

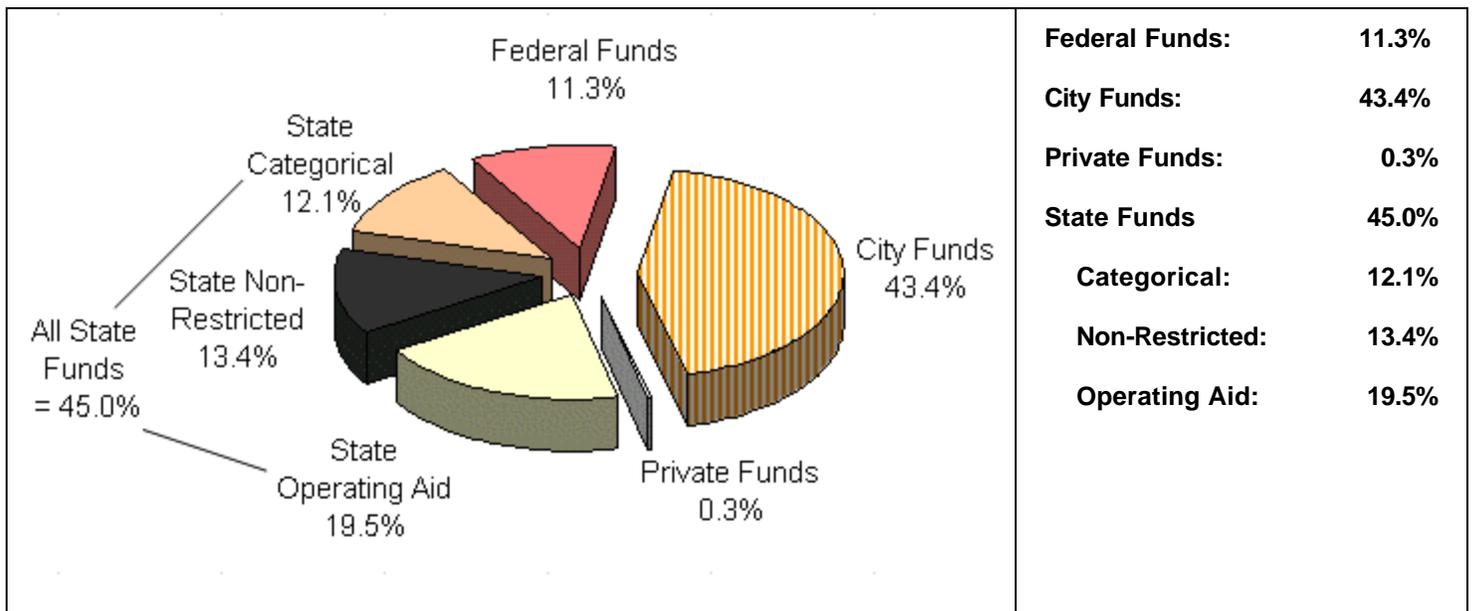
Fiscal Year 2002 Expenditures

The expenditure reports for the 2001-02 school year are based on Fiscal Year 2002, which began July 1, 2001 and ended on June 30, 2002. The actual data was taken in a snapshot of the Department of Education's Accounting System (FAMIS) December 11, 2002. Enrollment data was based on the audited October 2001 total school register file.

The total spending for the 2002 fiscal year is \$12.54 billion. These expenditures include debt service as well as the city contribution to DOE employees' pensions. Pass-through funds totaling \$789.2 million, 6.3% of total education spending, are also included. Pass-through dollars are funds administered by DOE but which do not benefit children receiving educational services in public schools. They include dollars for non public schools, both general and special education, as well as spending for the Fashion Institute of Technology, and Charter Schools. Expenditure reports for districts and schools are based on public school spending only, \$11.751 billion.

Systemwide reports numbered 1, 3, and 7 reflect the total expenditures of \$12.54 billion with pass-through detail. The actual proportions of total education revenues are displayed in the revenue graph below.

Fiscal Year 2002 Revenue Sources: City, State and Federal

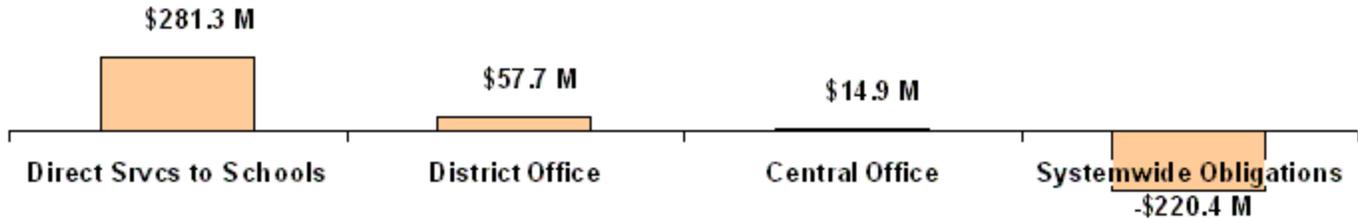


The City share of education funding declined by 2.8%. Private funds remained flat at 0.3%. The percent of costs supported by the state increased by 1.5% (a 0.7% increase in categorical and non-restricted funding, plus an 0.8% increase in state operating aid). The Federal portion of funding increased by 1.3%.

Summary of Findings

The fiscal year 2002 Expenditure Reports show a modest increase in overall public school spending of \$133.5 Million. This increase results largely from a retroactive increase in teacher salaries offsetting budget reductions sustained by the Department of Education during fiscal year 2002, and a decline in systemwide obligations.

