

**Analysis of New York City's
2008-09 Approved
Contract for Excellence
Allocations**

**Campaign for Fiscal Equity, Inc.
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The Campaign for Fiscal Equity, Inc. (CFE) is a leading non-profit organization working to protect and promote the constitutional right to a sound basic education - defined as a meaningful high school education - for every public school child in the State of New York. CFE was founded in 1993 by a coalition of concerned parents and education advocates who filed the landmark case *CFE v. State of New York*, which established this right. To make this right a reality, CFE works to ensure that the neediest students in low performing schools make academic progress, graduate high school and become active civic participants who can compete in the global economy. CFE works to educate and engage the public and policy makers to ensure that the historic school budget increases, accountability reform and meaningful public participation that resulted from the landmark CFE court decision and law reform are fully implemented.

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EXECUTIVE SUMMARY

In April 2007, the New York State Legislature with the leadership of the Governor passed historic education legislation that provided for a multi-year infusion of new school funding; the creation of a clear cut system of accountability for new funds distributed under the legislation; and a fair and simple funding formula, known as Foundation Aid. The legislation provided a four-year commitment to increase state education funding levels to supply adequate resources to districts across the state. To make certain that these new monies are spent wisely to improve teaching and learning for students with the greatest needs, the legislation requires that identified districts develop an annual Contract for Excellence specifying how the district will spend that part of its Foundation Aid subject to the legislation. The Contract for Excellence (Contract) must be developed with public input, enhance current programs or initiate new programs that employ improvement strategies approved by the State Education Department, and be submitted to the Commissioner of Education for approval. The legislation requires that each covered district be held accountable for implementing its approved plan and reaching its intended goals.

The legislation requires that schools use Contract dollars to fund one or more of the following six programs for school improvement:

- Class size reduction;
- Increasing time on task;
- Improving teacher/principal quality;
- Middle or high school restructuring;
- Providing full-day prekindergarten or kindergarten; and/or,
- Model Programs for English Language Learners (ELLs).

For the 2008-09 school year, the State provided \$388 million in new Contract money to New York City schools. The Campaign for Fiscal Equity (CFE) conducted analyses of both the Department of Education's (DOE) July proposed distribution and the State-approved distribution of the funds. Both analyses were based on data available from DOE. The 1,439 schools receiving Contract dollars represent 100 percent of New York City's public schools excluding District 75. DOE allocated no Contract dollars to District 75 schools.

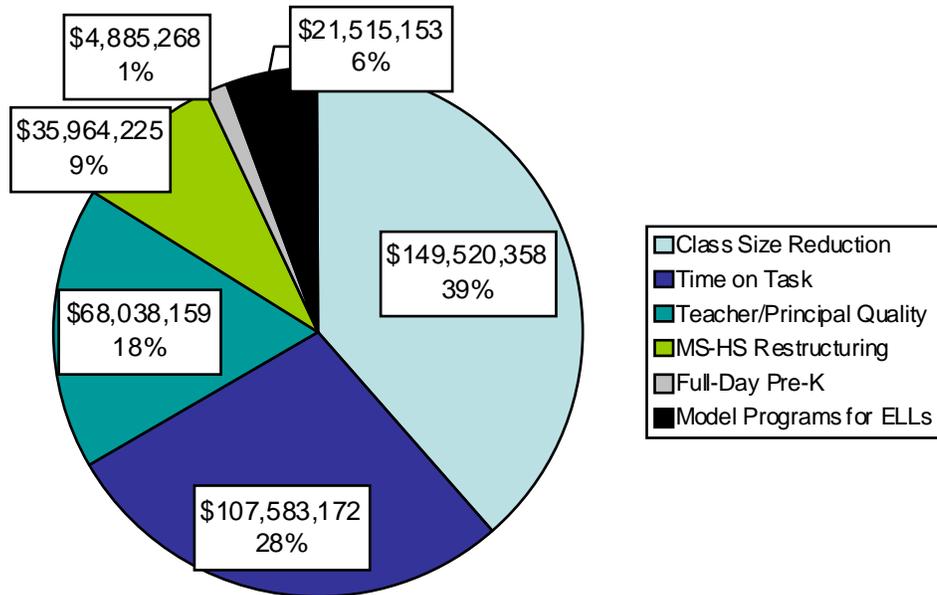
Comparison of Proposed and Approved Allocations

The approved allocation of Contract dollars exceeded the proposed allocation by almost \$9 million and also directed \$20 million, previously shown as a citywide allocation, to schools. Three new programs and changes to existing programs account for the additional \$29 million in Contract dollars allocated to schools. Allocations to the new programs - ELL Success Grants, Middle School (MS) Success Grants, and School Restructuring - totaled \$25 million. An additional \$3.8 million in Contract dollars was allocated to three existing DOE programs - Discretionary, Collaborative Team Teaching (CTT) Programs, and CTT fringe. Approximately

\$1.2 million was re-allocated from fringe benefits for summer school staff to the summer school program.

Approved Allocations by Program Area

The chart below shows that DOE allocated the largest percentage (39 percent) of Contract dollars for use in reducing class size. On average, schools in each category of student need and each grade organization group allocated the largest percentage of Contract dollars to reducing class size.



Within the class-size reduction program, less than one-third of funding (\$46 million) was allocated to *creating additional classrooms*. Nearly \$104 million was allocated for *reducing teacher-student ratio through team-teaching strategies*. More than \$30 million in Contract dollars was allocated to three strategies in two other program areas: *instructional coaches for teachers* (improving teacher/principal quality) received \$44 million; *dedicated instructional time and lengthened school year* (both increasing time on task) received \$42 million and \$31 million, respectively. No other strategy was allocated more than \$30 million.

Compared with the previous year, the 2008-09 Contract allocated a smaller percentage of Contract dollars to reducing class size and larger percentages for increasing time on task and improving teacher/principal quality. In 2007-08, 59 percent (\$152 million) went to reducing class size; \$48 million (19 percent) to increasing time on task, and \$40 million (15 percent) to improving teacher/principal quality. Allocations for full-day pre-kindergarten increased from \$182 thousand in 2007-08 to nearly \$5 million, a 27-fold increase.

