy Graduation Challenge</i>	<i>0.40</i>	<i>0.40</i>
	<i>Regular Graduation Challenge</i>	<i>0.30</i>	<i>0.21</i>

For school-by-school details that show all of these changes, see the “Fair Student Funding Overview by School” SAM 1.2a

Shared Path to Success: Data for Students with Disabilities

Schools must ensure that all pupils are receiving services as per their Individualized Education Plan (IEP). To help schools more efficiently align services to student needs, the “USPE” screen, which associates funding levels for instructional services for students with disabilities, will be improved. The revised screen will reflect feedback from principals, and will be implemented in July when student data is updated in ATS for the new school year. An announcement will be made in Principals Weekly Newsletter when the new screen is available.

Continuing the practice from last year to promote fiscal stability, FSF supports:

- Students receiving special education services in the four core academic subject areas during a seven period school day (excluding lunch), will be considered as receiving special education services full-time for funding purposes. Refer to the per period funding chart in the FSF Guide for more information (refer to link below).

http://schools.nyc.gov/offices/d_chanc_oper/budget/dbor/allocationmemo/fy13_14/FY14_PDF/FSF_Guide.pdf

- The transitional special education supplement capped at the FY 12 count of unfilled seats, net of actual register increases in FY 14.

Special Education Needs Weight Funding will be adjusted for registers as of December 31st.

Funding Mandates:

We are instituting data system improvements to more accurately capture alignment of actual versus recommended services for students with IEPs. **In FY14, while these system improvements are new, the policy will be to fund the recommended level of service.**

Starting in FY15, schools will receive *the lower of actual or recommended level of service* – this is consistent with past practice, and provides an incentive to ensure that each pupil with an IEP receives all recommended services.

Delaying funding methodology based on a comparison of actual and recommended services will give stakeholders (schools, CFNs, and central staff) time to:

- ❖ Learn the new requirements to ensure served data is captured correctly via STARS,
- ❖ Investigate and develop implementation plans for schools not using STARS,
- ❖ Establish and put into place a standard path of action when there are discrepancies.

Citywide Instructional Expectations

In school year 2013-14, schools will be allocated funding to support the implementation of the citywide instructional expectations (CIE). These expectations are intended to guide school communities as they focus their efforts and resources toward the goal of creating a rigorous and coherent instructional experience for students and educators. Refer to School Allocation Memorandum (SAM) #38 for details (refer to link below).

http://schools.nyc.gov/offices/d_chanc_oper/budget/dbor/allocationmemo/fy13_14/FY14_PDF/sam38.pdf

Cost Mitigating Strategies

With a flat budget condition for the second year in a row, schools should be better positioned to manage their resources to best serve the needs of their pupils. In order to assist schools in more efficiently managing their budgets, and to uphold principal accountability, several cost mitigating strategies are in place for FY14. These steps are necessary to ensure all schools provide services within their allocated budget level. All schools must do their part so that system is able to maintain a balanced budget. The strategies are as follows:

- ❖ Rollover deficit payback plans have been reinstated.
- ❖ Register Gain and Register Loss Reserves will once again be established.
- ❖ The evaluation of central funding for excess staff will be more stringent than in previous years.
- ❖ More efficient deployment of ATRs to cover school staff on leave.
- ❖ Schools will have funds automatically set aside for school-funded copiers.

Details regarding each of these measures are as follows:

Rollover Deficits

In FY13 there was a one-time amnesty program whereby no school was responsible to pay back rollover deficits from FY12 and prior years - all payback plans were forgiven and eliminated. Schools will again be responsible to roll over deficits to FY14 where they cannot pay back funds.

Schools must plan and take action to pay back their rollover deficit liability, while also right-sizing services in alignment with their FY14 register projection. Principals and their designees should work closely with their CFN to understand the implications of changing registers on an on-going basis from now until registers are stabilized in the fall. Children First Network staff will prioritize budget review and completion for schools with rollover deficits, which will enable schools time to enter rollover deficit payback plans by the budget due date.

Schools should expect that this item will once again be part of the Compliance Checklist for FY14:

CL03: Did your school set aside the appropriate level of funding in anticipation of mid-year adjustments, based upon the October 26, 2012 audited register by April 19, 2013?

Refer to School Allocation Memorandum (SAM) #37 (see link below) for details of school payback plans.

http://schools.nyc.gov/offices/d_chanc_oper/budget/dbor/allocationmemo/fy13_14/FY14_PDF/sam37.pdf

FY 2014 Register Reserve Policies

Principals are reminded that fiscal management is a priority and they will be held accountable for their budgetary decisions. School budgets will be monitored by the Office of the Chief Financial Officer to ensure sufficient funding is available to cover register loss in the event it should occur.

❖ Register Gain Reserve

To lessen the risk of hiring more teachers than necessary, should enrollment increases not materialize, and to address unexpected enrollment increases, funding for projected register growth will be held in reserve on school budgets.

Schools will work with their CFNs to release reserved register growth funds when ATS student registers show evidence of actual register growth. This policy applies only to currently open schools; new schools and phase-out schools are excluded. Further information about the register adjustment process will be issued before school starts in September. Final adjustments based on audited data will take place in February 2014.

❖ Reserve for Register Loss

Schools with register loss in either of the last two years will have a "Register Loss Reserve Set Aside" automatically scheduled in their Galaxy Table of Organization based on the following business rules:

- For schools that had register loss in FY13, 30% of the amount of their FY13 mid-year adjustment will be set aside, or

- For schools that had register loss in FY12, 15% of the amount of their FY12 mid-year adjustment will be set aside
 - Both of these calculations will be offset by any projected growth set aside in the register gain reserve.
- Hurricane Sandy schools will not have a reserve.

Schools will work with their CFNs to release reserved register loss funds when actual register growth is evident.

Central Funding of Excess Staff

The evaluation of central funding for excess staff will be more stringent than in previous years. Since schools are beginning the year with a flat budget condition for the second year in a row, it is expected that most excessing will be strictly due to register loss or IEP-based student need changes. All requests for central funding for excess staff will be subject to review by the CFN and Cluster. Exceptional cases will also require central approval.

Efficient Deployment of ATRs to Cover School Staff on Leave

Starting in FY14, where schools have staff on leave and are requesting that an ATR be sent to the school on a tryout basis to cover the leave, principals must decide if they will retain the services of ATRs sent to their school for this reason within one month of the beginning of the tryout. If the principal does not wish to retain the services of the ATR for the balance of the leave, the ATR will be returned to the weekly rotation. If the principal decides to retain the services of the ATR, a vacancy should be created and the ATR should be transferred to the school as a temporary provisional hire (transaction code TPP). Contact your HR Director or budget liaison for assistance with these transactions.

Automatic Set Asides for School-funded Copiers

Beginning in FY14, schools with school-funded copiers will have a set aside automatically scheduled on their Galaxy Table of Organization for the projected cost of their lease(s). School staff should work with their CFN team to reschedule these funds on the appropriate object code for the correct amount for FY14. The CFN can also assist schools where there are discrepancies about equipment status.

[Click here to download a copy of the School Allocation Memorandum](#)

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