Fiscal Year 2002 Distribution of New Spending in Millions



Direct Services to Schools \$ 281.3M	District Office \$57.7M	Central Office \$14.9M	Systemwide Obligations -\$220.4M
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Direct Services

The proportion of spending on direct services to students increased from 89.8% of total public school expenditures in FY 2001 to 91.1% in FY 2002. This increase was the product of two major factors, (1) contractual obligations and (2) a substantial decrease in systemwide obligations due to a decrease in debt service.

Salaries for teachers and other United Federation of Teachers (UFT) members increased significantly due to retroactive pay increases resulting from the June 2002 labor agreement between the Department of Education and the UFT. This is reflected in the functional categories on these Reports that include UFT staff, e.g. Teachers, Education Paraprofessionals, Professional Development, Summer and Evening School, Counseling and Related Services.

Reclassification of spending based on information gleaned from the new school-level budgeting system, Galaxy 2000, reveals that more resources are devoted to Professional Development, Curriculum Development and Parent Involvement than we had previously thought. Galaxy 2000 provides a more refined representation of expenditures since it contains more explicit information about a school's budget and the programs it supports (a more detailed explanation can be found in the section on Issues and Changes). Energy spending decreased by 16.2% as the result of a mild winter and lower gas and steam prices. Building maintenance declined 19.8% because of a \$20 million reduction in Minor Maintenance funding and the capitalization of \$15 million in Emergency Stabilization funding, as well as the completion of \$9 million in one-time expense budget funding for athletic field maintenance.

Summary of Findings

Reductions in instructional and office supplies/equipment, 24% and 9% respectively, are a reflection of the 2002 budget reductions, as well as the reclassification of these OTPS ("other than personal service") items as district office costs based on Galaxy information.

Spending for libraries has returned to previous levels, after a one-time infusion of Mayoral funds in FY 2001 to establish 14,000 libraries in early grade elementary classrooms.

District/Superintendency Instructional Support and Administration

District Offices have an apparent spending increase of \$57 million dollars. However, of this amount \$45.1 million is due to reclassification of spending by the Galaxy system, and the more accurate assignment of Building Services expenditures (see Issues and Changes, page 4). Of the remaining increase, approximately \$4 million is attributable to UFT collective bargaining increases. There is a net increase of \$2 million in sabbaticals and termination pay offsetting the transfer of "Additions to Salary" to Direct Services.

Systemwide Cost and Obligations

Central administration had a net increase of \$14.9 million, of which \$13.1 million is due to the reclassification of facilities services information (see Issues and Changes, page 4). Some of the changes are delineated in the chart below.

CHANGE IN SPENDING from 2001 to 2002 (in Millions \$)

	OTPS	PS
Central Instructional Offices:		
- Media Campaign to recruit teachers	(4.0)	
- Reclassification of Assessment Materials	(4.0)	
- Completion of Decentralization of the Division of High Schools and Adult Education		(1.0)
Central Instructional Offices:		
- Improved information enabling the identification of locations, receiving facilities services, as central offices (see Issues and Changes)	6.5	6.6
- Chancellor's Customer Service Center	3.0	
- Automated System for claiming State Aid	2.0	
- Estimated collective bargaining increase		5.6
All Central Offices	\$ 3.5	\$ 11.2

Systemwide obligations decreased by \$220 million due almost exclusively to the prepayment of debt incurred from long-term school building projects financed by the City of New York.

Issues and Changes

Incorporation of Data from the Galaxy 2000 School Based Budget System

The Galaxy 2000 system was first implemented in 1999 in five pilot districts as a means of enabling schools to create their own budgets without having to know the arcane account codes used by the accounting system. The Galaxy 2000 system allows for a finer degree of accuracy when classifying spending because it relates the system of numeric codes carried by the accounting system to an additional set of explanatory text-based classification fields.

For example, in the past we might have known from the numeric account codes that a certain amount of money was spent on teacher overtime. Now we can know in addition that the overtime was for some specific activity, like professional development or an after school program. This change has had an impact on the distribution of dollars in these reports, some of which are described below.

Between FY 2001 and FY 2002 there is an apparent spending increase of \$100 million dollars on professional development. Approximately \$77 million of this increase is the result of our incorporation of Galaxy data. This is not all new money*; it is largely money being reclassified, primarily from the category Teacher to the category Professional Development. We also see an apparent doubling of expenditures on Parent Involvement and 27% more spending categorized as Attendance and Outreach. Part of the decline in the categories Educational Paraprofessional, Instructional Supplies and Equipment and Supervisors is also attributable to funds being reclassified in the Galaxy system. This new view of the data allows us to more precisely categorize our spending and will only get better in the next few years as all schools are brought on to the system.

Reclassification of Building Services and School Safety

Another adjustment we've made to the reports is that we have moved additional dollars from the Building Services section to the Instructional Support and Administration section at the district level, and the Central Administration section at the system-wide level. This is spending for custodians, building maintenance, leases or energy at locations that serve district office or central office staff. In the past, because of insufficient data, we spread these costs among Direct Services to Schools.

*More than \$20 million in new funding has been devoted to the expansion of staff development programs for new teachers (e.g. support for approximately 1,000 new Teaching Fellows, and tuition assistance for participants in Teach for America, Peace Corps Fellows and Columbia Urban Educators).

Issues and Changes

This reclassification resulted in adding \$16.6 million to District administrative costs and \$13.1 million to Central Administrative costs. Additionally, \$2.5 million of school safety money was estimated to have been spent at District offices. Again, this is not an increase in spending, but rather a more accurate accounting of the use of funds.