Approved Allocations by Need Quartile

Commissioner's Regulations require that 75 percent of Contract dollars be allocated to schools where the concentration of student need is above the City median (the 75/50 rule). To accomplish this objective, schools are divided into four quartiles according to measures of poverty, limited English proficiency, disability, and performance. The conclusion of CFE's analyses is that New York City's approved allocation of Contract dollars complies with this requirement.

Need Quartile	\$\$ Allocated	Enrollment	Percentage above/ below Median
1 Low Need	\$32,024,148	234,190	
2 Low Need	\$64,673,206	238,811	25.0%
3 High Need	\$122,618,218	236,285	
4 High Need	\$168,190,763	229,171	75.0%
Total Contract Dollars	\$387,506,335	938,457	

Supplanting City Dollars with Contract Dollars

The State-approved distribution leaves open the issue of whether DOE used Contract dollars to supplant City dollars. Section 2576.5b of State legislation on mayoral control states that: "The city amount (expenditures funded by city funds for the support of city school district of the city of New York, not including debt service or pensions) shall not be less than the city amount appropriated in the base year as determined at the time of adoption of the budget for the ensuing fiscal year."

The City has met the requirement to invest no fewer dollars in the schools in 2008-09 than in the previous year by allocating an additional \$400 million. However, the City's allocation of tax levy dollars was insufficient to fully fund schools using the Fair Student Funding formula, forcing the City to reduce the Fair Student Funding allocation to schools by \$430 million. According to Chancellor Klein, the schools needed an additional \$809 million to maintain 2007-08 services. The supplanting issue relates to the way that DOE allocated funding to restore schools' spending power to their 2007-08 levels. In principle, to avoid supplanting, a district should distribute tax levy and unrestricted State dollars equitably among schools before allocating Contract dollars. The evidence demonstrates that New York City did not apply that principle.

According to DOE's June 30 allocation file (sam_04), \$120 million in tax levy funds, \$89 million in Teacher Legacy funds, \$64 million in previously undistributed Contract funds, and \$179 million in discretionary Contract funds were used to ensure a minimum net change of \$0 in each school's Fair Student Funding. These Contract allocations totaling \$243 million were explicitly used to supplant reductions in funding from the tax levy and other unrestricted dollars. While DOE distributed 75 percent of Contract dollars to High Need Schools, 86 percent

of the \$120 million new tax levy dollars was distributed to schools below the median in student need. The teacher legacy funds, in contrast, were allocated evenly between Low and High Need Schools. Our analysis of the approved allocations indicates some limited re-allocation of Contract dollars to the highest need schools. The re-allocation was, however, insufficient to address the issue of supplanting.

Additional evidence of supplanting in the July allocations came from the distribution of the \$30 million in Contract dollars that regulations allowed DOE to use for Continuation of Effort (COE); that is, to continue programs funded by Contract or tax levy dollars in the previous year. DOE, in its July proposed Contract, allocated the COE funds exclusively to High Need Schools to maintain summer school programs. Summer school programs in Low Need Schools were maintained with City or unrestricted State dollars. By not dividing the COE funds equitably, DOE deprived High Need Schools of Contract dollars that might have been used for new or expanded programs to serve at-risk students. In its approved allocation, DOE partly addressed this issue by allocating 18 percent of the COE funds to Low-Need Schools.

The distinction between Contract and other dollars is important because of the restrictions on spending Contract dollars. With the exception of funds allocated for COE, Contract dollars cannot be used to maintain positions funded with tax levy or unrestricted State dollars in the previous year. Therefore, DOE's distribution of tax levy and Contract dollars provided Low Need Schools with greater flexibility to maintain 2007-08 programs.

A second distinction between Contract dollars and tax levy and unrestricted State dollars is that fringe benefits for staff hired with Contract dollars must be paid from Contract dollars in the school's budget, while fringe benefits for other staff are paid by tax levy. Fringe benefits for summer school and CTT-program staff funded by Contract dollars were taken from Contract dollars allocated to schools with these programs further reducing the spending power of High Need Schools. In the approved plan, 74 percent (\$16.7 million) of fringe benefits to be paid with Contract dollars would be paid by High Need Schools.

Accountability for Continuing Contract Programs

Section 6807-C of Education Law requires each district with Contract dollars to support and maintain in succeeding years the programs approved by the Commissioner in the base year or use the funds to support new or expanded allowable programs. In 2008-09, New York City is accountable for the expenditure of \$645 million, including the \$258 million allocated in 2007-08. New York City has provided neither the required documentation showing the actual 2007-08 expenditures of Contract dollars nor documentation of the continuation or replacement of the approved programs initiated in 2007-08.

Recommendations

CFE acknowledges that DOE has met the requirement to distribute Contract dollars to schools according to concentration of need using the 75/50 rule. CFE believes, however, that the Contract dollars will have the greatest impact on performance if they are focused on a smaller group of schools, particularly those in Need Quartiles 3 and 4. Further, CFE believes that, in schools without exceptionally high concentrations of need, schools should target Contract dollars to those students with the greatest need.

CFE believes that DOE should be required to maintain programs and teachers funded with tax levy and unrestricted State funds from year to year using those funds. If economic difficulties make it impossible to provide sufficient City funds to continue those programs, cuts should be made proportionately across all New York City schools. High Need Schools should not be more dependent than Low Need Schools on Contract dollars to maintain programs formerly funded by other dollars.

To evaluate the effectiveness of Contract dollars, DOE must comply with the statutory requirement to provide expenditure information at the school level. This budget information should identify the specific groups that benefited from each intervention: e.g., the principals that received training; the teachers that received mentoring; and the grades, subjects, and demographic groups for whom class sizes were reduced, school days or school years lengthened.

At the end of four years, DOE will need to demonstrate performance improvements attributable to the total Contract dollars allocated over that time. To this end, it is essential that DOE and other districts receiving Contract dollars keep careful electronic records specifying the participation of students in programs funded with Contract dollars. Those records will allow independent researchers to evaluate the effect of Contract dollars on student performance.

Information on what was purchased with Contract dollars and identification of students benefiting from the programs is essential to evaluating the programs funded with Contract dollars and identifying those programs that are most effective in raising the achievement of specific groups of children. It is critical that the most effective programs be identified and replicated. Failure to show a strong link between programs and results will place continued funding at risk.