"Special Education" Student Types

The new Continuum of Special Education Services adopted in June 2000 re-emphasized Least Restrictive Environment (LRE) provisions of the controlling federal legislation, the Individuals with Disabilities Act (IDEA). The Continuum stressed intervention and prevention activities for students at-risk of referral to special education programs; and home-zone schooling to the maximum extent appropriate, where students with disabilities can be surrounded and supported by their siblings and peers in familiar settings. In support of these concepts, it was necessary to remove the monetary incentives for classifying students as special education. To that end, the Budget Office developed a new Special Needs/Academic Intervention Services formula for allocating funds, which supported "whole school" approaches important to the new service delivery system. The allocation methodology leads to innovative programming, combining rather than competing for limited resources and "ownership" of pupils within the district.

As a result of this highly regarded policy, it is becoming more and more difficult to segregate spending into discrete quantities labeled "general education" and "special education". In this report we made an effort to continue classifying money in this fashion as an aid to tracking historical trends. However, we believe this will become less feasible in the future as money is no longer being allocated, or used, in a segregated fashion. Even the register concept of a "full-time special education" student needs to be re-examined to determine whether it is being applied in a financially meaningful way.

World Trade Center

It was during this fiscal year that New York City suffered the devastating 9/11/2001 attack on the World Trade Center and the school system was not unaffected by these events. Many students were displaced because of school closings in lower Manhattan, where school buildings required extensive clean-ups or were shut down for security reasons.

Throughout the system children and adults required support and counseling to deal with the events of that day and its aftermath. Many constituencies rallied to aid our schools and students in this time of dire need. This edition of the reports reflects an initial \$17 million in grants that were used for repair of damages to schools, and to provide mental health and counseling services for students and their families. Next year's edition will go into greater detail on the sources and use of funds, as 2003 will contain significant resources associated with recovery from this disaster.

Issues and Changes

Additions to Salary

This category reports additions to an employee's salary payrolled separately from the base salary (e.g. educational differentials, back-pay, overtime, interest on UFT payments). In prior years, these costs were reported as District Office costs since they could not be linked with a specific function. However, there is information available that indicates whether the costs are for school-based or district office staff (the vast majority are typically for pedagogues or paraprofessionals). Consequently, we have included this category in both Direct Services to Schools and District Costs based on the account information available.

Department of Education Reorganization

The structure of the Department of Education during FY 2002 was made up of 41 superintendentcies:

- 32 Community School Districts for elementary and middle schools

- Chancellor's District for elementary and middle schools

- 6 borough-based High School Districts

- Chancellor's High School District

- Citywide Special Education (District 75) for pupils with the most intense special education needs

This structure is being reorganized into 10 Regional Superintendentcies that will be responsible for specific geographic areas of New York City (with the exception of District 75). Since these reports are school-based, with the schools mapped within the 41 districts/superintendentcies listed above, it will be necessary to rethink the framework within which these reports are organized to find the best way of presenting the data regionally while maintaining the multiple "views" that have always been provided by the reports.

The next five pages exhibit various views of spending trends in New York City's public schools.

Public School Expenditure Comparison: 2000 through 2002 (Dollars in 000's)

				% of public school spending		
	2000	2001	2002	2000	2001	2002
Classroom Instruction:	\$5,644,568	\$6,222,397	\$6,427,405	52.70%	53.60%	54.70%
Teachers	4,523,115	4,928,852	5,070,666	42.20%	42.40%	43.20%
Education Paraprofessionals	352,138	367,767	370,302	3.30%	3.20%	3.20%
Other Classroom Staff	13,334	14,043	14,515	0.10%	0.10%	0.10%
Text Books	69,910	83,356	90,784	0.70%	0.70%	0.80%
Librarians & Library Bks	31,518	51,887	31,495	0.30%	0.40%	0.30%
Instructional Supplies & Equipment	209,172	192,440	145,218	2.00%	1.70%	1.20%
Professional Development	174,329	227,654	327,772	1.60%	2.00%	2.80%
Curriculum Development	1,634	1,654	5,635	0.00%	0.00%	0.00%
Contracted Instructional Services	97,879	138,779	140,905	0.90%	1.20%	1.20%
Summer & Evening School	171,539	215,965	230,113	1.60%	1.90%	2.00%
Instructional Support Services:	\$1,095,702	\$1,212,876	\$1,298,883	10.20%	10.40%	11.10%
Counseling	225,487	262,772	276,178	2.10%	2.30%	2.40%
Attendance & Outreach Services	83,502	84,305	107,213	0.80%	0.70%	0.90%
Related Services	364,682	436,778	445,691	3.40%	3.80%	3.80%
Drug Prevention Programs	35,727	37,140	41,079	0.30%	0.30%	0.30%
Referral & Evaluation Services	265,822	255,483	269,529	2.50%	2.20%	2.30%
After School & Student Activities	111,244	121,780	132,049	1.00%	1.00%	1.10%
Parent Involvement	9,237	14,619	27,146	0.10%	0.10%	0.20%
Leadership/Supervision/Support:	\$810,534	\$1,024,027	\$1,007,581	7.60%	8.80%	8.60%
Principals	113,808	163,616	170,498	1.10%	1.40%	1.50%
Assistant Principals	210,216	301,712	306,874	2.00%	2.60%	2.60%
Supervisors	48,425	53,706	46,379	0.50%	0.50%	0.40%
Sec'y, Schl Aides & Other Suppt Staff	383,075	437,962	423,042	3.60%	3.80%	3.60%
Supplies, Material, Equipment & Tel.	55,010	67,030	60,787	0.50%	0.60%	0.50%
Ancillary Support Services:	\$1,016,010	\$1,125,923	\$1,178,600	9.50%	9.70%	10.00%
Food Services	355,364	397,959	408,393	3.30%	3.40%	3.50%
Transportation	435,789	485,633	514,020	4.10%	4.20%	4.40%
School Safety	106,176	118,023	126,838	1.00%	1.00%	1.10%
Computer System Support	118,682	124,309	129,349	1.10%	1.10%	1.10%
Building Services:	\$959,421	\$841,624	\$770,138	9.00%	7.20%	6.60%
Custodial Services	429,747	424,879	421,389	4.00%	3.70%	3.60%
Building Maintenance	359,316	212,182	170,123	3.40%	1.80%	1.40%
Leases	36,370	46,709	46,398	0.30%	0.40%	0.40%
Energy	133,987	157,855	132,228	1.30%	1.40%	1.10%
Direct Service Add to Salary/Proj Expense		1,533	27,112		0.00%	0.20%
Additions to Salary / Projected Expenses		1,533	27,112		0.00%	0.20%
District/Superintendency Costs:	\$258,340	\$357,842	\$415,574	2.40%	3.10%	3.50%
Instructional Support & Administration	158,221	219,099	274,839	1.50%	1.90%	2.30%
Sabbatical, Leaves, Termination Pay	87,163	122,999	138,949	0.80%	1.10%	1.20%
Additions to Regular Salary	12,956	15,700	1,122	0.10%	0.10%	0.00%
CSD Projected Expenditures	0	45	665	0.00%	0.00%	0.00%
Systemwide Costs:	\$272,376	\$284,942	\$299,876	2.50%	2.50%	2.60%
Central Instructional Support	37,276	25,341	22,428	0.30%	0.20%	0.20%
Central Administration: Instructional Offices	53,972	79,710	73,447	0.50%	0.70%	0.60%
Central Administration: Operational Offices	155,481	151,073	173,506	1.50%	1.30%	1.50%
Central School Board & Chancellor's Offices	25,647	28,817	30,495	0.20%	0.20%	0.30%
Systemwide Obligations:	\$658,982	\$546,312	\$325,858	6.10%	4.70%	2.80%
Total Public School Expenditures	\$10,715,934	\$11,617,477	\$11,751,026	100.00%	100.00%	100.00%