ANALYSIS OVERVIEW

For the 2008-09 school year, the State provided \$388 million in new Contract money to New York City schools. The Campaign for Fiscal Equity (CFE) conducted an analysis of the Department of Education's (DOE) State-approved allocation of the funds based on data available from DOE. The 1,439 schools receiving 2008-09 Contract dollars represent 100 percent of New York City public schools outside District 75. DOE allocated no Contract dollars to District 75 schools. CFE analyzed Contract dollar distribution according to Concentration of Need, DOE Program, Contract Program Area and Strategy as defined by Commissioner's Regulations, and Grade Organization.

CFE's findings indicate that the approved distribution of Contract dollars satisfied the requirement that 75 percent of Contract dollars be allocated to schools with 50 percent of educational need. In August 2008, CFE reported on its analysis of DOE's July 23 proposed allocation of Contract dollars. The analysis suggested that in its efforts to restore the spending power of all City schools to 2007-08 levels, DOE supplanted some City dollars with Contract dollars. Our analysis of the approved 2008-09 allocations indicates some limited re-allocation of Contract dollars to the highest need schools. The re-allocation was, however, insufficient to address the issue of supplanting.

The approved allocation of Contract dollars exceeded the proposed July allocation by \$8,895,745 and also directed \$20 million, which was previously shown as a citywide allocation, to schools. The allocations by DOE program are shown below.

DOE Category	Proposed Allocation	Approved Allocation	Change
Discretionary	\$242,360,263	\$242,694,857	\$334,594
CTT Programs	\$42,286,626	\$43,994,821	\$1,708,195
CTT fringe	\$15,223,185	\$16,977,522	\$1,754,337
Autism Spectrum Disorder Programs	\$4,799,557	\$4,799,557	\$0
ELL Success Grants		\$6,958,595	\$6,958,595
ELL Summer School	\$2,172,949	\$2,172,949	\$0
MS Success Grants		\$13,000,002	\$13,000,002
Pre-K Full-Day Expansion	\$4,763,118	\$4,763,118	\$0
Multiple Pathways	\$7,000,000	\$6,999,999	(\$1)
Principal Training	\$10,000,000	\$10,000,431	\$431
Summer School	\$23,158,941	\$24,349,142	\$1,190,201
Summer School Fringe	\$6,845,950	\$5,650,858	(\$1,195,092)
School Restructuring		\$5,144,484	\$5,144,484
Total Contract Dollars Allocated to Schools	\$358,610,590		
Programs to recruit/retain highly qualified teachers (district level)	\$20,000,000		
Total Contract Dollars	\$378,610,590	\$387,506,335	\$8,895,745

Three new programs and changes to existing programs account for the additional \$29 million in Contract dollars allocated to schools. Allocations to the new programs - ELL Success Grants, Middle School (MS) Success Grants, and School Restructuring - totaled \$25 million. An additional \$3.8 million in Contract dollars was allocated to three existing DOE programs - Discretionary, CTT Programs, and CTT fringe. Approximately \$1.2 million was re-allocated from fringe benefits for summer school staff to the summer school program.

THE 75/50 RULE

Concentration of Need is intended to target Contract dollars to students with the greatest educational need as defined in Commissioner’s Regulations. The methodology is described in DOE’s School Allocation Memorandum No. 06, FY 09. Each school’s Concentration of Need factor is the sum of the percentages of limited English proficient students, students with disabilities, students receiving free lunch, and weighted students with low academic achievement. To determine Need Quartiles, DOE ordered schools from highest to lowest according to Concentration of Need and divided the list into quartiles with roughly equal enrollment. For purposes of these analyses, schools in Need Quartiles 1 and 2 are considered Low Need and schools in Need Quartiles 3 and 4, High Need.

To initially distribute \$242,360,263 in discretionary Contract dollars, DOE calculated a weighted student count for each school by multiplying the Concentration of Need factor by the projected enrollment. DOE allocated \$112.16 for each weighted student in Need Quartiles 1 and 2; \$235.28 for each weighted student in Quartiles 3 and 4. Schools in Quartiles 1 and 2 were in need of improvement under the State or Federal accountability system got \$198.75 per weighted student.

Commissioner’s Regulations require that 75 percent of Contract dollars be allocated to schools where the concentration of student need is above the City median. This requirement is referred to as the 75/50 rule. The conclusion of these analyses is that New York City’s approved allocation of Contract dollars complies with this requirement.

Table 1 on the following page, shows the allocations of almost \$388 million in Contract dollars to New York City Public Schools. Of these dollars, 75.0 percent were allocated to schools with student need above the City median (Need Quartiles 3 and 4).

Table 1
Total Contract Dollars Allocated to New York City Schools by Need Quartile

Need Quartile	\$\$ Allocated	Enrollment	\$\$ per student	Weighted Students	\$\$ per weighted student	Percentage of Contract \$\$	Percentage above/ below Median
1 Low Need	\$32,024,148	234,190	\$137	161,563	\$198	8.3%	
2 Low Need	\$64,673,206	238,811	\$271	286,069	\$226	16.7%	25.0%
3 High Need	\$122,618,218	236,285	\$519	347,741	\$353	31.6%	
4 High Need	\$168,190,763	229,171	\$734	426,149	\$395	43.4%	75.0%
Total Contract \$\$	\$387,506,335	938,457	\$413	1,221,522	\$317	100.0%	

Note: the number of weighted students in each school was based on New York City DOE’s calculation of concentrated need used for distributing discretionary Contract dollars and to place schools in the Need Quartiles. The methodology is described in School Allocation Memorandum No. 06, FY 09. In this methodology, the projected enrollment in each school is multiplied by the sum of the percentages of limited English proficient students, students with disabilities, students receiving free lunch, and students with low academic achievement. Students may be counted in more than one category; therefore, the number of weighted students may be greater than the enrollment.

Table 2 shows the change in allocations from the proposed to the approved Contract by need quartile. Of the \$29 million newly allocated to schools, the majority (56 percent) went to schools in the highest Need Quartile. Schools in the quartile with the lowest need lost \$622 thousand.

Table 2
Change in Contract Dollars from Proposed to Approved Allocations

Need Quartile	Proposed Allocation	Approved Allocation	Change	Percent of Change
1 Low Need	\$32,646,698	\$32,024,148	-\$622,550	-2%
2 Low Need	\$59,210,029	\$64,673,206	\$5,463,177	19%
3 High Need	\$114,869,413	\$122,618,218	\$7,748,805	27%
4 High Need	\$151,884,449	\$168,190,763	\$16,306,314	56%
Total Contract \$\$	\$358,610,590	\$387,506,335	\$28,895,745	100%

SCHOOL COUNTS ACCORDING TO GRADE ORGANIZATION AND NEED QUARTILE

The elementary school group includes more schools (714) than any other group; the smallest group was K-8 schools (27). The number of schools varied among quartiles because quartiles were determined by enrollment rather than school numbers. The smallest number of schools (279) were in Need Quartile 1; the largest (408) in 2. Middle Schools were least likely to be in Need Quartile 1 and most likely to be in Need Quartile 4; the percentages of such schools in those quartiles were 16 and 40, respectively. This finding is consistent with the lower performance of students in grades 6 through 8 on the State assessments in English language arts (ELA) and mathematics. Because DOE is still using 2005-06 performance to determine quartiles, recent improvements in middle-school performance are not reflected in these quartile designations.

Table 3
Number and Percent of Schools by Grade Organization and Need Quartile

Grade Organization	Need Quartile 1	Need Quartile 2	Need Quartile 3	Need Quartile 4	Total
Elementary	143	185	191	195	714
	(20%)	(26%)	(27%)	(27%)	(100%)
K-8	7	5	9	6	27
	(26%)	(19%)	(33%)	(22%)	(100%)
Middle School	43	47	76	110	276
	(16%)	(17%)	(28%)	(40%)	(100%)
High school	75	150	79	58	362
	(21%)	(41%)	(22%)	(16%)	(100%)
Secondary School	11	21	13	15	60
	(18%)	(35%)	(26%)	(25%)	(100%)
Total	279	408	368	384	1,439
	(19%)	(28%)	(26%)	(27%)	(100%)

ALLOCATIONS ACCORDING TO GRADE ORGANIZATION

Table 4 shows that middle schools received more Contract dollars per student (\$528) than schools with any other grade organization. These schools enrolled 18 percent of students but received 23 percent of Contract dollars. The fewest Contract dollars per student (\$338) were allocated to high schools which enrolled 31 percent of City students not enrolled in District 75. The disproportionate allocations to middle schools are consistent with the relatively low performance of these schools on State assessments.

Table 4
Total Contract Dollar Allocations by Grade Organization

Grade Organization	Total Contract \$\$	Enrollment	Contract \$\$ per Student	Percent of Contract \$\$	Percent of Enrollment
Elementary	\$181,841,598	436,771	\$416	47%	47%
High School	\$97,498,375	288,582	\$338	25%	31%
K-8	\$6,354,885	15,234	\$417	2%	2%
Middle School	\$88,212,810	167,110	\$528	23%	18%
Secondary School	\$13,598,667	30,760	\$442	4%	3%
Total	\$387,506,335	938,457	\$413	100%	100%

CROSSWALK BETWEEN DOE PROGRAMS AND CONTRACT PROGRAMS

Our initial analysis of the proposed 2008-09 Contract dollar allocations was by DOE Program. The remaining analyses consider the Programs Areas allowed by statute and enumerated above. Table 5 shows the crosswalk between DOE Programs and the allowed Program Areas. The table shows the number of Contract dollars allocated in each cell formed by the intersection of DOE Programs with Contract Programs. DOE allocated the largest number of dollars to its discretionary category, which allowed each school to choose the Contract Program Area that best met its needs.

Table 5
Contract Dollar Allocations by DOE and Contract Program

DOE Program	Class Size Reduction	Time on Task	Teacher/Principal Quality	MS/HS Restructuring	Full-Day PreK	Model Programs for ELLs
Autism Spectrum Disorder Classrooms	\$4,799,557					
CTT Classroom	\$43,994,821					
CTT Classroom Fringe	\$16,977,522					
Discretionary	\$83,748,450	\$77,583,172	\$58,037,728	\$10,819,740	\$122,150	\$12,383,609
ELL Success Grant						\$6,958,595
ELL Summer School						\$2,172,949
MS Success Grants				\$13,000,002		
Multiple Pathways				\$6,999,999		
Pre-K Full-Day Expansion					\$4,763,118	
Principal Training			\$10,000,431			
School Restructuring				\$5,144,484		
Summer School		\$24,349,142				
Summer School Fringe		\$5,650,858				

DISTRIBUTION OF CONTRACT DOLLARS BY PROGRAM AREA

The legislation requires that schools use Contract dollars to fund one or more of the following six programs for school improvement:

- Class size reduction;
- Increasing time on task;
- Improving teacher/principal quality;
- Middle or high school restructuring;
- Providing full-day prekindergarten or kindergarten (Since New York City already had universal full-day kindergarten, funds in this category went to implement full-day prekindergarten programs); and/or,
- Model Programs for English Language Learners (ELLs).

DOE allocated the largest percentage (39 percent) of Contract dollars for use in reducing class size. Compared with the previous year, the 2008-09 Contract allocated a smaller percentage of Contract dollars to reducing class size and larger percentages for increasing time on task and improving teacher/principal quality. In 2007-08, 59 percent (\$152 million) went to reducing class size; \$48 million (19 percent) to increasing time on task, and \$40 million (15 percent) to improving teacher/principal quality. Allocations for full-day pre-kindergarten increased from \$182 thousand in 2007-08 to nearly \$5 million, a 27-fold increase.

For the City as a whole, the number and percentage of Contract dollars allocated by program area are shown in the chart below.