Comparison of Per Pupil Spending: Fiscal Year 1999 through 2002

	1999	2000	2001	2002	2002-1999
Total Expenditures	\$10.449 bil	\$11.394 bil	\$12.419 bil	\$12.540 bil	\$ 2.091 bil
Public School Expenses	\$ 9.791 bil	\$10.716 bil	\$11.617 bil	\$11.751 bil	\$ 1.960 bil
Enrollment	1,093,071	1,100,312	1,105,045	1,098,832	5,761

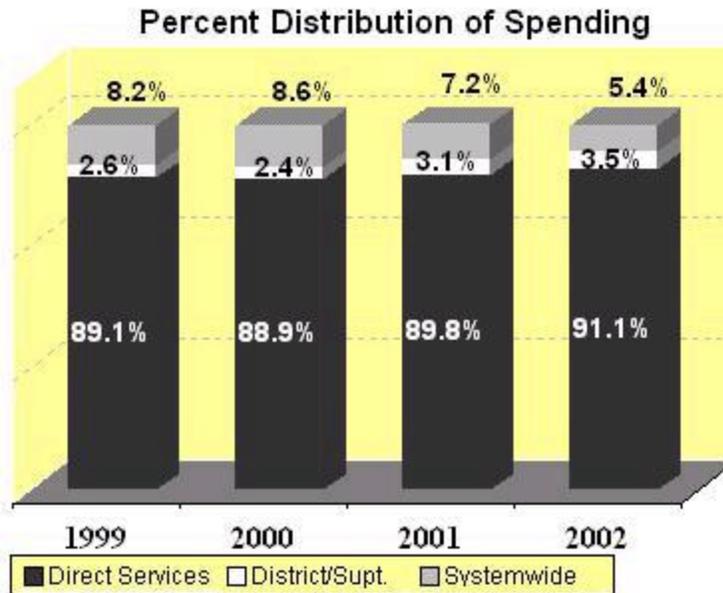
Distribution of Per Pupil Spending by Function

Per Pupil Spending					
Direct Services	1999	2000	2001	2002	2002 - 1999
Classroom Instruction	\$4,723	\$5,130	\$5,631	\$5,849	\$1,126
Instructional Support	947	996	1,098	1,182	235
Leadership and Support	729	737	927	917	188
Ancillary Support Srvcs	878	923	1,019	1,073	195
Building Services		872	762	701	701
Add to Sal/Proj Exp.**	0	0	1	25	25
Total Direct Services	\$7,983	\$8,658	\$9,437	\$9,746	\$1,763
District/Superintendency	\$235	\$235	\$324	\$378	\$143
Systemwide*	\$738	\$847	\$752	\$570	-\$168
Total Public Schools	\$8,957	\$9,739	\$10,513	\$10,694	\$1,737