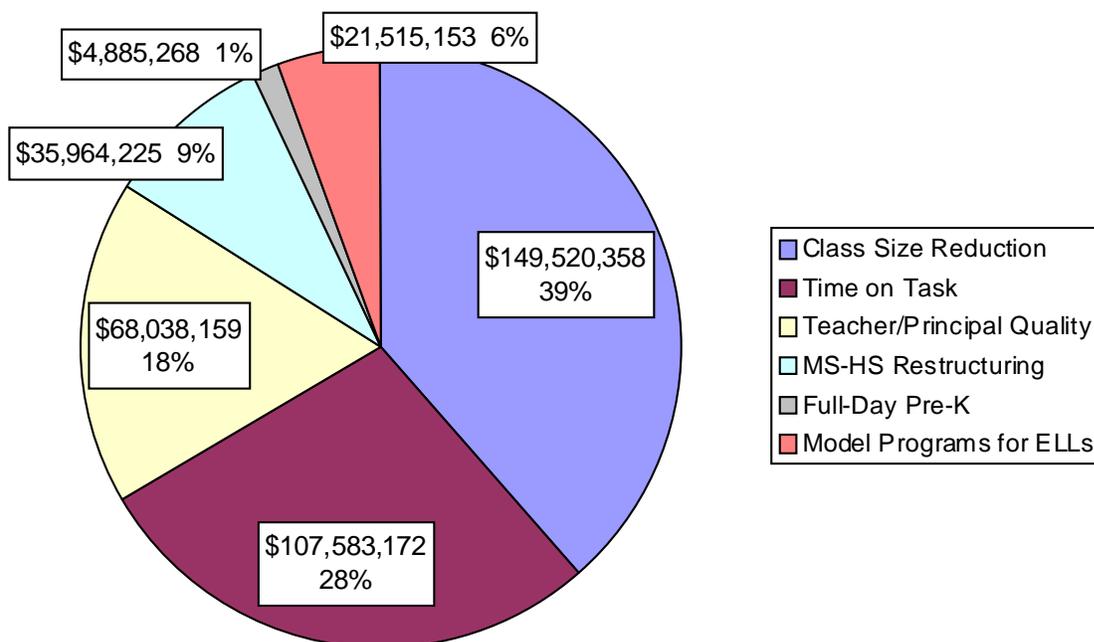


Table 6 provides the Contract dollars, enrollment, and dollars per student for each program area. Considering only enrollments in schools that allocated Contract dollars to a program area, schools initiating full-day prekindergarten programs were allocated the largest number of dollars per student (\$287). (Note that the City has not provided the number of prekindergarten children served with these dollars. Therefore, we cannot determine how many dollars per prekindergarten child were used for this purpose.) With the exception of the prekindergarten programs, more dollars per student (\$268) were allocated for class size reduction than for any other program area.

Table 6
Citywide Allocation of Contract Dollars by Program Area

Program Area	Contract \$\$	Enrollment in Participating Schools	Contract \$\$ per Student
Class Size Reduction	\$149,520,358	557,630	\$268
Time on Task	\$107,583,172	699,831	\$154
Teacher/Principal Quality	\$68,038,159	737,691	\$92
MS/HS Restructuring	\$35,964,225	229,136	\$157
Full-Day PreK	\$4,885,268	17,007	\$287
Model Programs for ELLs	\$21,515,153	222,891	\$97
Total	\$387,506,335	938,457	\$413

Table 7 shows the allocation of Contract dollars by Program Strategy within Program Area. DOE allocated more than twice as many class size reduction dollars to reducing teacher-student ratio through team-teaching strategies than to the creation of additional classrooms. The largest number of dollars for increasing time on task were devoted to providing dedicated instructional time. Within the improving teacher/principal quality program, the majority of dollars were dedicated to providing instructional coaches for teachers. Restructuring funds were mainly designated for instructional rather than structural changes. Almost all funds for developing model programs for ELLs were allocated to developing innovative programs.

**Table 7
Allocations by Contract Program Area and Strategy**

Program Area	Program Allocation		Program Strategy	Strategy Allocation	
	Dollars	Percent		Dollars	Percent
Class Size Reduction	\$149,520,358	39%	Creation of Additional Classrooms	\$45,903,155	12%
			Reducing Teacher-Student Ratio through Team-Teaching Strategies	\$103,617,203	27%
Increasing Time On Task	\$107,583,172	28%	Lengthened School Day	\$25,198,659	7%
			Lengthened School Year	\$31,271,963	8%
			Dedicated Instructional Time	\$41,864,980	11%
			Individualized Tutoring	\$9,247,570	2%
Improving Teacher/Principal Quality	\$68,038,159	18%	Programs To Recruit/Retain Highly Qualified Teachers	\$4,995,641	1%
			Professional Mentoring for Beginning Teachers and Principals	\$7,734,526	2%
			Instructional Coaches for Teachers	\$44,218,775	11%
			School Leadership Coaches for Principals	\$11,089,217	3%
Middle or High School Restructuring	\$35,964,225	9%	Instructional Changes	\$28,144,212	7%
			Structural Changes	\$7,820,013	2%
Providing Full-Day Prekindergarten	\$4,885,268	1%	Full-Day Pre-K	\$4,885,268	1%
Model Programs for English Language Learners (ELs)	\$21,515,153	6%	Innovative Programs for Underserved ELL Populations	\$21,499,230	6%
			Teacher Development, Recruitment and Retention	\$15,923	0%
Total	\$387,506,335	100%	Total	\$387,506,335	100%

ALLOCATIONS BY PROGRAM AREA AND NEED QUARTILE

Schools in each quartile allocated the largest percentage of their Contract dollars to reducing class size (Table 8). The relatively Low Need Schools in Need Quartile 2 allocated larger percentages for this purpose than the High Need Schools (Need Quartiles 3 and 4). Schools in Quartile 1 allocated a larger percentage of their Contract dollars than other schools to increasing time on task. Schools in all four quartiles allocated the third largest percentage of Contract dollars to improving Teacher/Principal Quality. Relatively small percentages of Contract dollars were allocated to the remaining three program areas, MS/HS Restructuring, Full-Day Prekindergarten, and Model Programs for ELLs.

Table 8
Allocations by Program Area and Need Quartile

Program Area	Need Quartile 1	Need Quartile 2	Need Quartile 3	Need Quartile 4	Total
Class Size Reduction	\$11,835,042	\$29,156,344	\$43,628,350	\$64,900,622	\$149,520,358
	37%	45%	36%	39%	
Time on Task	\$10,531,359	\$16,444,330	\$35,614,135	\$44,993,348	\$107,583,172
	33%	25%	29%	27%	
Teacher/Principal Quality	\$5,699,038	\$11,270,665	\$24,270,142	\$26,798,314	\$68,038,159
	18%	17%	20%	16%	
MS/HS Restructuring	\$2,224,897	\$2,727,355	\$13,485,096	\$17,526,877	\$35,964,225
	7%	4%	11%	10%	
Full-Day PreK	\$821,009	\$2,670,012	\$723,177	\$671,070	\$4,885,268
	3%	4%	1%	0%	
Model Programs for ELLs	\$912,803	\$2,404,500	\$4,897,318	\$13,300,532	\$107,583,172
	3%	4%	4%	8%	
Total	\$32,024,148	\$64,673,206	\$122,618,218	\$168,190,763	\$387,506,335

ALLOCATIONS BY PROGRAM STRATEGY AND NEED QUARTILES

Table 9 provides the breakdown of allocations by Program Strategy within Program Area for each Need Quartile. Within most Program Areas, the pattern of expenditures among quartiles was similar. One exception was funding for increasing time on task. Schools in Need Quartiles 1, 2, and 3 allocated the largest percentage of funds in this area to providing dedicated instructional time and the second largest to lengthening the school day. The highest need schools devoted the largest percentage of dollars to lengthening the school year followed by increasing dedicated instructional time.

Table 9
Percentage of Contract Dollars Devoted to Each Strategy by Program Area

Program Area/Strategy	Need Quartile 1	Need Quartile 2	Need Quartile 3	Need Quartile 4	Total
Class Size Reduction	\$11,835,042	\$29,156,344	\$43,628,350	\$64,900,622	\$149,520,358
Creation of Additional Classrooms	22%	27%	32%	33%	31%
Reducing Teacher-Student Ratio through Team-Teaching Strategies	78%	73%	68%	67%	69%
Increasing Time on Task	\$10,531,359	\$16,444,330	\$35,614,135	\$44,993,348	\$107,583,172
Lengthened School Day	27%	29%	27%	18%	23%
Lengthened School Year	17%	23%	19%	42%	29%
Dedicated Instructional Time	49%	38%	45%	32%	39%
Individualized Tutoring	7%	10%	9%	8%	9%
Improving Teacher/Principal Quality	\$5,699,038	\$11,270,665	\$24,270,142	\$26,798,314	\$68,038,159
Programs To Recruit/Retain Highly Qualified Teachers	6%	8%	7%	8%	7%
Professional Mentoring for Beginning Teachers and Principals	12%	16%	8%	13%	11%
Instructional Coaches for Teachers	73%	66%	67%	61%	65%
School Leadership Coaches for Principals	9%	10%	18%	19%	16%
Middle or High School Restructuring	\$2,224,897	\$2,727,355	\$13,485,096	\$17,526,877	\$35,964,225
Instructional Changes	75%	95%	82%	73%	78%
Structural Changes	25%	5%	18%	27%	22%
Full-Day Pre-K	\$821,009	\$2,670,012	\$723,177	\$671,070	\$4,885,268
Model Programs for ELLs	\$912,803	\$2,404,500	\$4,897,318	\$13,300,532	\$21,515,153
Innovative Programs for Underserved ELL Populations	100%	100%	100%	100%	100%
Teacher Development, Recruitment and Retention	0%	0.3%	0%	0.1%	0%
Total	\$32,024,148	\$64,673,206	\$122,618,218	\$168,190,763	\$387,506,335

ALLOCATIONS BY PROGRAM AREA AND GRADE ORGANIZATION

In the five Grade Organizations, the largest percentage of Contract dollars (from 30 to 47 percent) was allocated to reduce class size (see Table 10). The second highest allocations in all Grade Organizations (except K-8) went to increasing time on task. In K-8 schools, about one-quarter of Contract dollars were allocated to each of two programs: teacher/principal quality and time on task. In elementary and middle schools, the third highest allocations were for improving teacher and principal quality. High schools and secondary schools allocated the third largest percentage of Contract dollars to restructuring, a program area only available for use in middle and higher grades. Elementary schools invested a larger percentage of Contract dollars in Model Programs for ELLs than other grade organizations.

Table 10
Allocations by Program Area and Grade Organization

Program Area	Elementary	K-8	Middle School	High School	Secondary School
Class Size Reduction	41%	30%	36%	37%	47%
Time on Task	26%	25%	28%	33%	19%
Teacher/Principal Quality	22%	26%	19%	9%	10%
MS/HS Restructuring	2%	9%	13%	17%	20%
Full-Day PreK	2%	6%	0%	0%	0%
Model Programs for ELLs	7%	4%	4%	5%	3%
Total	100%	100%	100%	100%	100%

Table 11 shows, for each grade organization and program area, the number of Contract dollars, the enrollment in schools with that program, and the Contract dollars per student for that program. The largest investments per student were in class size reduction and full-day preK. Secondary and high schools invested less money per student in class size reduction and improving teacher/principal quality than other school organizations and invested more dollars in middle school/high school restructuring. Among Grade Organizations, secondary schools invested the largest number of Contract dollars per student in model programs for ELLs.

**Table 11
Total Contract Dollars, Enrollment, and Contract Dollars per Student in Schools with Each Program by Grade Organization**

	Elementary	K-8	Middle School	High Schools	Secondary School
Class Size Reduction					
Contract \$\$	\$74,078,317	\$1,889,744	\$31,548,227	\$35,666,850	\$6,337,220
Enrollment in Schools with Program	248,077	5,831	102,919	180,978	19,825
\$\$ per Student	\$299	\$324	\$307	\$197	\$320
Time on Task					
Contract \$\$	\$47,164,517	\$1,573,938	\$24,473,867	\$31,723,517	\$2,647,333
Enrollment in Schools with Program	298,759	9,752	135,528	233,994	21,798
\$\$ per Student	\$158	\$161	\$181	\$136	\$121
Teacher/Principal Quality					
Contract \$\$	\$39,721,454	\$1,655,667	\$16,566,728	\$8,700,126	\$1,394,184
Enrollment in Schools with Program	346,787	13,999	149,967	205,802	21,136
\$\$ per Student	\$115	\$118	\$110	\$42	\$66
MS-HS Restructuring					
Contract \$\$	\$4,376,217	\$563,820	\$11,704,832	\$16,563,473	\$2,755,883
Enrollment in Schools with Program	26,922	5,199	78,861	100,468	17,686
\$\$ per Student	\$163	\$108	\$148	\$165	\$156
Full-Day Pre-K					
Contract \$\$	\$4,481,369	\$403,899	\$0	\$0	\$0
Enrollment in Schools with Program	15,725	1,282	0	0	0
\$\$ per Student	\$285	\$315	\$0	\$0	\$0
Model Programs for ELLs					
Contract \$\$	\$12,019,724	\$267,817	\$3,919,156	\$4,844,409	\$464,047
Enrollment in Schools with Program	110,345	3,300	41,392	63,878	3,976
\$\$ per Student	\$109	\$81	\$95	\$76	\$117