*Includes Systemwide Costs and Systemwide Obligations

**All "Additions to Salary" were reported in District/Superintendency Costs prior to 2002.

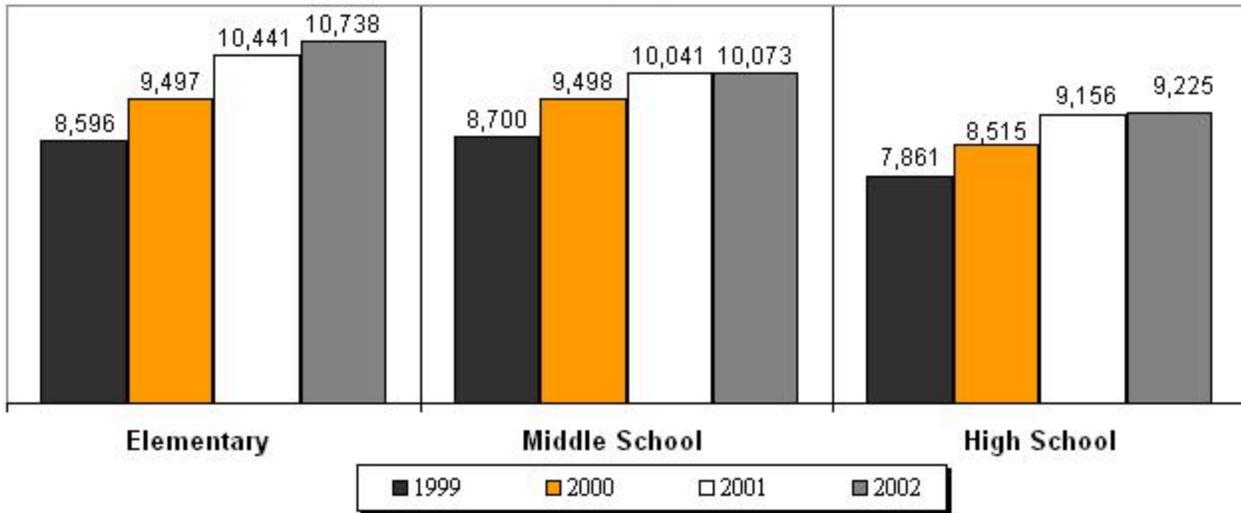
Totals may differ from sum of components due to rounding.



	1999	2000	2001	2002
Direct Services	89.1%	88.9%	89.8%	91.1%
District/Supt	2.6%	2.4%	3.1%	3.5%
Systemwide	8.2%	8.6%	7.2%	5.4%

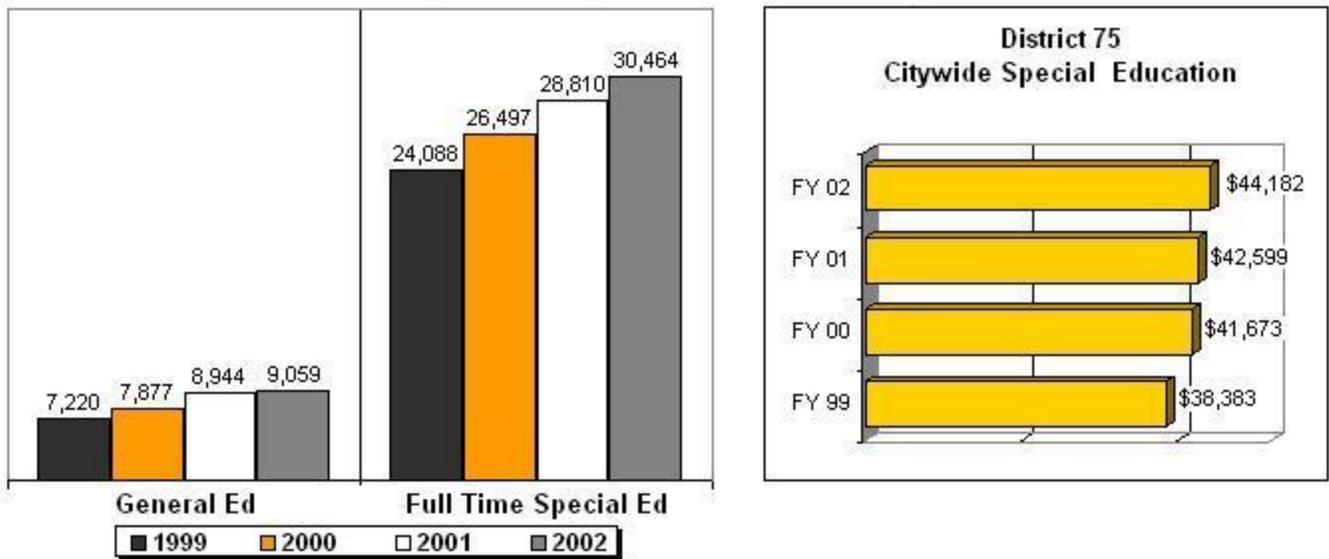
Comparison of Per Pupil Spending: Fiscal Year 1999 through 2002

Per Pupil Spending by Instructional Level



	1999	2000	2001	2002
Elementary School	\$8,596	\$9,497	\$10,441	\$10,738
Middle School	\$8,700	\$9,498	\$10,041	\$10,073
High School	\$7,861	\$8,515	\$9,156	\$9,225

Per Pupil Spending by Pupil Service Category



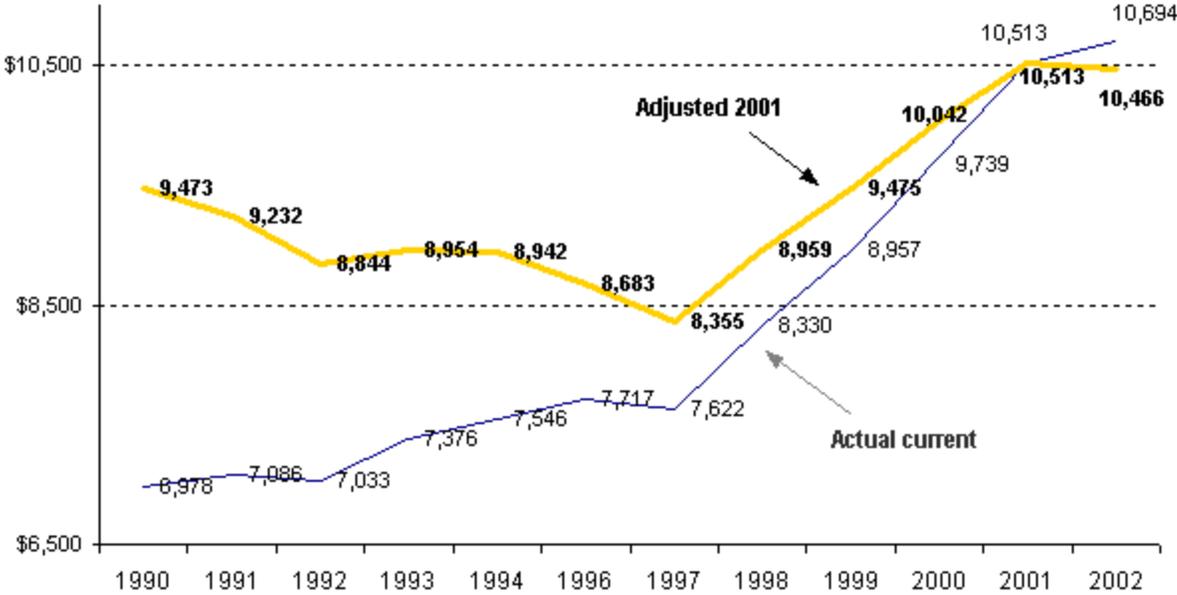
	1999	2000	2001	2002
General Education	\$7,220	\$7,877	\$8,944	\$9,059
Full Time Special Education	\$24,088	\$26,497	\$28,810	\$30,464
District 75 Citywide Special Education	\$38,383	\$41,673	\$42,599	\$44,182

The General Education per capita includes part-time special education pupils in fiscal in fiscal years 2001 and 2002 (prior to 2001 there was distinct category for part-time special education pupils and the additional cost they added to the general education cost).

Comparison of Per Pupil Spending: Fiscal Year 1990 through 2002

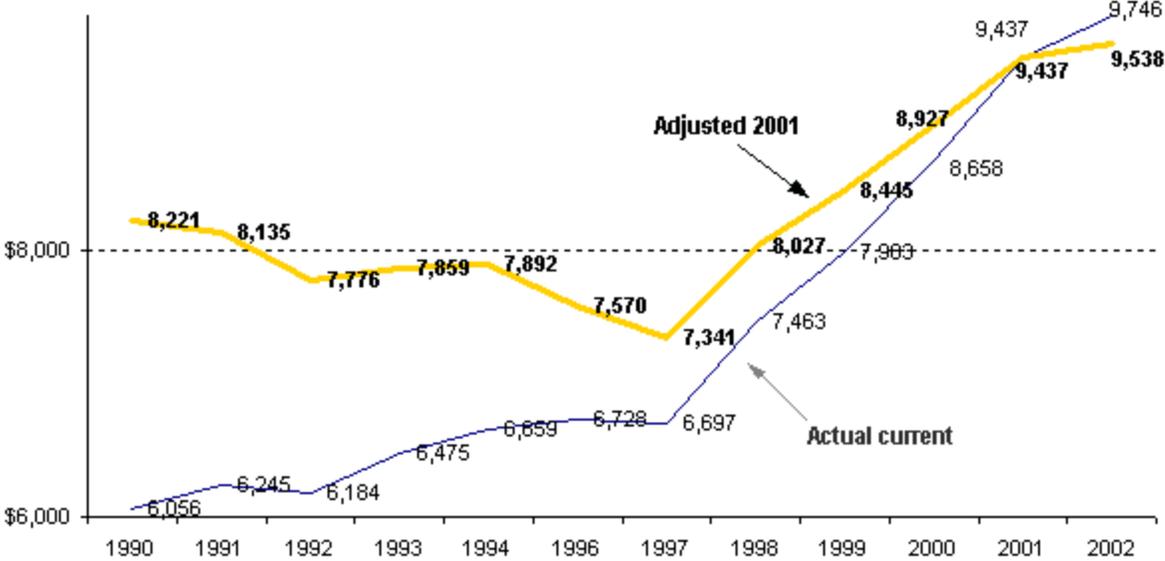
Fiscal Year 2002 is the first time, since the inception of the Expenditure Reports in 1997, that spending decreased in real value (see adjusted \$s on the top chart). Every effort was made to spare Direct Services to Schools from the budget reductions, which is evidenced by the increase (though small) in cpi adjusted dollars on the bottom chart.

Total Public School Per Pupil Spending in Actual and 2001 Dollars



	1990	1991	1992	1993	1994	1996	1997	1998	1999	2000	2001	2002
Adjusted 2001 \$	9,473	9,232	8,844	8,954	8,942	8,683	8,355	8,959	9,475	10,042	10,513	10,466
Actual current \$	6,978	7,086	7,033	7,376	7,546	7,717	7,622	8,330	8,957	9,739	10,513	10,694

Direct Services to Schools Per Pupil Spending in Actual and 2001 Dollars



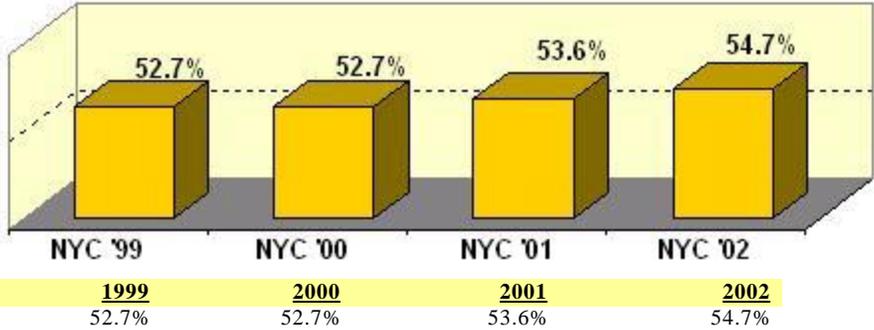
	1990	1991	1992	1993	1994	1996	1997	1998	1999	2000	2001	2002
Adjusted 2001 \$	8,221	8,135	7,776	7,859	7,892	7,570	7,341	8,027	8,445	8,927	9,437	9,538
Actual current \$	6,056	6,245	6,184	6,475	6,659	6,728	6,697	7,463	7,983	8,658	9,437	9,746