COMPARISON OF 2007-08 AND 2008-09 CONTRACT ALLOCATIONS

For the 2007-08 school year, DOE allocated almost \$258 million in Contract dollars to City schools. Section 6807-C of Education Law passed in January 2008 requires each district with Contract dollars to support and maintain in succeeding years the programs approved by the Commissioner in the base year or use the funds to support new or expanded allowable programs. This section reads as follows:

(vi) each contract for excellence for a school district that was required to prepare a contract for excellence in the base year shall provide for the expenditure of an amount equivalent to the total budgeted amount approved by the commissioner in the district's approved contract for excellence for the base year; provided that such amount shall be expended to support and maintain allowable programs and activities approved in the base year or to support new or expanded allowable programs and activities in the current year.

New York City has provided neither the required documentation showing the actual 2007-08 expenditures of Contract dollars nor documentation of the continuation or replacement of the approved programs initiated in 2007-08.

Table 12 compares the approved allocations of Contract dollars by New York City in 2007-08 and 2008-09.

Table 12
Contract Dollars Allocations in 2007-08 and 2008-09 by Program Area

Program Area	2007-08 Contract \$\$	2008-09 Contract \$\$	Total Contract \$\$
Class Size Reduction	\$152,670,808	\$149,520,358	\$302,191,166
Time on Task	\$48,306,500	\$107,583,172	\$155,889,672
Teacher/Principal Quality	\$39,798,746	\$68,038,159	\$107,836,905
MS/HS Restructuring	\$16,894,237	\$35,964,225	\$52,858,462
Full-Day PreK	\$182,240	\$4,885,268	\$5,067,508
Model Programs for ELLs	\$0	\$21,515,153	\$21,515,153
Total	\$257,852,531	\$387,506,335	\$645,358,866

SUPLANTING CITY DOLLARS WITH CONTRACT DOLLARS

While the approved allocation brings DOE into compliance with the 75/50 rule, it leaves open the issue of whether DOE used Contract dollars to supplant City dollars. Section 2576.5b of State legislation on mayoral control states that: "The city amount (expenditures funded by city funds for the support of city school district of the city of New York, not including debt service or pensions) shall not be less than the city amount appropriated in the base year as determined at the time of adoption of the budget for the ensuing fiscal year."

The City has met the requirement to invest no fewer dollars in the schools in 2008-09 than in the previous year by allocating an additional \$400 million. However, the City's allocation of tax levy dollars was insufficient to fully fund schools using the Fair Student Funding formula, forcing the City to reduce the Fair Student Funding allocation to schools by \$430 million. According to Chancellor Klein, the schools needed an additional \$809 million to maintain 2007-08 services. The supplanting issue relates to the way that DOE allocated funding to restore schools' spending power to their 2007-08 levels. In principle, to avoid supplanting, a district should distribute tax levy and unrestricted State dollars equitably among schools before allocating Contract dollars. The evidence demonstrates that New York City did not apply that principle.

According to DOE's June 30 sam_04 file, the following additional City, Teacher Legacy and Contract funds were used to ensure a minimum net change of \$0 in each school's Fair Student Funding.

Original Reduction in Fair Student Funding	-\$430,785,026
Teacher Legacy supplement	\$89,070,859
Discretionary Contract Dollars	\$179,196,158
Remaining Reduction	-\$162,518,009
Additional City Funds	\$119,926,378
\$63mm C4E Funds Originally Held Back	\$63,580,328
Funding Increase over FY 08	\$20,988,701

The adjusted allocations on the sam_04 file are explicitly allocated to supplant reductions in funding from the city. This plan clearly uses Contract dollars to supplant NYC dollars provided in FY 08.

DISTRIBUTION OF CITY FUNDS

On June 30, 2008 DOE also announced the distribution of \$120 million additional City dollars and of \$89 million in teacher legacy funds. The expressed intent of these City dollars together with the discretionary Contract dollars was to reduce to no more than \$0 the net change in school budgets caused by the reduction in Fair Student Funding. While DOE distributed 75 percent of Contract dollars to High Need Schools, 86 percent of the \$120 million

new City tax levy dollars was distributed to schools below the median in student need (Table 13). The teacher legacy funds, in contrast, were allocated evenly between Low and High Need Schools (Table 14).

Table 13
Allocation of \$120 Million City Dollars by Need Quartile

Need Quartile	Additional City \$\$ Allocated on June 30	Enrollment in Quartile	Dollars per Student	Percentage of City Dollars \$\$
Need Quartile 1 (low)	\$55,307,352	234,190	\$236	
Need Quartile 2	\$48,275,490	238,811	\$202	86.4%
Need Quartile 3	\$10,185,275	236,285	\$43	
Need Quartile 4 (high)	\$6,158,261	229,171	\$27	13.6%
Total	\$119,926,378	938,457	\$128	

Table 14
Allocation of \$89 Million in Teacher Legacy Funds by Need Quartile

Need Quartile	Teacher Legacy Distribution	Enrollment in Quartile	Dollars per Student	Percentage of Teacher Legacy \$\$
Need Quartile 1 (low)	\$21,787,581	234,190	\$93	
Need Quartile 2	\$21,706,506	238,811	\$91	48.8%
Need Quartile 3	\$23,321,325	236,285	\$99	
Need Quartile 4 (high)	\$22,255,447	229,171	\$97	51.2%
Total	\$89,070,859	938,457	\$95	

The evidence in Table 13 and the tables below supports the finding that to maintain programs at the 2007-08 level, DOE distributed City tax levy dollars primarily to Low Need Schools and Contract dollars to High Need Schools. This distinction is important because of the restrictions on spending Contract dollars. With the exception of funds allocated for Continuation of Effort (COE), Contract dollars cannot be used to maintain positions funded with City or unrestricted State dollars in the previous year. Therefore, DOE's distribution of City and Contract dollars provided Low Need Schools with greater flexibility to maintain 2007-08 programs.