Data Source: School Based Expenditure Reports 1997 - 2002, School Based Budget Report 1996, Comprehensive Annual Financial Reports 1990-1994, No Data Available for 1995 Excludes Non-Public School/Pass-Through Funds.

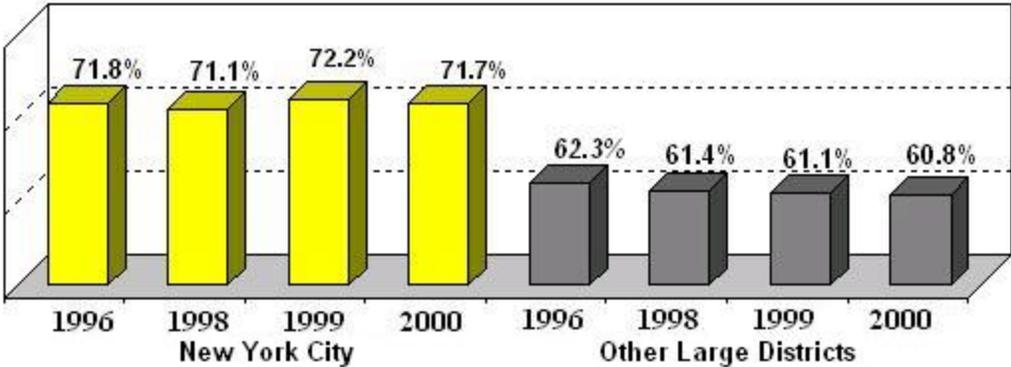
Instructional Expenditures

New York City's focus on instruction is reflected in the predominant proportion of spending devoted to it. Comparison with other school districts shows that New York City leads others in spending on instruction when compared with other school districts in the State. National statistics, as reported by The National Center for Education Statistics (NCES), yield similar results when New York City's Public Schools are compared with the nation's other 100 largest school districts.

**New York City vs. New York State vs National Average
NYC Dept of Education*: Classroom Instruction Expenditures 1999-2002**

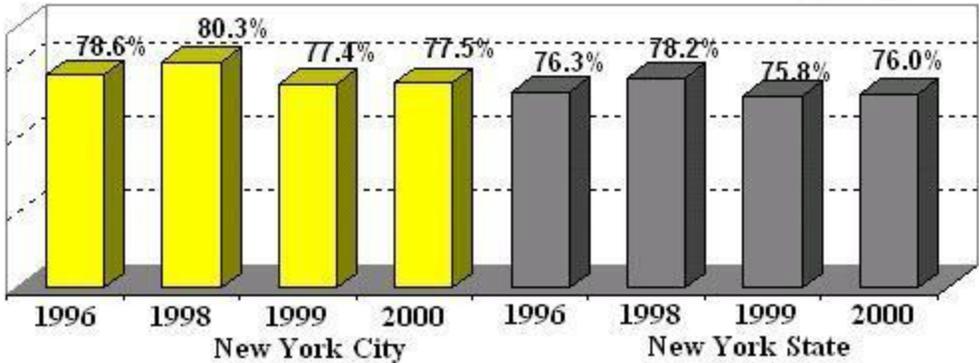


National Center for Education Statistics: 1996-99 Instructional Expenditures**



	1996	1998	1999	2000
New York City	71.8%	71.1%	72.2%	71.7%
Other Large Districts	62.3%	61.4%	61.1%	60.8%

NYS Statewide Profiles: 1996-2000 Instructional Expenditures***



	1996	1998	1999	2000
New York City	78.6%	80.3%	77.4%	77.5%
New York State	76.3%	78.2%	75.8%	76.0%

*New York City Department of Education School Based Expenditure Reports
 **National Center for Education Statistics "Characteristics of the 100 Largest Public Elementary & Secondary School Districts in the US."
 ***New York State Statewide/Statistical Profiles, New York State Education Department & University of the State of NY.

District Needs

New York City's diverse pupil population comes to school with vast range of abilities and needs. This diversity is reflected within each district, to varying degrees. The map on the following page displays per pupil spending in each community school district*. The districts have been coded to indicate the level of need within the district. Level of need is based on the concentration of poverty**, special education pupils, and English language learners in the district (4.5 : 4.5 : 1 respectively). The following are statistics on average spending in each of the "Level of Need" groups on the map:

<u>Per Pupil Spending</u>	
Low	\$ 9,629
Mid	\$ 10,070
High	\$ 11,201
All CSD'S	\$ 10,292

<u>% of Spending devoted to Direct Services to Schools</u>	
Low	90.3% (median = 90.3%)
Mid	90.4% (median = 90.6%)
High	90.9% (median = 90.3%)
All CSD's	90.7% (median = 90.7%)