Additional evidence of supplanting in the July allocations came from the distribution of the \$30 million in Contract dollars that regulations allowed DOE to use for continuation of effort (COE); that is, to continue programs funded by Contract or City dollars in the previous year. As allowed, the City used COE dollars to fund summer school programs. DOE, in their proposed Contract, allocated the continuation funds exclusively to High Need Schools (Table 15) to maintain summer school programs. We believe that a more equitable approach would have been to allocate the COE dollars equally among Low and High Need Schools and maintain summer school programs in the remaining schools in both groups with City or unrestricted State dollars. By not dividing the COE funds equitably, DOE deprived High Need Schools of

Contract dollars that might have been used for new or expanded programs to serve at-risk students. This re-allocation of COE dollars would not necessarily have reduced any school budget, rather it would have more equitably distributed the dollars available for new programs among Low and High Need Schools. In its approved allocation, DOE partly addressed this issue by allocating 18 percent of the COE funds to Low-Need Schools (Table 16).

Table 15
Change in Allocation of \$30 Million in COE Funds by Need Quartile

Need Quartile	Proposed Distribution	Approved Distribution	Difference
Need Quartile 1 (low)	\$0	\$1,729,242	\$1,729,242
Need Quartile 2	\$0	\$3,626,296	\$3,626,296
Need Quartile 3	\$8,863,828	\$6,452,741	(\$2,411,087)
Need Quartile 4 (high)	\$21,141,064	\$18,191,721	(\$2,949,343)
Total	\$30,004,891	\$30,000,000	(\$4,891)

Table 16
Allocation of \$30 Million in COE Funds by Need Quartile

Need Quartile	Approved Distribution	Enrollment in Quartile	Dollars per Student	Percentage of COE \$\$
Need Quartile 1 (low)	\$1,729,242	234,190	\$7	
Need Quartile 2	\$3,626,296	238,811	\$15	18%
Need Quartile 3	\$6,452,741	236,285	\$27	
Need Quartile 4 (high)	\$18,191,721	229,171	\$79	82%
Total	\$30,000,000	938,457	\$32	

CFE believes that a second distinction between Contract dollars and City and unrestricted State dollars is that fringe benefits for staff hired with Contract dollars must be paid from Contract dollars in the school's budget, while fringe benefits for other staff are paid from the district budget. Fringe benefits for summer school and CTT-program staff funded by Contract dollars were taken from Contract dollars allocated to schools with these programs further reducing the spending power of High Need Schools. Table 17 shows that in the July proposal 72 percent (\$16 million) of fringe benefits to be paid with Contract dollars would be paid by High Need Schools. The approved allocation increases the number of Contract dollars to be used for fringe benefits by over one-half million dollars. It also reduces the fringe benefits to be paid using Contract dollars by schools in Need Quartile 1 by \$0.7 million and significantly increases the fringe benefits to be paid by the other quartiles (Table 18).

Table 17
Change in Allocation of Fringe Benefits Paid by Contract Dollars by Need Quartile

Need Quartile	Proposed Fringe Benefits Paid by Contract \$\$ Distribution	Approved Fringe Benefits Paid by Contract \$\$ Distribution	Change
Need Quartile 1 (low)	\$1,927,273	\$1,224,503	(\$702,770)
Need Quartile 2	\$4,215,563	\$4,735,612	\$520,049
Need Quartile 3	\$5,717,562	\$5,941,076	\$223,514
Need Quartile 4 (high)	\$10,208,738	\$10,727,189	\$518,451
Total	\$22,069,136	\$22,628,380	(\$559,244)

Table 18
Allocation of Fringe Benefits Paid by Contract Dollars by Need Quartile

Need Quartile	Proposed Distribution	Approved Distribution	Enrollment in Quartile	Dollars per Student	Percentage of Fringe Benefits
Need Quartile 1 (low)	\$1,927,273	\$1,224,503	234,190	\$8	
Need Quartile 2	\$4,215,563	\$4,735,612	238,811	\$18	28%
Need Quartile 3	\$5,717,562	\$5,941,076	236,285	\$24	
Need Quartile 4 (high)	\$10,208,738	\$10,727,189	229,171	\$45	72%
Total	\$22,069,136	\$22,628,380	938,457	\$24	

DISCUSSION

CFE acknowledges that DOE has met the requirement to distribute Contract dollars to schools according to concentration of need using the 75/50 rule. CFE believes, however, that the Contract dollars will have the greatest impact on performance if they are focused on a smaller group of schools, particularly those in Need Quartiles 3 and 4. Further, CFE believes that, absent exceptionally high concentrations of need, schools should target Contract dollars to those students with the greatest need.

CFE believes that DOE should be required to maintain programs and teachers funded with tax levy and unrestricted State funds from year to year using those funds. If economic difficulties make it impossible to provide sufficient City funds to continue those programs, cuts should be made proportionately across all New York City schools. High Need Schools should not be more dependent than Low Need Schools on Contract dollars to maintain programs formerly funded by other dollars.

To evaluate the effectiveness of Contract dollars, DOE must comply with the statutory requirement to provide expenditure information at the school level. This budget information should specify the specific groups that benefited from each intervention: e.g., the principals that received training; the teachers that received mentoring; and the grades, subjects, and demographics groups for whom class sizes were reduced, school days or school years lengthened.

At the end of four years, DOE will need to demonstrate performance improvements attributable to the total Contract dollars allocated over that time. To this end, it is essential that DOE and other districts receiving Contract dollars keep careful electronic records specifying the participation of students in programs funded with Contract dollars. Those records will allow independent researchers to evaluate the effect of Contract dollars on student performance.

Information on what was purchased with Contract dollars and identification of students benefiting from the programs is essential to evaluating the programs funded with Contract dollars and identifying those programs that are most effective in raising the achievement of specific groups of children. It is critical that the most effective programs be identified and replicated. Failure to show a strong link between programs and results will place continued funding at risk.