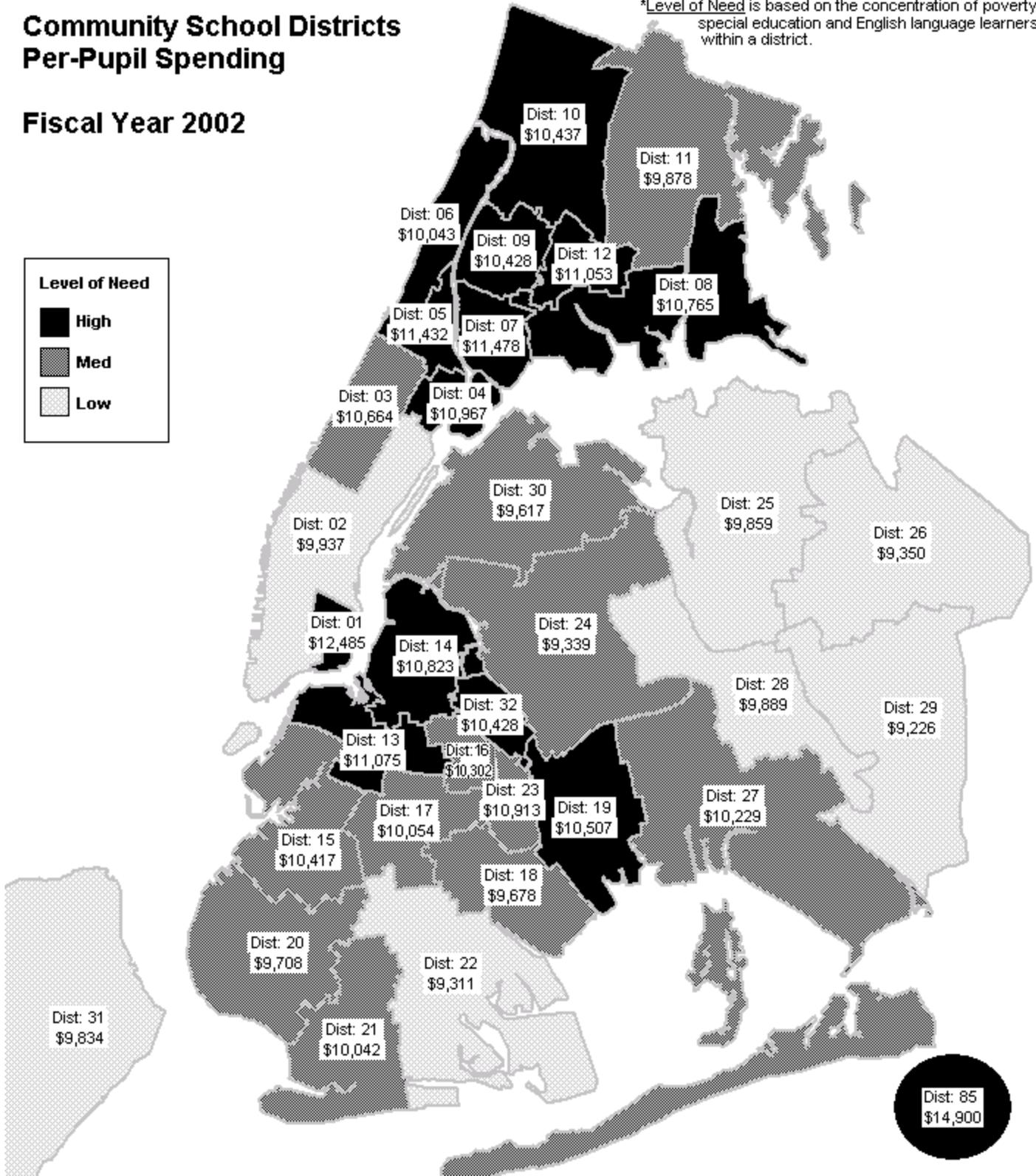
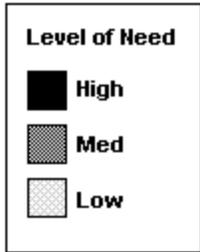
Data Source: Division of Assessment & Accountability (DAA), NYC Department of Education.
 Note: Only schools that appear in the FY 2002 School Based Expenditure Report database are used to compute the average in each of the need categories (thus may differ somewhat from DAA computations).
 * Community School Districts (csd's) consist of all elementary and middle schools. There are 32 csd's plus the Chancellor's District (District 85), comprised of low performing schools taken over by Central.
 **Percent of students qualifying for free or reduced price lunch is used as a measure of poverty

District Needs

Community School Districts Per-Pupil Spending

Fiscal Year 2002

*Level of Need is based on the concentration of poverty, special education and English language learners within a district.



District Needs

Community School Districts
Per-Pupil Spending
Fiscal Year 2002

Low Need Districts

District 02: \$ 9,937	District 22: \$ 9,311	District 25: \$ 9,859	District 26: 9,350
District 28: \$ 9,889	District 29: \$ 9,226	District 31: \$ 9,834	

Middle Need Districts

District 03: \$ 10,664	District 11: \$ 9,878	District 15: \$ 10,417	District 16: \$ 10,302
District 17: \$ 10,054	District 18: \$ 9,678	District 20: \$ 9,708	District 21: \$ 10,042
District 23: \$ 10,913	District 24: \$ 9,339	District 27: \$ 10,229	District 30: \$ 9,617

High Need Districts

District 01: \$ 12,485	District 04: \$ 10,967	District 05: \$ 11,432	District 06: \$ 10,043
District 07: \$ 11,478	District 08: \$ 10,765	District 09: \$ 10,428	District 10: \$ 10,437
District 12: \$ 11,053	District 13: \$ 11,075	District 14: \$ 10,823	District 19: \$ 10,507
District 32: \$ 10,428	District 85: \$ 14,900		

*Level of Need is based on the concentration of poverty, special education and English language learners within a district.